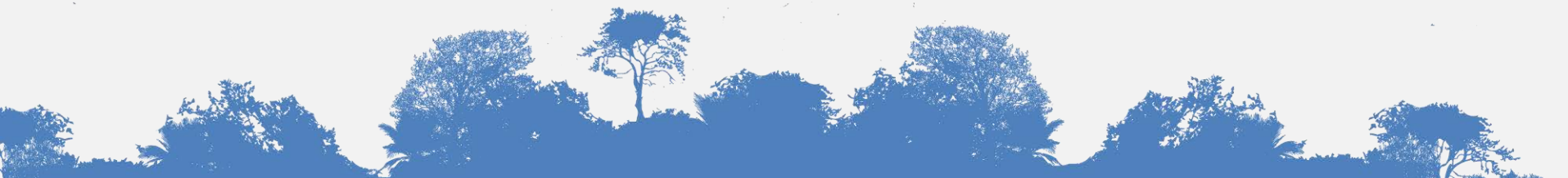


# Form readiness to full implementation, financial support considerations from a multilateral perspective

M. J. Sanz

FAO



# Questions?



Al servicio  
de las personas  
y las naciones

- **Complex and uncertain Climate Change finance. Is REDD+ different?**
- **REDD+ carbon credits supply likely to be bigger than demand?**
- **Where we stand?**
- **How to match demand of finance to achieve sustainable results?**
- **Is there a single solution? Only one sequence?**
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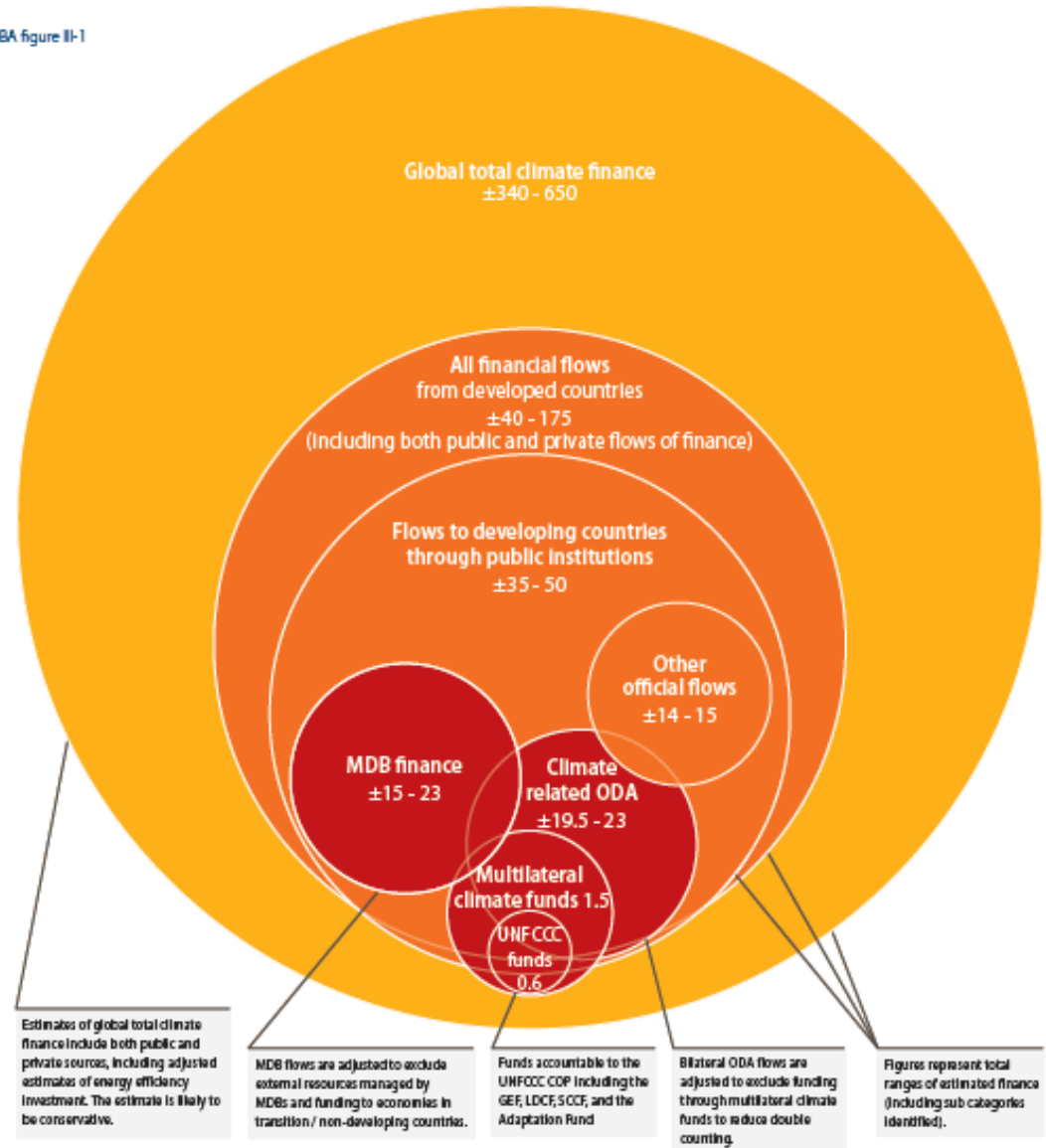
# Climate Change Global Finance

Complex...  
Uncertain?

