



Crossing the Bridge of Donor Finance: REDD+ in business and sustainable enterprises

Presented by:
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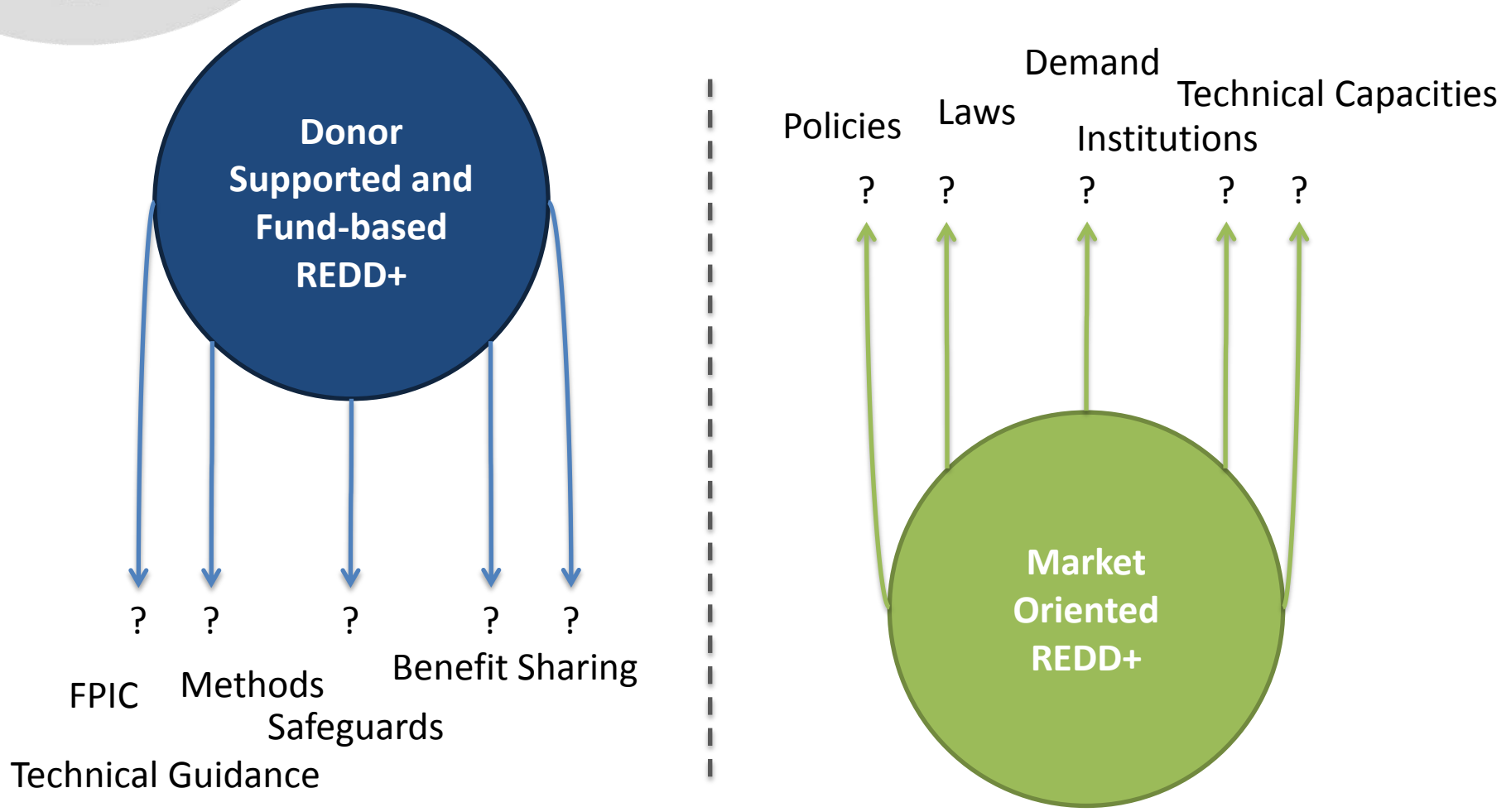
Quick History

- Around 2008...a split emerged between donor-driven REDD+ initiatives and market-based “voluntary” approaches.
 - Market-based approaches advanced technical and methodological knowledge to where it is today
 - Donor initiatives focused on readiness (institutions, capacities and policy)
 - By 2009 and 2010, two visions of REDD+ emerged that were completely isolated from each other.
- What has emerged is a split in the REDD+ sector between **fund-based REDD+** and **voluntary market-based REDD+**

