

Exploring Forest Plantation Investment Opportunities

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Natural Resources
Canada

Ressources naturelles
Canada

Canada



Setting the Context...



Background and Drivers



- Historically afforestation and forest plantations were driven by a mix of objectives
 - Fibre production, regional development, watershed protection, site rehabilitation
- New economic dimension to afforestation and plantations
 - Kyoto Protocol and climate change mitigation, natural forest protection, biodiversity
- Renewed interest by governments / industry to review and examine the full range of benefits from forest plantations



Economic and Policy Analysis



- Key Questions
 - Are forest plantations a viable investment to achieve multiple benefits (fibre, carbon, etc.) and what are the investment risks?
 - Will market benefits for fibre and carbon be enough to drive private investment into plantations?
 - How can non-market values be incorporated into plantation investments?
 - What are the roles for government, industry, landowners, others?





Government of Canada's Forest Plantation Policy Analysis...



Forest 2020 PDA - Overview



- Climate Change Plan for Canada
 - Forest 2020 Plantation Demonstration and Assessment (PDA) Initiative (2003/04 to 2005/06)
- Policy Objective
 - Explore the potential for fast growing plantations to help achieve climate change objectives and other economic benefits
- Approach and Expected Results
 1. Demonstration – Establish 6,000 ha of fast growing plantation demonstration sites
 2. Economic Analysis – Assess economics (i.e., costs and benefits, ROI) of fast growing plantations on private rural lands
 3. Investment Models – Explore policy options to encourage private investment in plantations for fibre, carbon and other co-benefits



Investment Approaches



- Various approaches have been utilized by other countries and organizations
 - Direct Financing Agreements (Australia, Chile, U.S.A.)
 - Forestry Extension Partnerships (Ireland, Denmark)
 - Forestry Trust Funds (Norway)
 - Privatization of Forest Resource (Australia, New Zealand, Chile)
 - Policy Support for Institutional Investors (Australia, U.S.A.)
 - Carbon Funds (World Bank)





Today...

**Exchanging information to understand
existing and new ways to encourage
plantation investment...**



Understanding the Options



- Need to better understand the mechanics of incentive / investment approaches
 - How do these mechanisms operate?
 - Are they successful? What do investors need?
 - Could these approaches be successfully implemented in other countries?
 - What would need to change (government policy, private markets, etc.)?



Building a Model for Investment

