

# FOREST RESTORATION THROUGH MIXED-USE FORESTRY MODELS IN MALAYSIA



**Client:** UNEP, 2022



**Sector:** Forestry



**Services:** Carbon Markets, Investment

Decades of harvesting of Malaysia's forests has reduced the productivity of its Permanent Reserve Forests. To assess the business case of investing into active restoration measures, this assignment modelled different forest management scenarios. A background report provided recommendations on optimal mixed use forest models in Malaysia, as well as options to tap into carbon markets and sustainable financing mechanisms.

## Key findings

- Restoring 'low-productivity forest' to high productivity forest, such as Malaysian forests in their 3rd harvest cycle and beyond, using active restoration techniques, is the only economical way to secure a supply of logs to Malaysia's timber industries.
- It is un-economical to restore highly degraded forest that is incapable of natural regeneration to a productive state, and the business case for restoration of such land is therefore unclear. Public expenditure is needed.
- Managing the forest concessions for 'mixed use', optimising both timber production and carbon sequestration, can effectively self-finance the restoration of a concession for the benefit of the timber output. This requires integrating fast growing species during the initial phase and selected harvesting of long-rotation high-value tree species.
- Incorporating payments from carbon could provide additional revenue, which is particularly needed in the early stages of the restoration activities, when cash-flow is negative.
- There is a need to leverage private and commercial finance. Given the mature sustainability bond market in Malaysia, it is suggested to explore a Restoration Bond. Any efforts would need to be complemented by policy reform, to provide incentives and allow revenues to be captured and shared by companies and the State.