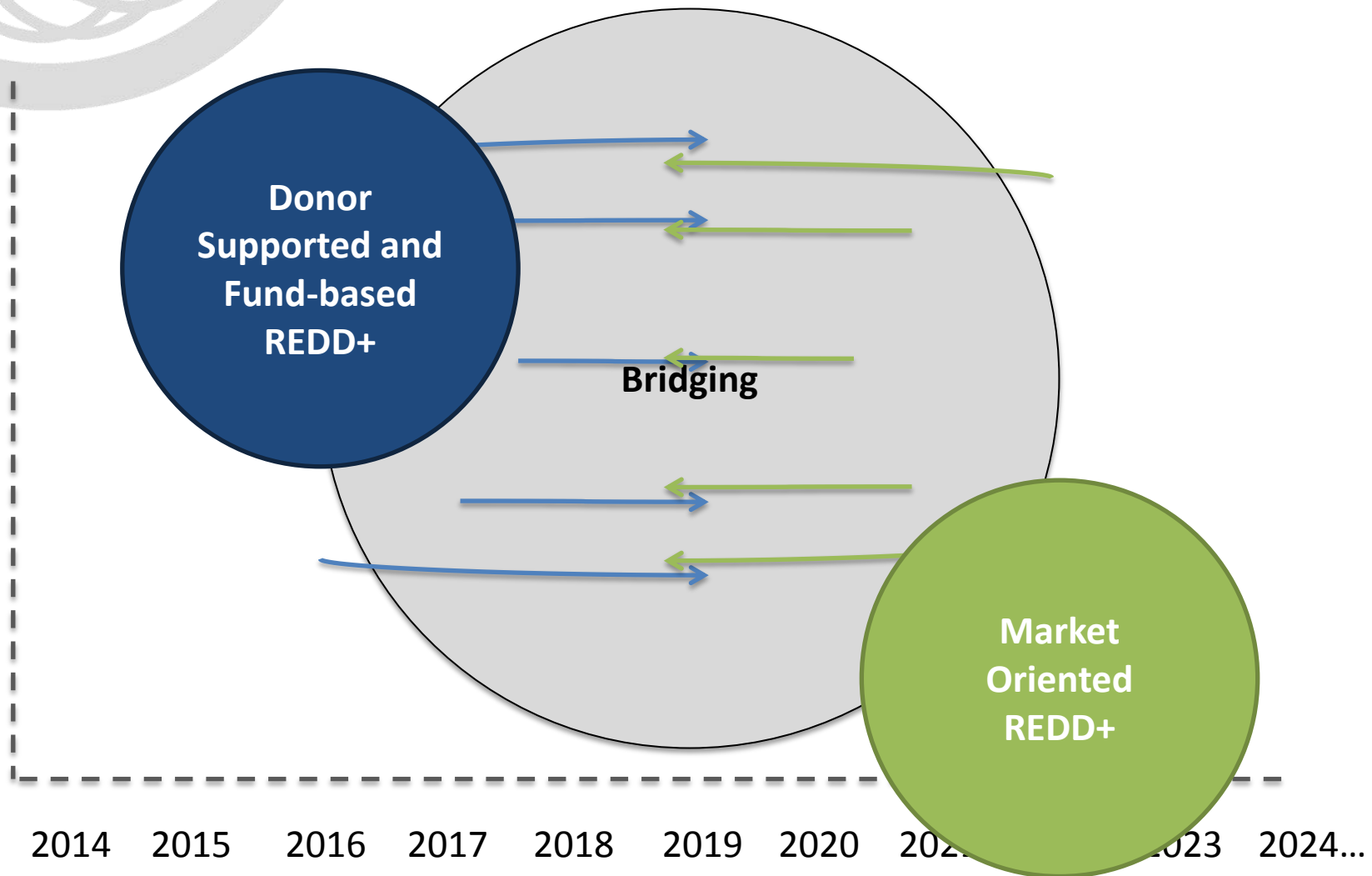


Relevant Developments on REDD+

2008...until today



Relevant Developments on REDD+





The Market Today

- Today we are in the early bridging phase.
- Donor finance is filling the financial risk of development REDD+ Readiness:
 - REDD+ governance and policy are being drafted
 - General methodological guidance
 - Safeguards
- Subnational REDD+ and green growth strategies



...yet something is missing.