REDD+  
short term  
versus  
long term

Figure 1: Scale of global and international finance

Source: Slightly adapted from the BA figure III-1



The rectangles represent the subsets of finance that were included in Fast Start Finance (FSF) reports and in the submissions of Biennial Reports (BRs) of developed countries respectively.

Quality of measurement and reporting:

- Relatively certain ■
- Medium certainty ■
- Relatively uncertain ■

## Biennial Assessment and Overview of Climate Finance Flows 2014

13 The BA estimates other climate finance flows between developed countries (North-North) or developing countries (South-South).

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Figure 1: Estimated global REDD+ supply and demand from 2015–2020: a comparison

REDD+



9,900 MtCO<sub>2</sub>e

SUPPLY: Upper bound estimate of global supply of emission reductions needed from all forest and land-use activities in order to achieve a 50% reduction in deforestation by 2020.

Supply bigger than demand?



2,475 MtCO<sub>2</sub>e

SUPPLY: Example of supply of REDD+ emission reductions from 2015–2020. In this scenario, the upper bound estimate of global supply (9,900 MtCO<sub>2</sub>e) is used and we assume that 25% of emission reductions are sold internationally through a REDD+ trading mechanism.



825 MtCO<sub>2</sub>e

SUPPLY: Example of supply of REDD+ emission reductions from 2015–2020. In this scenario, the lower bound estimate of global supply (3,300 MtCO<sub>2</sub>e) is used and we assume that 25% of emission reductions are sold internationally through a REDD+ trading mechanism.



253 MtCO<sub>2</sub>e

DEMAND: Total potential demand for REDD+ emission reductions between 2015 and 2020, as of January 2014.

Assumptions...

Key assumptions used in estimating global supply and demand

ASSUMPTION	REASON
A global deforestation reduction target of 50% on current levels by 2020.	The target proposed by the European Commission, which includes many donor countries, and is used here in the absence of a global target agreed by all countries.
Not all forest and land-use emission reductions will be paid for through an international REDD+ trading mechanism. In this report, we use 25% as an example of the percentage of the global supply of forest and land-use emission reductions that are paid for through REDD+.	The importance of an international trading mechanism for REDD+ emission reductions under the anticipated global climate agreement is undecided. We assume that for every four units of REDD+ emission reductions generated by tropical forest countries, at least one is sold on the international market, likely to be used as an offset, while three are used for compliance with domestic targets. This assumes a significant role for an international trading mechanism, but not such a large role that it disincentivises domestic action in the industrialised, non-tropical forest countries.
Carbon price of US\$5/tCO <sub>2</sub>	An implicit price for forest carbon is unlikely to emerge whilst there is no liquid secondary market. In the absence of this, US\$5/tCO <sub>2</sub> is an estimate of the carbon price used by some market participants, e.g. the Amazon Fund.

# .... assumptions

## Key assumptions used in estimating global supply and demand

### ASSUMPTION

A global deforestation reduction target of 50% on current levels by 2020.

Not all forest and land-use emission reductions will be paid for through an international REDD+ trading mechanism. In this report, we use 25% as an example of the percentage of the global supply of forest and land-use emission reductions that are paid for through REDD+.

Carbon price of US\$5/tCO<sub>2</sub>

### REASON

The target proposed by the European Commission, which includes many donor countries, and is used here in the absence of a global target agreed by all countries.

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# REDD+

## Interaction of Needs and Sources

### Needs

- Strategies, plans
- Needs for building capacities and arrangements
- Resource needs for implementation of policies and actions
- Needs for performance assessments

