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CLIMATE FINANCE FROM PRIVATE SECTOR FOR PROJECTS AND JURISDICTIONAL REDD+ PROGRAMS

Climate Finance from Private Sector for REDD+ Programs

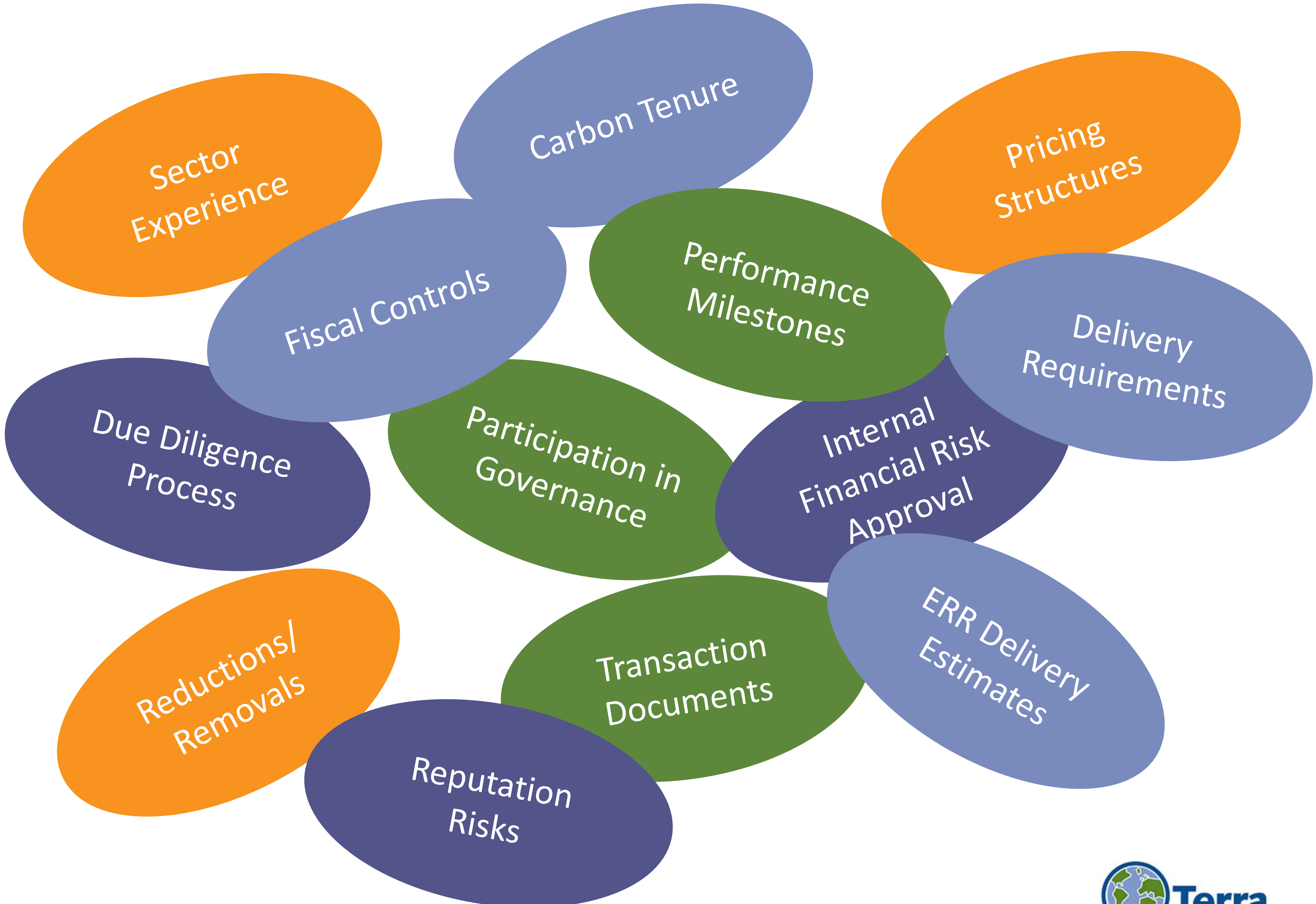
What is Climate Finance?