- Private Sector
 - Drives land use and land use change faster and on a scale larger than any other sector.
 - Technical knowledge, resources and flexibility
 - Can drive markets
- Is it possible that we are inefficient in REDD+ because we are fostering a market failure by focusing on development objectives...and inadvertently avoiding the one sector that is able to adjust it?



The Market Today

- The answer is both “Yes” and “No”.
- 2013 Marketplace¹
 - 32.7 MtCO₂e traded in 2013 on voluntary basis within AFOLU
 - 24.7 MtCO₂e attributed to REDD+
 - \$1 billion market value in 2013
 - VCS
 - 161,000,000+ VCU Issued (all sectors)
 - 1,234 Projects
- Buyers
 - 89% of offsets sold were forest carbon offsets to private sector:
 - Energy Companies
 - Food and Beverage Companies

What Prevents Markets?

What?

Commodity fragmentation, uncertainty and risk.

Who?

Piloting which results in capacity building but not the reliable and replicable production of a commodity.

How

Inefficiency due to inconsistency in methods and onerous standards

Lack of any reason why a commodity should be produced.

Why

Uncertainty about where commodities end up, at what price and for how long they can continue to be sold.

Where?



Potential Roles of Private Sector

Role 1 - Financing REDD+ Activities

1. As Corporate Social Responsibility (CSR)
2. As investments
3. As offsets for a compliance market

Role 2 - Development of REDD+ Activities

1. As primary business model
2. As added value to modified business activities
3. As a contribution to national performance

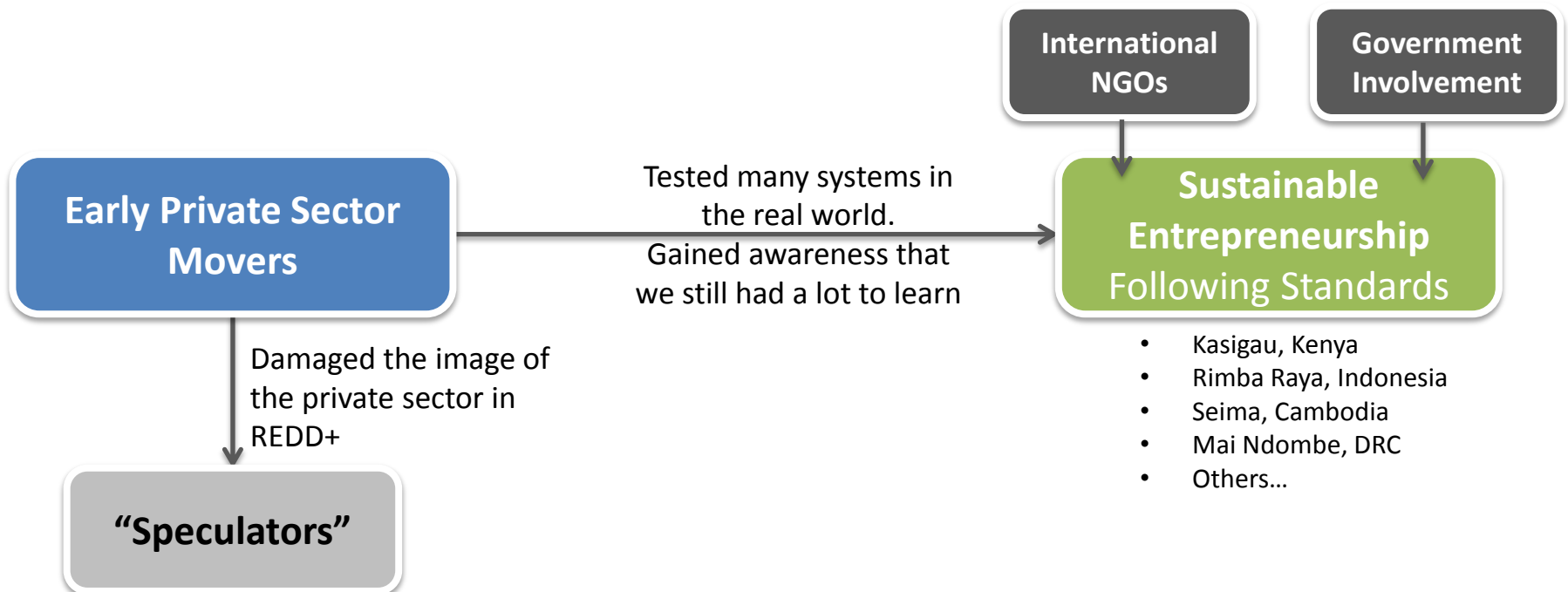


Development of REDD+ Activities

1. As primary business model
2. As added value to modified business activities
3. As a contribution to national performance