Financial  
agreements

- Readiness
- Investments (PAMs)
- Result Base Payments

### Sources

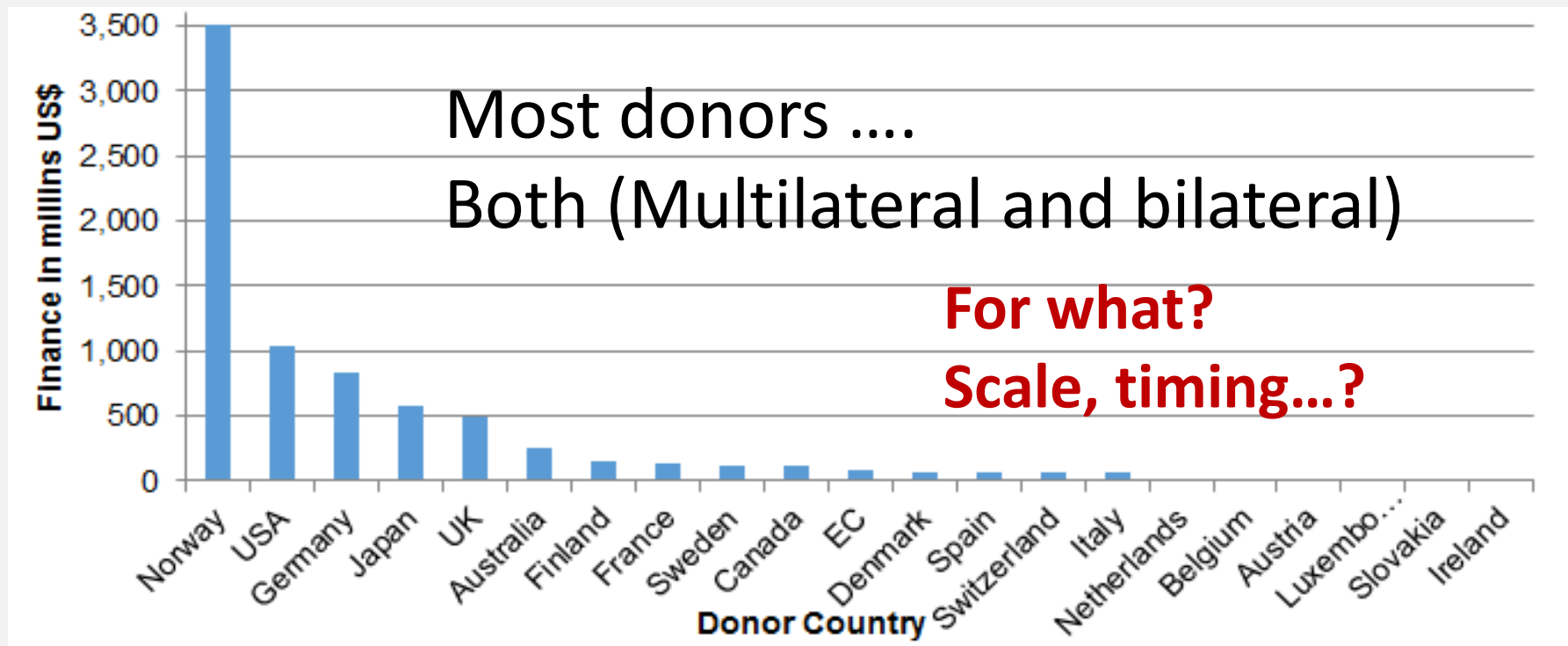
- Bilateral arrangements
- Multilaterals (Funds and programs):
- Indirect
- Domestic budgets
- Other funds
- NGOs support

**Present (short term)**

*versus*

**Future (Long term)**

## Donor country pledges for REDD+ for the period 2006-2014



Source: Compilation of public sector reported data from the REDD+ Partnership Voluntary REDD+ Database and ODI and HBF Climate Funds Update covering REDD+ financial commitments for 2006 to 2014. From Norman and Nakhooda, 2014.

**North-South... South-South... Multilateral... Bilateral...**  
**International... domestic other?**

# REDD+ Needs.....



# REDD+.....Sources

## Sources

- Bilateral arrangements (mostly RBPs)
- Multilaterals (Funds and programs), examples:

Readiness	Investments (PAMs)	RBPs
FCPF Readiness Fund	FIP	FCPF Carbon Fund
UNREDD Programme	GEF	
GCF?	GCF?	GCF?

- NGOs projects (mostly readiness)
- Domestic budgets (mostly investments)
- Voluntary Markets (RBPs)
- Others (Amazon Fund, CBFF, etc.)

- Readiness
- Investments (PAMs)
- Result Base Payments

Multilateral is playing a role....

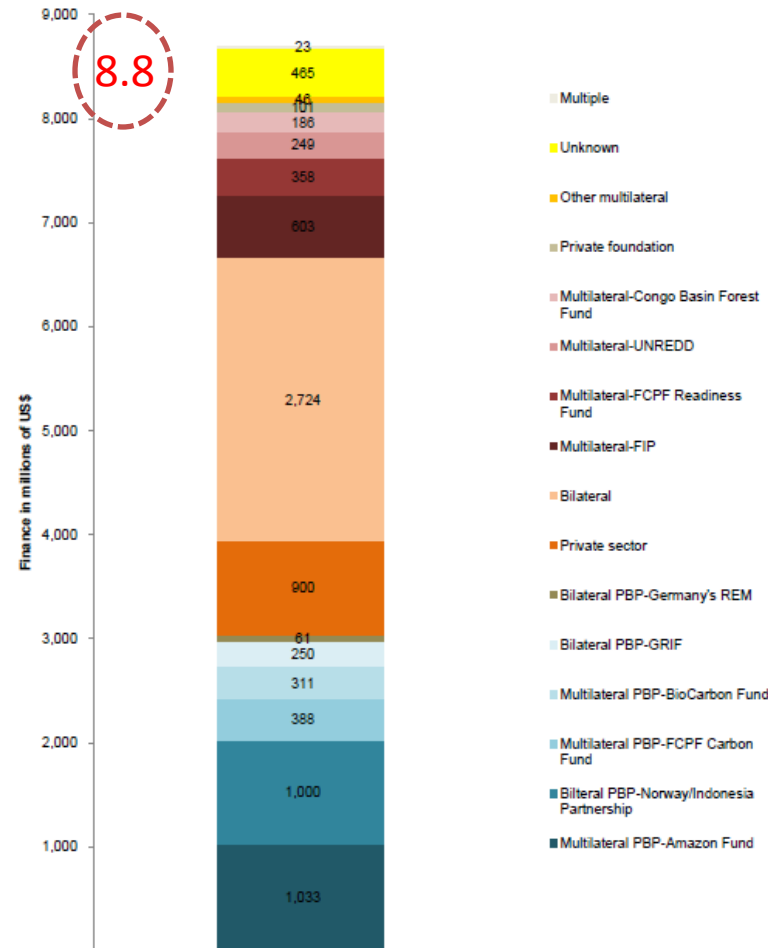
6 Multilateral funds: UNREDD, FCPF (Readiness/Carbon), Amazon Fund, CBFF, Bio carbon Fund Initiative for sustainable forest Landscapes, FIP

