

The GCF in a Fragmented World: Overview of Possible Finance Mechanisms and Linkages with Agriculture



Daniel Nepstad, Director
International Program
Palangka Raya, September 21, 2011

The GCF and the UNFCCC

We all want the UNFCCC to succeed. . .

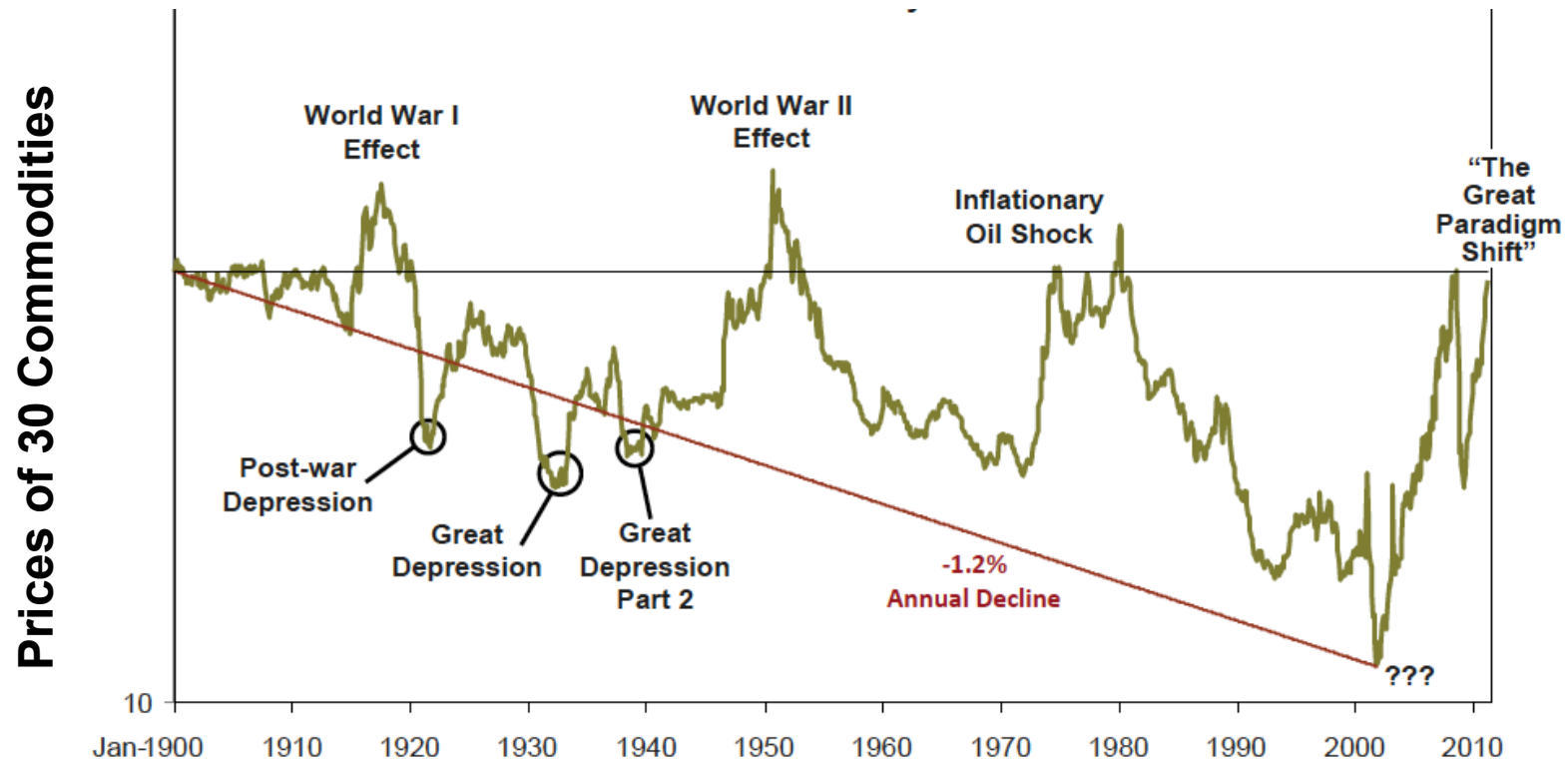
. . . .but we must not be hostage to the UNFCCC box

