Remarks by Frances Seymour at
UN-REDD Executive Board Meeting – 16 September 2021

Thanks for inviting me to help frame the topic for today's discussion.

I realize it's not very creative, but I'll structure my remarks around opportunities and challenges facing REDD+ finance right now.

Opportunities

Let me highlight two.

First:

It's not a news flash to anyone in this virtual room, but there is a huge amount of private sector money poised to invest in credits for forest-based emissions reductions and removals.

For various reasons, companies from the largest big brands to smaller enterprises are eager to demonstrate climate action, and one way for them to do that is to finance climate action beyond their value chains.

And for many, the investment of choice is to finance what we're now calling "nature-based solutions".

The billion-dollar commitment from the LEAF Coalition announced at President Biden's Climate Leaders Summit in April is just one manifestation of this broader interest.

My own professional life has been hijacked by the need to participate in the TSVCM, the VCMi, SBTI, and many other ingredients in the alphabet soup of initiatives that are racing to establish a framework to ensure the integrity of the voluntary carbon market.

I also spend a lot of time responding to the many requests for advice from individual corporate buyers regarding what kinds of credits they should purchase.

If we get this right, this new private sector demand could finally help us realize the promise of REDD+ market-based finance at scale, which remains a great idea that's never been tried.

One element of "getting it right" is pushing the market toward credits of the highest environmental and social integrity.

As you know, project-scale credits have been subject to a series of media exposes and journal articles that highlight inflated baselines and other problems.

In my individual capacity, I serve as the Chair of the Board of the Architecture for REDD+ Transactions, which manages the TREES standard, so I'm hardly unbiased regarding what I think a high-quality carbon credit looks like.

But whatever it is, this market will evaporate if serious corporate buyers lose confidence in the social or environmental integrity of the credits being offered for sale.

The second opportunity for REDD+ finance stems from the new science that makes clear that forests affect the climate in ways other than through the global carbon cycle.

In recent months, there's been a steady drumbeat of reports and journal articles showing how deforestation can lead to increases in local temperature extremes sufficient to endanger human health and labor productivity.

Deforestation can also lead to changes in rainfall patterns sufficient to dramatically impact agricultural productivity in major exporting countries such as Brazil.

The implication of this new science is that the walls we've constructed between sources of investment in domestic development objectives served by forests and finance of global public goods such as climate and biodiversity protection are crumbling.

If protecting and restoring forests means protecting public health, labor productivity, and agricultural productivity within national boundaries, then investment in forests should be on the agendas of Ministries of Finance and Planning, and Ministries of Agriculture and Health.

Forest protection need no longer be exclusively financed by international grants sought by Ministries of Environment.

Challenges

Now for the challenges. I'll highlight just a few.

The first one is beyond the scope of our discussions here but needs to be mentioned in this context.

The entire voluntary carbon market will crash and burn if it is perceived as corporate greenwash that doesn't really advance our progress toward Paris goals.

It needs to be crystal clear that any purchase of forest carbon credits is additional to, rather than a substitute for, companies abating their own emissions on a Paris-aligned trajectory.

I won't say more about that, but of course it's critical for the political legitimacy for the entire enterprise.

The other challenges have to do with mobilizing up-front finance to complement this potential tidal wave of performance-based finance.

I find it a bit ironic to be elaborating these challenges, because one of the main themes of my book five years ago – Why Forests? Why Now? – was that the failure of 30 years of forest finance to make a dent in deforestation was in part due to the imbalance between financing inputs versus financing outcomes through results-based payments.

But here we are, and the prospective availability of large-scale outcome-based finance has highlighted shortages of input-based finance.

The fact is, although we've made enormous strides in dozens of REDD+ countries in building "REDD readiness", even in the most mature countries and subnational jurisdictions, there's still a need for "last mile" advice and technical assistance to support them in achieving "market readiness".

Right now, there are a lot of international agencies, civil society organizations, and for-profit service providers positioning themselves to fill these needs.

But their technical capacity, relationships in-country, and freedom from conflict-of-interest is highly variable.

I see UN-REDD as uniquely qualified and positioned to provide this independent advice and technical assistance to jurisdictions seeking to access finance from the voluntary carbon market.

With its track record and legitimacy in REDD+ countries, its ability to draw on technical expertise from across its constituent UN agencies, and its ability to serve as an honest broker among various stakeholder groups, I can't imagine why the international community wouldn't increase public support to UN-REDD to fulfill this role.

A related challenge is the need to provide similar independent advice and technical support to indigenous and local communities within REDD+ jurisdictions to help THEM figure out what their interests are and how they should be pursued – Not least, to help them fend off a new generation of carbon cowboys.

I think UN-REDD has a role to play here as well, but perhaps as part of a broader consortium of organizations that have relationships with these communities in each country.

I'm actively promoting private philanthropic investment to finance some of this needed effort.

The final challenge is incentivizing public and private investment in those activities that go beyond advice and technical assistance. We used to call this Phase 2 REDD+ finance.

We need real capital investment in activities such as forest and peatland restoration, for which there may not be a commercial return without a price on carbon or other policy and regulatory measures to create such a return.

Done right jurisdictional-scale performance-based REDD+ finance can be structured to provide a return to project-scale investments.

But we've got a lot of work to do to help countries and prospective investors negotiate nesting arrangements that work for both parties and that set the incentives right.

In addition, the recognition of the non-carbon values of forests in providing services related to local climate stability can help liberate investment in green infrastructure and incentivize forest protection by the private sector.

Companies are beginning to understand that being associated deforestation is not only a reputational risk, but that deforestation poses physical risks to their supply chains.

As investors and insurance companies are increasingly able to quantify these risks, preferential access to finance should shift to those jurisdictions and companies doing a better job of managing them.

In short, we're at a moment when the stars could align to unleash significant new financial resources for forest protection and restoration.

But there's a lot to do to connect the dots across scales, across sectors, and across stakeholder groups to make that happen.

And I definitely see UN-REDD as a big part of the solution.

Thank you.