Type of funding/donor	Scope of Data	Data Tracking Institution/source	Total financial pledge/investment reported in millions US\$
Bilateral	21 donor countries <sup>8</sup>	Detailed assessment and compilation using: ODI FSF data 2010-2012 Voluntary REDD+ Database (VRD) of the REDD+ Partnership (2006-2013)	4,035
Multilateral	6 multilateral REDD+/forest focused funds <sup>9</sup>	ODI HBI CFU tracking (2008-March 2014)	3,142
Multiple channels	21 donors and 6 multilateral REDD+/forest focused funds	Detailed assessment and compilation using: ODI FSF data 2010-2012 Voluntary REDD+ Database (VRD) of the REDD+ Partnership (2006-2013)	23
Unknown	21 donors and 6 multilateral REDD+/forest focused funds	Detailed assessment and compilation using: ODI FSF data 2010-2012 Voluntary REDD+ Database (VRD) of the REDD+ Partnership (2006-2013)	465
Private Foundations	10 REDD+ countries <sup>10</sup>	Forest Trends' REDD+X March 2014	101
Private sector	162 projects	Ecosystem Marketplace 2013	900
<b>Total</b>			<b>8,666</b>

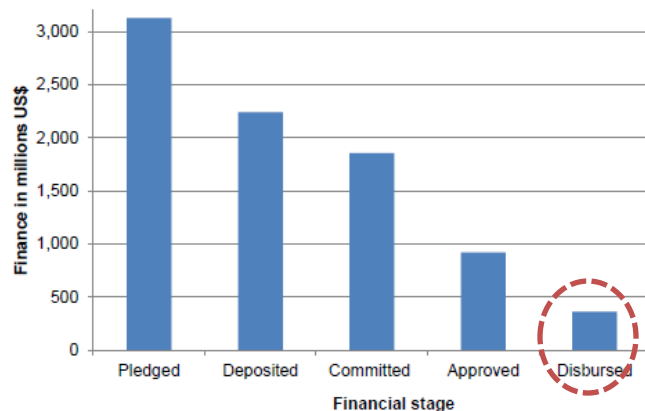
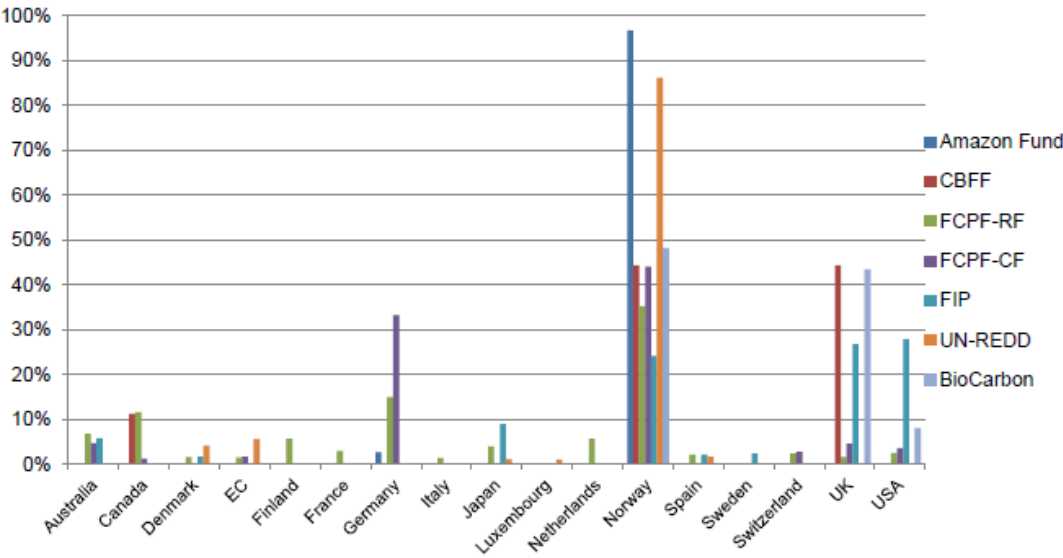
# ... different aggregation