The GCF: motor of **innovation**

Context: The Global Land Crisis

Pressures are Mounting to Convert Tropical Forests to Agriculture

Rising Commodity Prices May Signal a New Era of Scarcity, As Growth in Demand Outstrips Growth in Supply (J. Grantham)



Responding to The Global Land Crisis:

Low-Emission Rural Development (LERD)—Broadly Defined

- *Re-Directs Agricultural Expansion Away from Forests*
- *Reduces Agricultural Emissions as It Increases Yields*
- *Alleviates Rural Poverty*
- *Secures Food Supply*
- *Recognizes/Protects Indigenous and Traditional Peoples' Rights*
- *Conserves Biodiversity, Water Resources, Soil*

Step One Toward LERD: Market Transformation to Exclude Unsustainable Suppliers

- *Commodity Roundtables*

- Low reliance on consumer choice
- Goal: transform the supply chain, building in the costs of stewardship into commodity prices
- Multiple-stakeholder processes; broad acceptance
- Standards with third party verification
- Palm Oil (RSPO), Soy (RTRS), Sugar (Bonsucro), Beef (GRSB), Cotton (BCI), Biofuels (RSB)

Step One Toward LERD: Market Transformation to Exclude Unsustainable Suppliers

- *They are moving fast!*

- RTRS required for all soy imported by Holland and Belgium by 2015

- Bonsucro & RTRS: meets Europe renewal fuel directive

- RSPO: Certified 10% of world production in first two years

Step One Toward LERD: (continued)

- ***Consumer Goods Forum commitment to zero net deforestation by 2020***

- **USD 2.8 trillion annual sales**
- **400 manufacturers and retailers**
- **Leadership: Unilever and Tesco**

- **Many companies have committed to reduce their emissions: Nutreco, Coca Cola, Unilever, Mars, Danone . . .**

Step Two Toward LERD: REDD+

- ***UNFCCC***

- REDD+ progress; but treaty at risk
- Has engaged 45+ nations
- Multiple funding processes building REDD+ capacity
 - FCPF, UN REDD, REDD+ Partnership, FIP, Bilateral