- Results-based and/or market payments for emission reductions/removals
- Financing includes
  - Upfront investments to fund initial implementation costs
  - On-going purchases of emissions reductions/removals
  - Investments in commercially viable forest conservation, reforestation, agricultural and non-timber forest products' businesses
- Market trends
  - Large increase in demand, willingness to provide upfront funding
  - Focus on "Nature-based solutions" and producing social and biodiversity benefits
  - Prepared for large scale projects while seeking jurisdictional alignment/pathways

Private Sector Funders

- Oil and Gas/Extractives (e.g. Eni, Shell, BP, Total, BHP)
- Technology (e.g. Microsoft, Apple, HP)
- Retail (e.g. Amazon, Starbucks, Disney)
- Automotive (e.g. Volkswagen, BMW)
- Airlines
- Taxed Entities in Domestic Programs (e.g. Colombia, California)
- Specialized Investment Funds

Private Sector Engagement Conditions



Transactions Happening Bottom-up and Top-down

Bottom-up
(Project to J-program)

<u>Pros</u>

- Implementation/ delivery risk easily assessed
- Direct production of co-benefits measured
- Direct benefit sharing link
- Fiscal management simplified

<u>Cons</u>

- Impact of required inclusion into J-program
- Questionable baselines
- Getting to scale
- Size of counterparties

<u>Options</u>

- Projects as projects (removed from jurisdiction)
- Project with J-baselines only
- Projects fully nested for MRV
- Crediting at project level
- Benefits only at project level
- No benefits at project level

Top-down
(J-program to Project)

<u>Pros</u>

- Scale large
- One counterparty
- Paris/Warsaw consistent
- No need to measure leakage
- Integration/leverage across landscape

<u>Cons</u>

- Carbon tenure risk higher
- Commercially acceptable governance not the norm
- Transfer of wealth risk of benefits plans
- ERR quantification more complex

REDD+ Governments May be Difficult to Engage

Private Sector Climate Finance Benefits	Governments Challenges in Engaging
• Upfront funding provided	• Do not understand Investment Readiness requirements
• Long-term purchase agreements provide predicable income stream	• Operationalizing a dedicated governance entity difficult
• Outcomes are quantified and audited	• Contractual agreements complex and unknown
• Focuses on moving away from "business as usual"	• Donor recipient mentality differs from reimbursable funding mentality
• Leverages technology, political and other strengths of private sector partner	• Securing approvals for lead agency authority, uncertain path, long lead times
• Large pools of capital	• Pre-conditions of other RBP agreements

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Investment Readiness Requirements for Private Sector

1. Direct engagement and support from REDD+ government with private sector
2. Detailed long-term REDD+ implementation plan (business as usual + new)
3. Activity-based budgets (mapped to implementation plan)
4. Emission reductions projections for planned activities with phased roll out
5. Long-term cash flow model (program costs, carbon revenue, other funding)
6. Authorization from central government to transact in carbon
7. Governance structure established
    1. Ring-fenced REDD+ funding
    2. Dedicated entity with government authority/oversight to operate but allows for private inclusion
    3. Operational procedures and authorities documented
8. Benefits Allocation Plan (includes community stakeholders)
9. Stakeholder/community engagement plan
10. Feedback, Grievance and Redress
11. Monitoring and reporting plan

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Not Killing the Golden Goose of Private Sector

Voluntary Buyers/Markets are not Compliance Markets

- They are just that - VOLUNTARY
- Most voluntary buyers seek to claim carbon neutrality and retire credits
- These reductions can remain part of host country accounting
- Should not require corresponding adjustments in buyer’s country

Rush to “Fold” Projects in Jurisdictions Causes Reputation Risk

- Projects can no longer generate credits due to country’s decision
- Tenure rights violated by countries claiming project credits
- Transfer of wealth issues with J-baseline and/or nesting approaches
- Money stops going to where it is needed

Rush to Invest in Jurisdictions Produces Poor Results

- Funds deployed in shot gun and/or with limited effectiveness => under delivery
- Low levels of accountability and fiscal control cause performance issues
- Benefits sharing does not reward “producers”

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THANK YOU!