Figure 1: How global REDD+ finance stacks up: Public and private pledges 2006 to

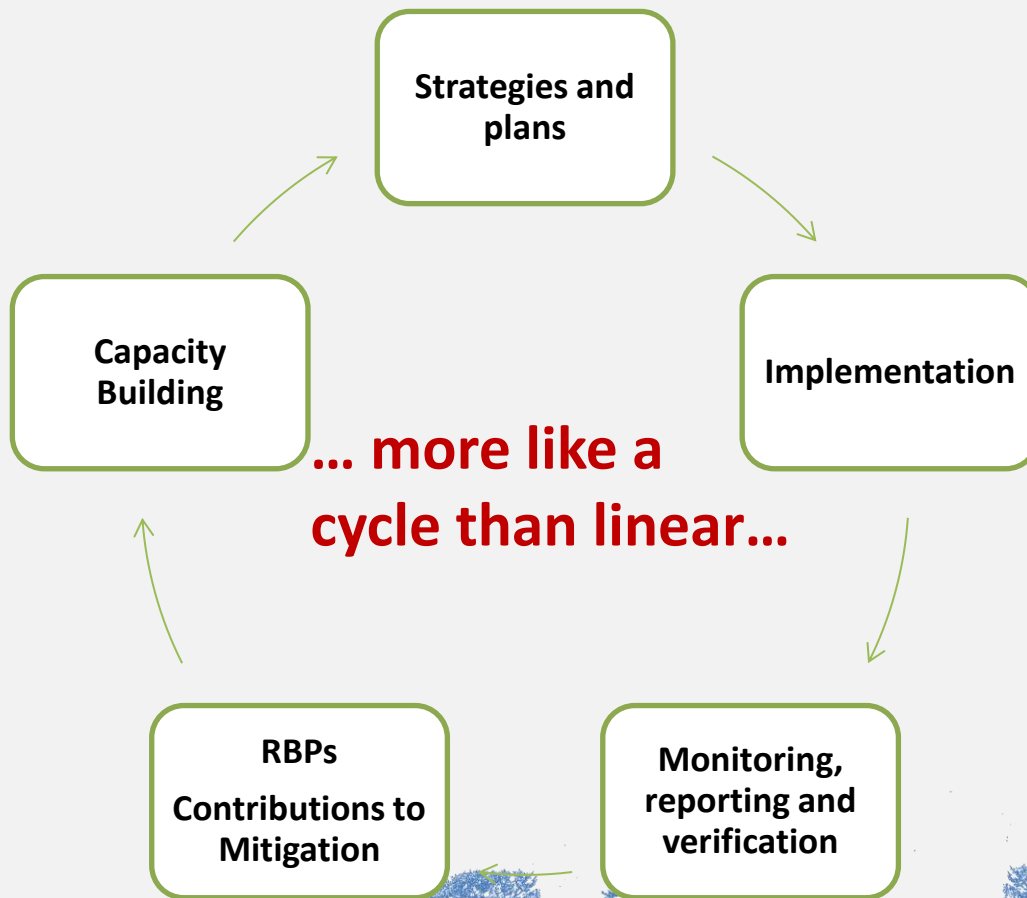
March 2014



8.8



# Where countries stand?

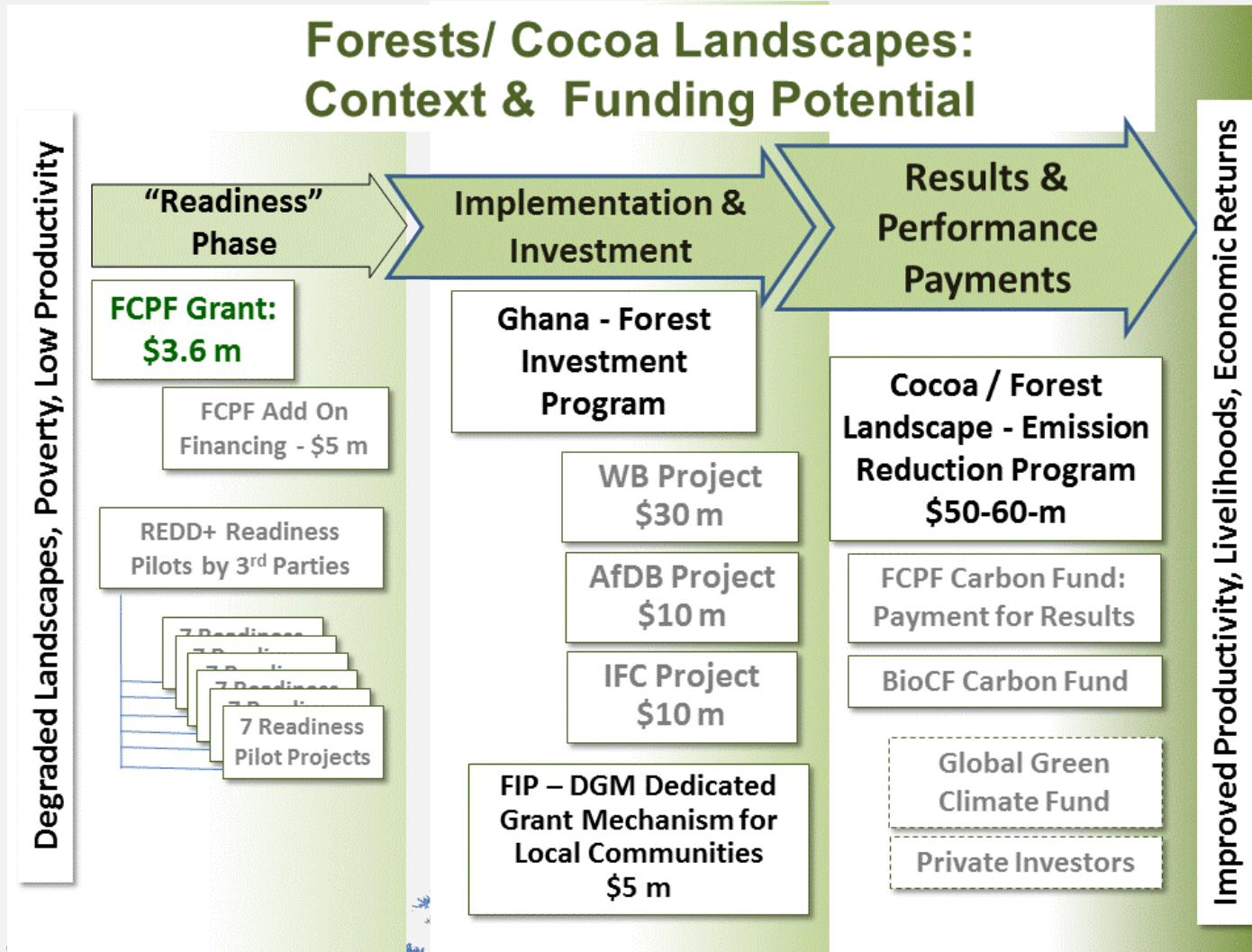