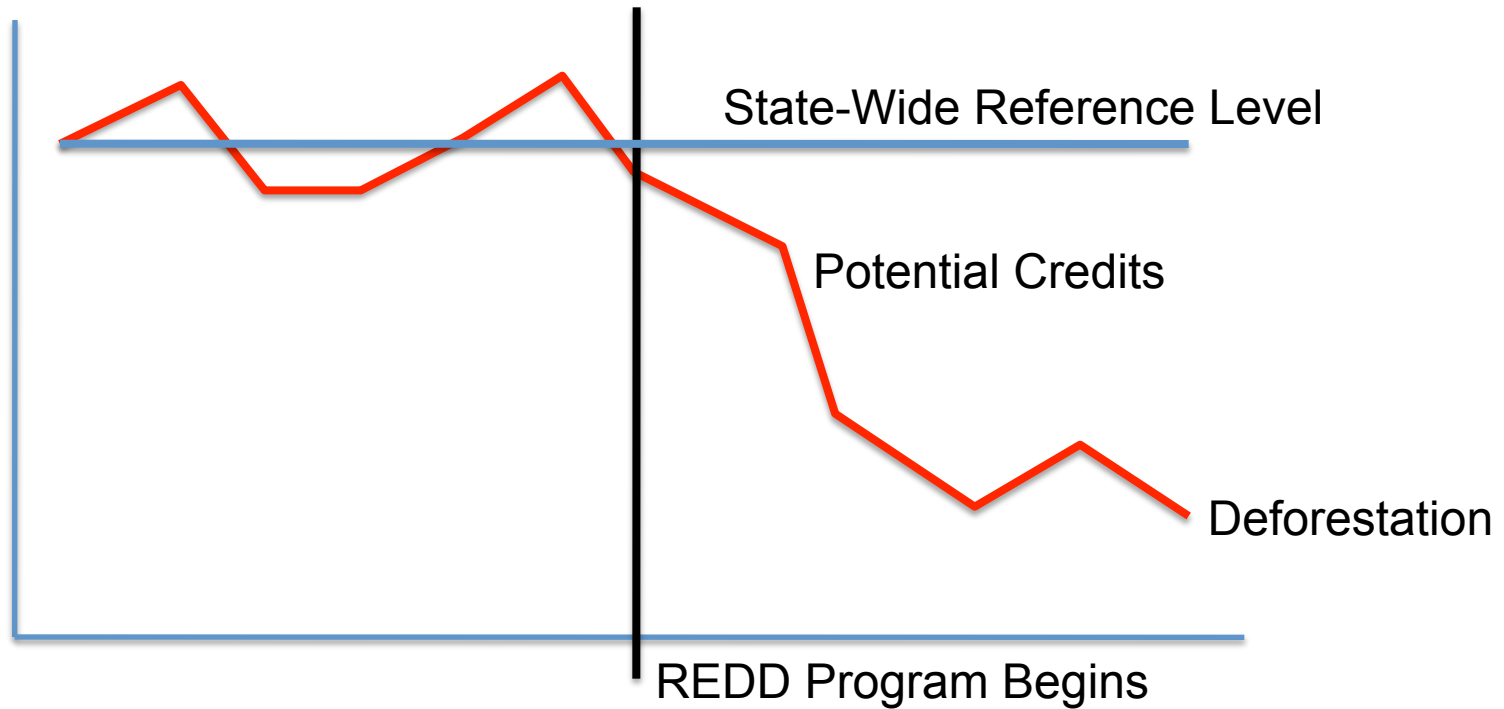
- ***National Processes***

- e.g. Brazil, Indonesia, Mexico, Peru, Guyana, Tanzania, Ghana, others

- ***States and Provinces: GCF***

- **Nearest path to regulated REDD+ market**

Step Two Toward LERD: REDD+ *Jurisdiction-wide*



We must keep our eye on the state- or province-wide reference level, and the programs, institutional innovations, and stakeholder engagement necessary to sustainably reduce emissions.

Step Two Toward LERD: REDD+

Challenge: Moving Beyond Projects

Projects ➡➡ Jurisdictions

- **Policy** alignment
- **Institutional innovation**
- **Reduced transaction costs** (shift away from project-level accounting)
- **Safeguards institutionalized**, monitored through census and sampling
- **Projects** as important **laboratories**

Step Two Toward LERD: REDD+ ***Attracting and Re-Directing Private Investment***

- **REDD finance will not carry the transition to LERD**
- **Private investors bring innovation, but they are risk-averse**
- **They don't want to make deals with governments: need for new institutions**
- **REDD could help agricultural investors become REDD and LERD investors**