The Cowboy Legacy

1. As primary business model
2. As added value to modified business activities
3. As a contribution to national performance





Development of REDD+ Activities

1. As primary business model
2. As added value to modified business activities
3. As a contribution to national performance



REDD+ as added value to business

- Some companies have been exploring ways of adding value to existing activities. Mainly in agro-industry and forestry
- However, this is often a tough sell:
 - Both “stick” and “carrot” are missing.
 - Little or no visibility on market for the value-add product (i.e. carbon)
 - Viewed as adding risk, with little reward
 - Carbon-related investments are often skipped unless more direct and tangible benefits to business operations or profitability are visible.
- So why is this such a hard sell to business?

What Markets Need

What?
Standardized
Commodity

Convergence of methods, not fragmentation in to different carbon commodities.

Who?
Accountable
Producers

Producers which are operationally and financially accountable for the production of a commodity.

How
Efficient
Process

Clear regulations, user ownership and standards.

Private sector producers need a reason to participate.

Why
Incentives

A clear pathway towards the sale of the commodity.

Where?
Market
Demand



Development of REDD+ Activities

1. As primary business model
2. As added value to modified business activities
3. As a contribution to national performance

As a Contribution to National Performance

- If we look at REDD+ as only single development driven activities, we limit ourselves to the local stakeholders and government actors that fall within project activities. Often these are:
 - Key technical line Ministries
 - NGO partners
 - Villages
 - National Protected Area Managers
- Proposition:
 - To get business to engage in REDD...don't engage through REDD+.
 - In a jurisdictional/landscape context, all public, private and civil society actors are already engaged in REDD+ together. They just don't realize it.

Historical Forest Cover Change 2003-2013

Historical Forest Cover Change 2003-2013

- Non Forest
- Cumulative Reforestation
- Unstocked Forest
- Deforestation 2003-2006
- Deforestation 2006-2009
- Deforestation 2009-2013
- Forest
- PNKB National Park Boundary
- Buffer Zone
- Provincial Boundary
- District Boundary