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# Example



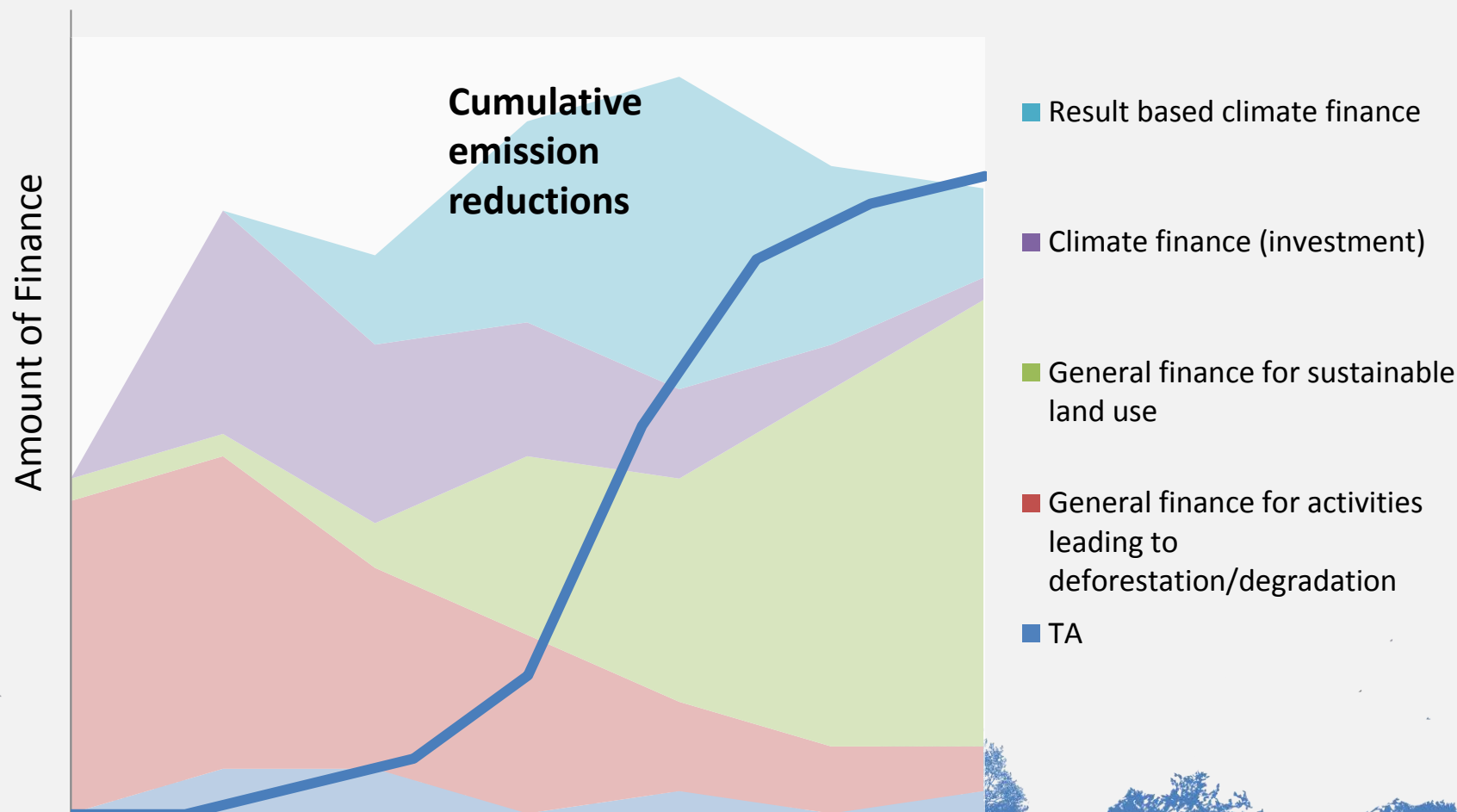
to match demand of finance to achieve sustainable results....