Step Two Toward LERD: REDD+

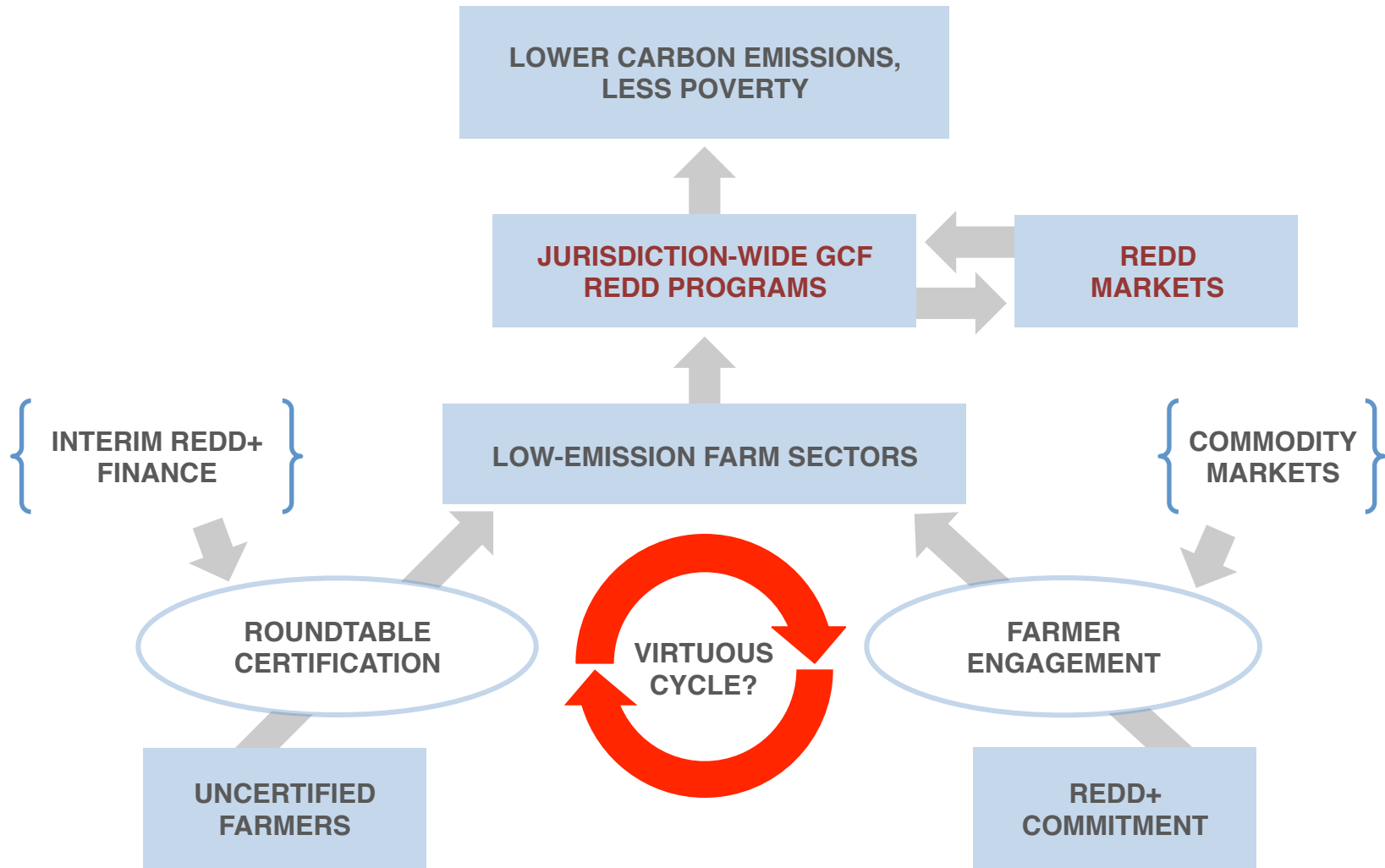
Financial Instruments

- **REDD Bonds**
- **Floor price for REDD carbon/feed-in tariffs**
- **Insurance, buffers, credit guarantees**

Potential Synergies between REDD+ & Commodity Roundtables

	REDD+	Roundtables
<i>Restrictions on Deforestation?</i>	YES	YES
<i>Strong Farmer Engagement?</i>	NO	YES
<i>Available Funding?</i>	YES	NO
<i>Social & Environmental Safeguards?</i>	YES	YES

A Virtuous Cycle Between Roundtables and GCF?