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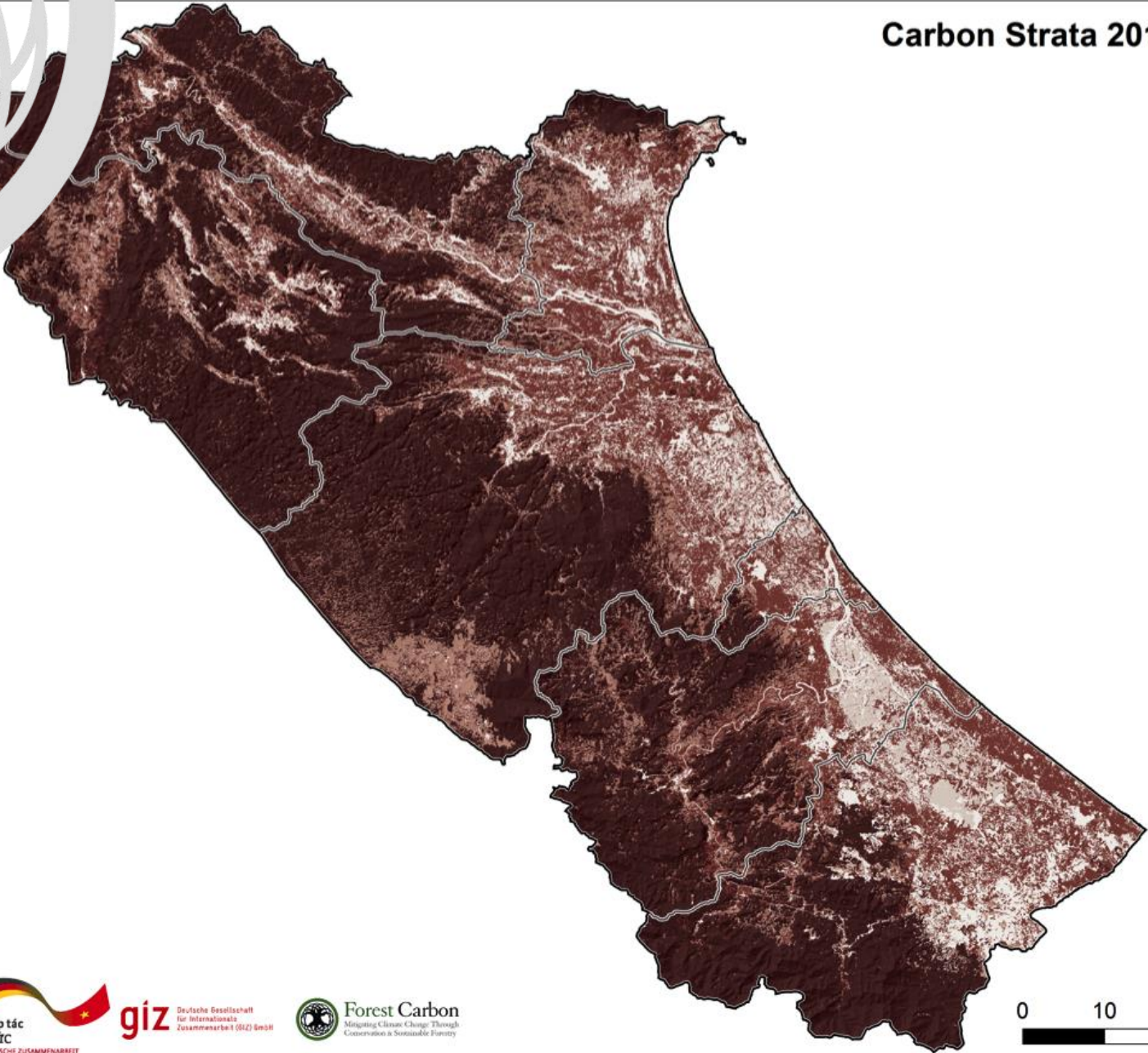
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Forest Carbon
Mitigating Climate Change Through
Conservation & Sustainable Forestry