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# Ideal.... but...

Not a single standard solution, need to adapt to country situations....



to match demand of finance to achieve sustainable results....

# What we learnt?

- REDD+ **not linear**, more a cycle. **Timing and scale of finance matters** to country processes and differences.
- Many countries face barriers for implementing the national REDD+ policies and measures and **significant funding** is required to overcome some of these barriers.
- Long-term, cumulative emission reductions only can be **created and maintained** from a financing mix.
- Need to **leverage existing finance and ensure this will contribute to sustainable land use** (amount often many times larger than climate finance) if long term mitigations is aimed.

# ありがとう



# Multilateral is playing a role....

**Table 1: Examples of the largest current REDD+ funding channels and the phases they target**

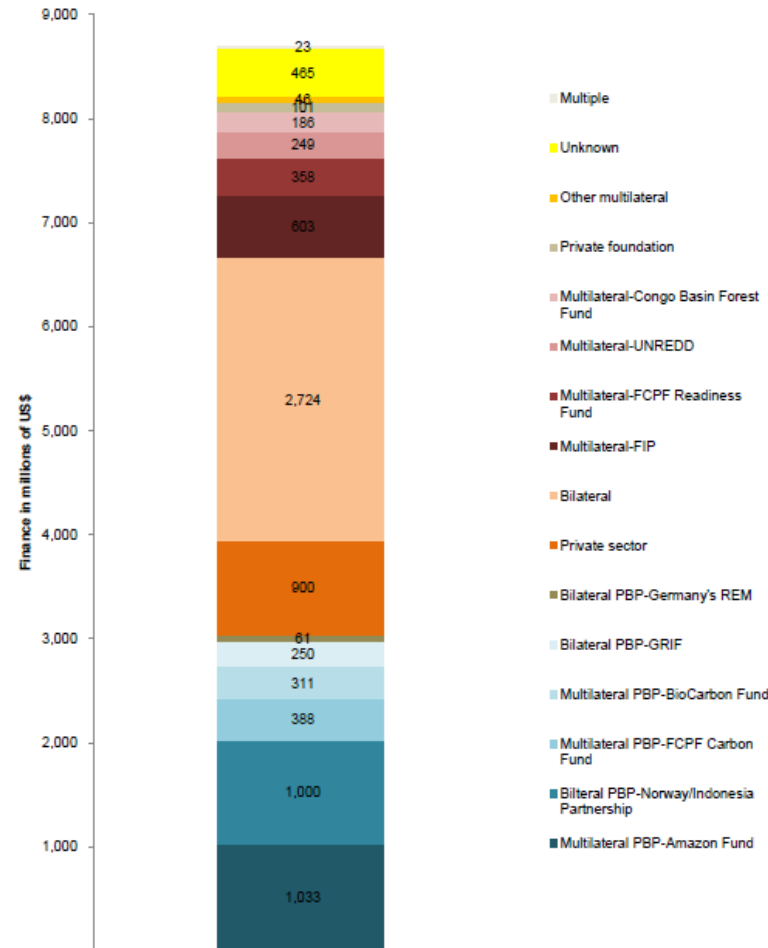
FUNDING CHANNELS	PHASE 1	PHASE 2	PHASE 3	PLEGGED (US\$ MLN)	DEPOSITED (US\$ MLN)	DISBURSED (US\$ MLN)
<b>MULTILATERAL</b>						
FCPF READINESS FUND	✓			240	240	16
FCPF CARBON FUND			✓	390	219	0
FIP		✓		611	490	0
CONGO BASIN FOREST FUND	✓	✓		186	164	35
UN-REDD PROGRAMME	✓	✓		173	171	130
<b>BILATERAL</b>				<b>&gt; 1,500</b>		
BRAZIL AMAZON FUND	✓	✓	✓	1030	785	95
GUYANA REDD+ INVESTMENT FUND (GRIF)	✓	✓	✓	250	70	14.4
NORWAY-INDONESIA LETTER OF INTENT <sup>9</sup>	✓	✓	✓	1000	40	40

Source: Adapted from ISU, 2011 using data from [climatefundsupdates.org](http://climatefundsupdates.org), [fundoamazonia.gov.br](http://fundoamazonia.gov.br), [fundoamazonia.gov.br/projects](http://fundoamazonia.gov.br/projects), [fiftrustee.worldbank.org/webroot/data/GRIF\\_TR\\_03\\_13.pdf](http://fiftrustee.worldbank.org/webroot/data/GRIF_TR_03_13.pdf)

Note: The development of REDD+ at a national level in developing countries is implemented in three phases (UNFCCC, 2011): planning and capacity building; implementation of a national REDD+ strategy; and payments for results-based emission reductions.