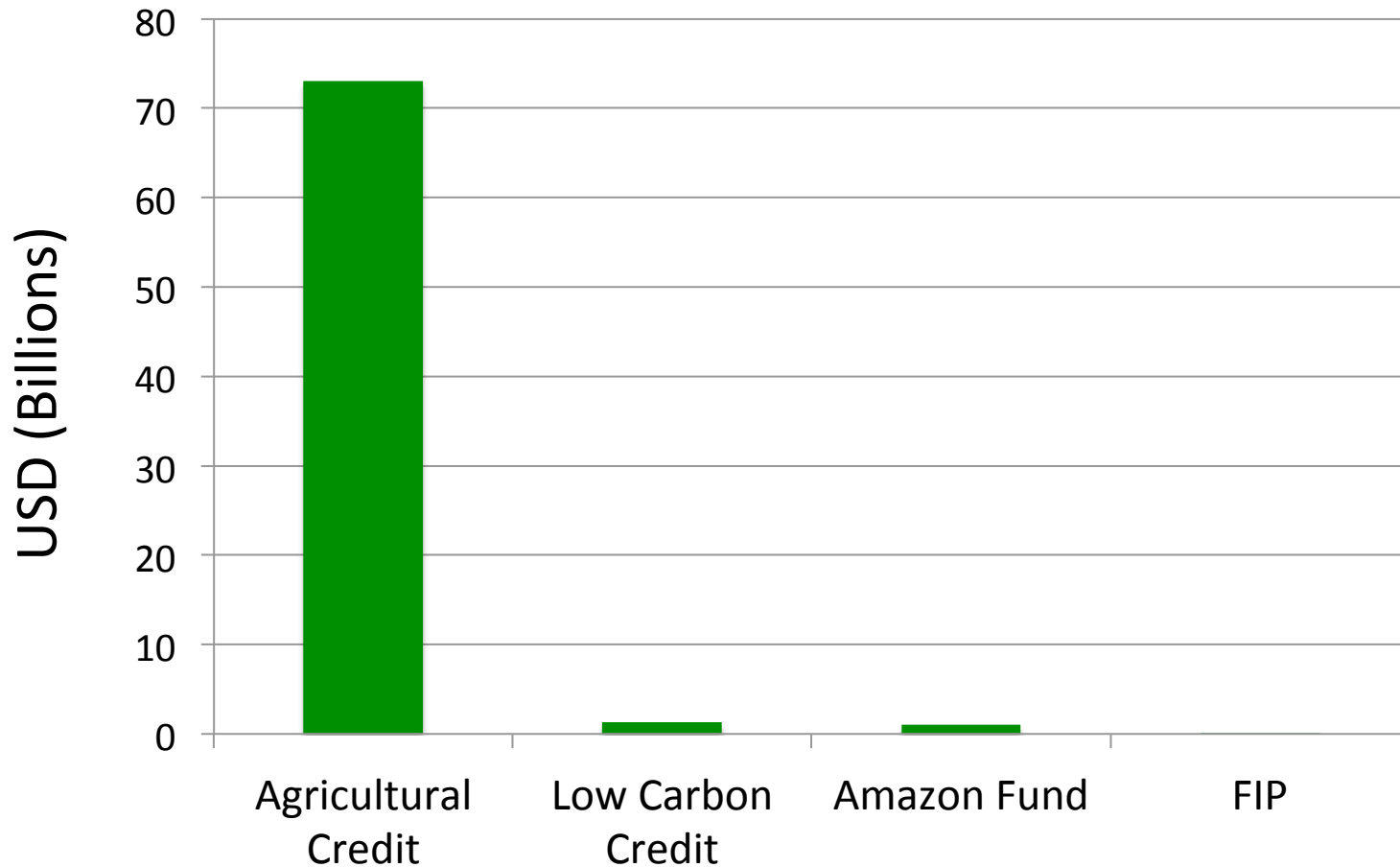
Building a Bridge Between Commodity Roundtables and REDD

A Cross-Sector Alliance



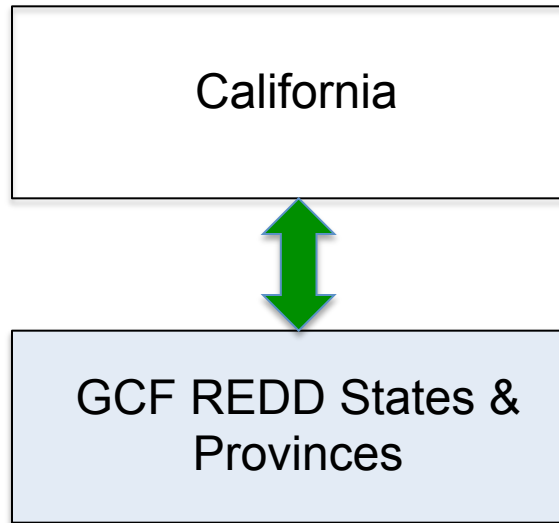
25 Nations Where REDD Finance and Roundtables Overlap