0 10 20 km

Carbon Strata 2013

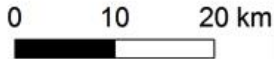


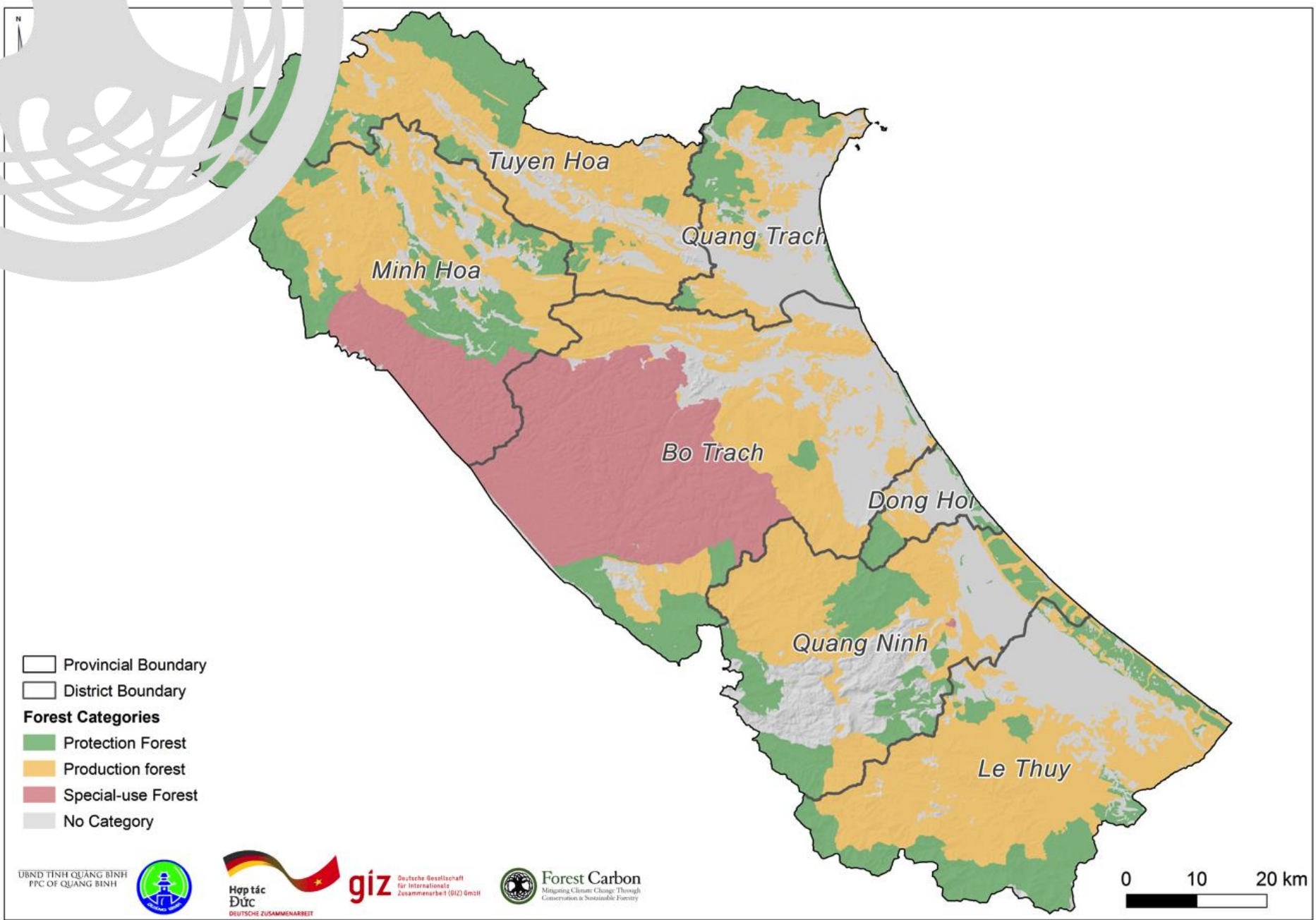
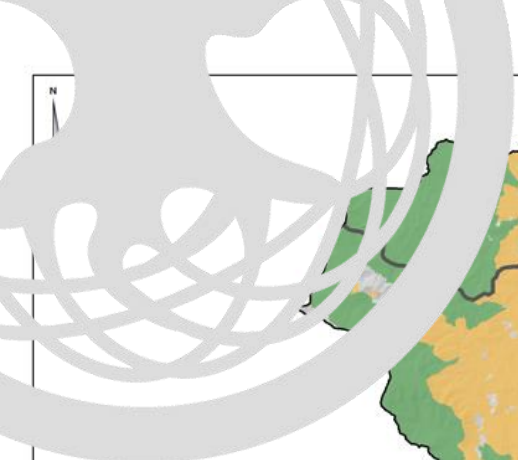
- Provincial Boundary
- District Boundary
- Carbon Strata 2013**
- Strata 1
- Strata 2
- Strata 3
- Strata 4
- Strata 5

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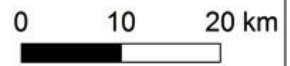


- Provincial Boundary
- District Boundary
- Forest Categories**
- Protection Forest
- Production forest
- Special-use Forest
- No Category