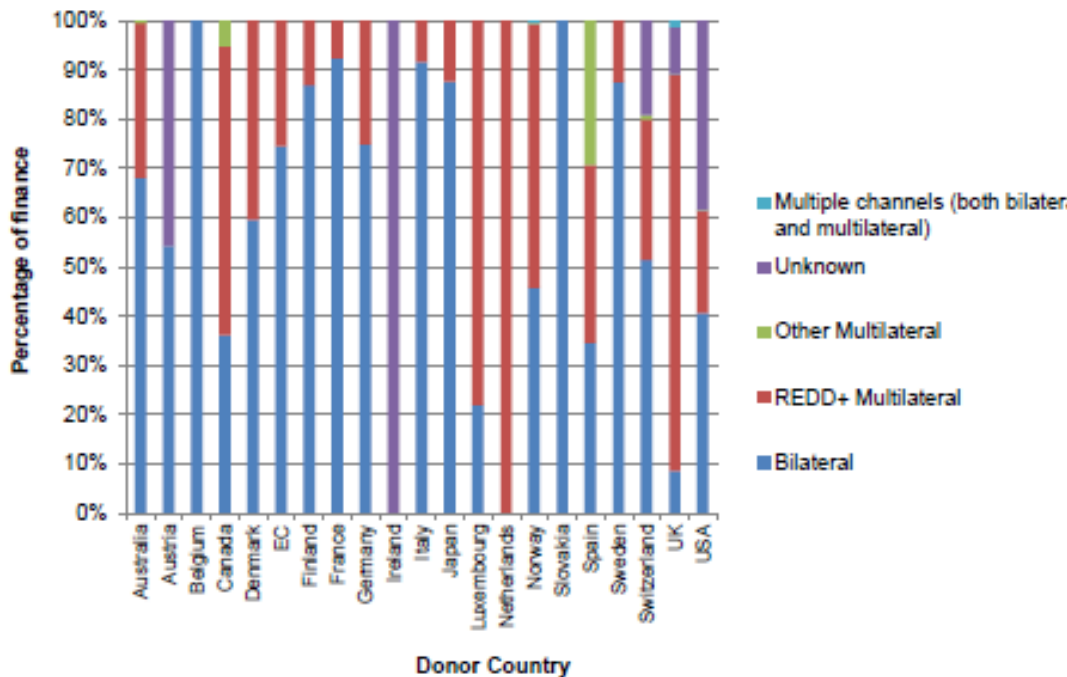
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Source: Compilation of public sector reported data from the REDD+ Partnership Voluntary REDD+ Database and ODI HBF Climate Funds Update covering REDD+ financial commitments for 2006 to 2013. Private sector data is sourced from Ecosystem Marketplace's State of the Forest Carbon Markets Report 2013. Private Foundation data from Forest Trends' REDD+ initiative data as of March 2014. "PBP" stands for "performance-based payment" to represent programmes paying on performance or verified emissions reduced.

Figure 6: How donors are channeling REDD+ finance for the period 2006-2014

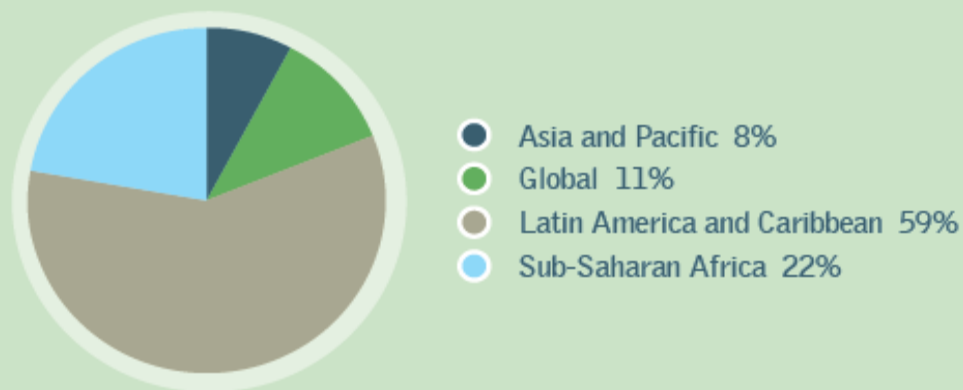


Marigold Norman and Smita Nakhoda. 2014. "The State of REDD+ Finance." CGD Working Paper 378. Washington, DC: Center for Global Development.

# ... other updated analysis

Fund / Initiative <sup>1</sup>	Pledged (USD M)	Deposited	Approved	No of projects approved
Amazon Fund	1,033.60	792.19	431.38	62
Forest Carbon Partnership Facility - Carbon Fund (FCPF-CF)	388.40	280.62	0	0
Forest Carbon Partnership Facility - Readiness Fund (FCPF-RF)	355.13	257.93	87.86	42
Forest Investment Program (FIP)	599	530	258.97	29
UN-REDD	248.84	215.22	192.54	21
Congo Basin Forest Fund (CBFF)	186.02	164.65	95.38	37

**Figure 3: Regional distribution of approved multilateral REDD+ finance**



**Figure 1: Dedicated REDD+ funds and initiatives**  
(see Table 1 for expanded acronyms)

