Scaling up finance for REDD+
Contents of the presentation

1. Background;
2. Innovative public-private models for financing
3. Finance facilities
4. Partnering with the banking/financial sector
5. The aviation market
6. Facilitation of international REDD+ transactions
Financing sustainable land use in context

Budget land use-related climate finance (2014)

- USD 5.8 billion

Investments in soft commodity production
- USD 1.7 trillion

Annual export trade soft commodities
- USD 92-137 billion
Scaling up finance
Innovative models: P-P partnerships

Institutional investors
('patient capital')

Impact investors
(delivering financial, environmental, social return)

BNP Paribas, ADM Capital

Rabobank, FMO

Forest Protection and Sustainable Agriculture (FPASA)

Instrumentos de disminución de riesgos - garantías

PROYECTO 1

COOPERATIVA 2

PROYECTO 3

PROYECTO 4
Innovative models: the TLFF

• BNP Paribas, ADM Capital, UN Environment and Indonesian government
• Deforestation, livelihoods (income): Possible for a bank to make money?
• New agri-lending model: apply zero-net deforestation to the finance sector
• BNP Paribas 1e bank to make a zero net deforestation commitment to their lending activities
• First deal closed and issuance of 1st Green Bond tied to conservation of tropical forests
• Second tranch under development
• Several countries interested to replicate this model.
Partnering with the banking sector

- **Officially launched** during the WBCSD Council on 17 October 2017 in Mexico City.
- Goal is to set up a **USD 1 billion credit facility**, with Rabobank providing senior debt and UN Environment aiming – together with partners - to facilitate access to credit guarantees, junior subordinate debt and grants.
- Leveraging public funding to unlock and scale up private finance for sustainable land use, particularly agricultural commodity production that is decoupled from deforestation is key to achieve the **Paris climate agreement, the Bonn Challenge and the SDGs**.
- Initial focus of the partnership is to finance deforestation-free agricultural production in Brazil (beef/soy), West Africa (cocoa), Sout-East Asia (rice) and Indonesia (palm oil).
- The partnership act as an example that there is **demand from a large, mainstream private finance institution to change agricultural lending**, by reducing adverse environment & society effects and contribute positively to the SDGs.
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Aviation Industry & Emissions Reduction

- Aviation ~2% of global CO2 | A top-ten emitter
  - Historically, most flights to/from/within OECD
  - Emissions slated to treble in coming years, with biggest growth in flights to/from/within non-OECD

- **1996:** UNFCCC tries to figure out how to tackle “international bunkers” (ships & aircraft)

- **1997:** Kyoto Protocol gives lead to ICAO, IMO

- **2016:** ICAO Assembly adopts the **“Carbon Offsetting and Reduction Scheme for International Aviation” (CORSIA)**
  - help international aviation “carbon neutral growth from 2020” (limit net emissions to 2020 levels)
  - Dates: January 1, 2021-December 31, 2035
  - Airlines to purchase and cancel emissions units that meet Emissions Units Criteria (EUC)
  - Standards & Recommended Practices (SARPs) expected to receive full approval by October 22nd.
The size of the aviation carbon market

2.6–4.5 billion tonnes
Facilitation of REDD+ transactions

- **Environmental Integrity Function**
  - Standards/Verification/Validation/Registry
  - Alignment with UNFCCC

- **Market Transaction Function**

- **Governing Body**

- **Seller Countries / Programmes**

- **Airlines/Other Buyers**

Reduction in deforestation or degradation (REDD+) = Money = Credits

Governing Body

- Governing Body
- REDD+ Tonnes
- Money
- Credits
Main messages

- Public funding is important but unlikely to be enough;
- The financing of renewable energy provides important lessons for other sectors;
- Blended finance is an important, though intermediate, step towards gaining scale;
- UNREDD is working on several financing models with private and public participation (e.g. The Tropical Landscape Finance Facility);
- Application of social and environmental safeguards;
- Emerging financing opportunities from international REDD+ transactions (e.g. aviation market; other REDD+ transactions)
Thank you!

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