Oddar Meanchey REDD project runs into problems selling carbon credits, as the Cambodian government misses deal signing deadline

Cambodia’s first REDD project is in trouble after two potential buyers of carbon credits walked away after the government missed a deadline to sign off on the carbon credit deal, reports the Cambodia Daily.

The project has been running since 2007. Started by Community Forestry International, in 2009 Pact Cambodia took over as the implementing partner, together with Cambodia’s forestry administration. Pact brought in Terra Global Capital, a US-based carbon trading firm. In April 2013, Microsoft announced that it was investing in the Oddar Meanchey. Another company was also involved reports the Cambodia Daily.

Pact told the Cambodia Daily that it had set a deadline of 20 May 2013 for the government to sign the deal for the project to sell carbon credits. For REDD proponents, this sets a worrying precedent. Sarah Sitts, Pact’s country director in Cambodia points out that the government’s failure to sign could lead to potential buyers of carbon credits staying away from Cambodia.

The two companies had been planning to pay a total of US$911,000 for the credits. Keo Omaliss, deputy director of the Forestry Administration’s department of wildlife and biodiversity, is the government representative responsible for Cambodia’s carbon trading projects. He told the Cambodia Daily that he did not know about the missed deadline and declined to comment further.

In its January-March 2013 newsletter, “Oddar Meanchey Quarterley”, Pact announced that,

With the support of UNDP, His Excellency Sok Siphanna is providing valuable legal counsel to the FA on the key legal agreements that are necessary for the project to move forward and sell credits. This has involved, for example, advice on: registration with the VCS and
the Markit registry, conditions of the Emissions Reduction Purchase Agreement (ERPA), and the carbon revenue distribution mechanism.

When the *Cambodia Daily* asked Sok Siphanna for a comment about the missed deadline, he referred questions back to Pact.

Pact’s newsletter explains that,

> [T]he legal counsel provided by H.E. Sok Siphanna is highly valuable to the project’s progress. This legal assistance is especially important in relation to negotiations that are occurring between buyers and the FA. As certain agreements are time sensitive and are subject to expiration after short periods of time, a prompt review and good understanding of these documents is critical.

The Oddar Meanchey project aims to link 13 community forests covering a total of 68,000 hectares with the carbon market. But without sales of carbon credits, the project is running out of cash. Sitts told the *Cambodia Daily* that she’s concerned about paying her staff and there’s a risk next month of not being able to pay for patrols and forest maintenance.

Meanwhile, the villagers’ community forests are under increased threat, from people moving to the area, from large scale economic concessions and from the Royal Cambodian Armed Forces.

In April 2013, two armed soldiers stopped community forest patrollers and forced them to hand over two chainsaws and 100 planks of luxury timber that they had seized from illegal loggers. The soldiers said that the logging was to construct a new building for their garrison.

A few days later, a Royal Cambodian Armed Forces official denied that soldiers were involved in the illegal logging. “Our soldiers do not cut down the trees inside the protected forests because we also need the trees to give us shade,” Major General San Sear told the *Cambodia Daily*. But he also said that permission to set up bases inside the protected forest came from the highest level of government.

Last year, the military told the head of the community forest network, Sar Thlai, that it would take over 2,500 hectares in two of the community forests. Sar Thlai told the *Cambodia Daily* that the military had set up bases in at least six of the 13 community forests in recent years.

Military officials had promised to take part in a meeting with community forest groups in May 2013. But just before the meeting, the government cancelled it, claiming that the room for the meeting had been double-booked.

A company called Angkor Sugar is one of three subsidiaries of the Thai firm Mitr Pohl that are operating plantations in Oddar Meanchey province. Angkor Sugar’s concession is next to one of the community forests. The company has cleared the forest in its concession, but has so far planted little sugarcane.
Obviously, if the Oddar Meanchey project could sell its carbon credits, that would be a major boost to the project. But questions remain. As the *Cambodia Daily* points out, at today’s carbon prices, more profit can be made by logging the forest and converting the land to sugarcane plantations. And, can villagers and community forests compete with armed soldiers, massive land pressure from plantation concessions and a corrupt, incompetent government?

PHOTO Credit: Pact’s Oddar Meanchey Quartlerly, January-March 2013 newsletter.

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Chris Lang  
15 July 2013

The April-June Oddar Meanchey Quarterly includes the following comments:

> Project stakeholders have been encouraged that credit buyers have shown a desire to purchase Oddar Meanchey credits, and hope the Forestry Administration (FA) will act quickly so purchase offers can be met and generate revenue for continuing the project. Oddar Meanchey communities require ongoing support to address forest management challenges and run and monitor the project to allow future verifications.

[...]

*Note: Future newsletters from Pact will be contingent on continued funding. Pact hopes the FA will take the necessary and urgent action to allow the continuation of the OM CF REDD+ project into the future, with Pact as Implementing Partner, welcoming the first REDD+ credit funds into Cambodia and setting a precedent for other REDD+ projects.*