LERD Must Leverage National and State Policies, Credit Lines, Budgets

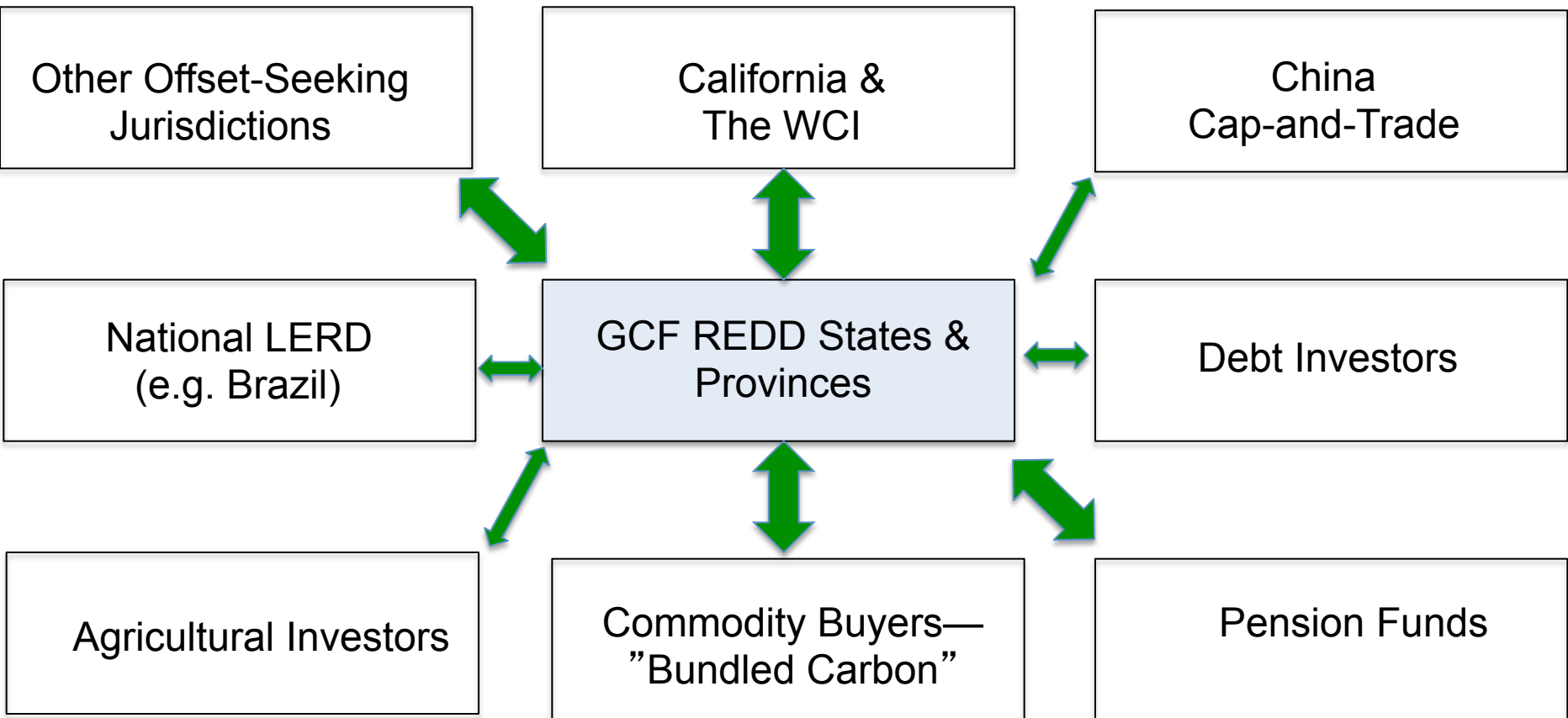


Example: Brazil Agriculture and REDD+ Finance*

The GCF Today



The GCF in 2015?



The GCF. . .Out of the Box