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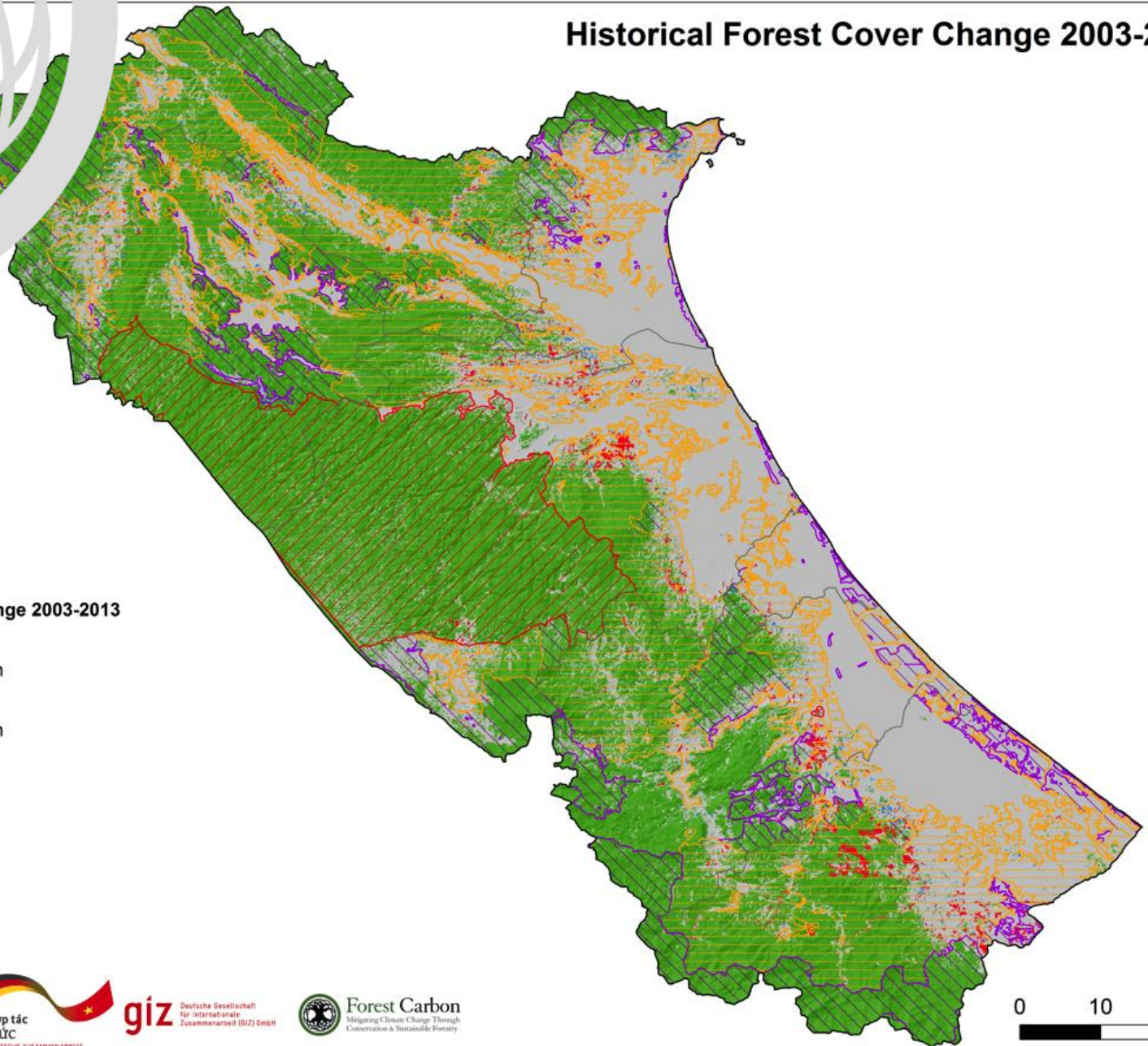
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- Forest

Forest Category

- Special-use Forest
- Protection Forest
- Production forest
- Provincial Boundary
- District Boundary





As a Contribution to National Performance

- **Example: Indonesia's Jurisdictional Approach (JA)**
 - “the nationwide approach under which REDD+ is implemented and administered through Indonesia's provincial and district government units, with performance aggregated at the national level.”
 - National program broken down by jurisdictional (Provincial and District) programs.
 - Programs target not just avoided deforestation but overall multi-sector green economic growth.
 - Results-based monitoring first
 - Performance-based monitoring later
- Thus, every actor is contributing to performance or non-compliance, every day, by default.

As a Contribution to National Performance

- How to get the priority actors engaged?
- How to incentivize businesses that contribute to national performance and indirectly pressure those that do not?
- Rather than carbon, green growth oriented business practices can be engaged through:
 - Tax incentives for contributing to performance
 - International and domestic market incentives for commodity suppliers meeting, no-deforestation pledges or low emission/sustainable agriculture certification
 - Later, consider constraints on market access for commodity producers making large cuts in sub-national/jurisdictional performance.



Observations

1. The necessary market environment does not yet developed enough to engage meaningful private-sector finance.
2. Private sector drives the largest area of land use change in the world, yet it is not actively involved in REDD+.
3. In a jurisdictional/landscape context, we should consider engagement with private sector through economic and tax-based approaches rather than REDD+.

Thank You



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