2021 FCPF-ISFL PRIVATE SECTOR WORKSHOP REPORT

Natural Climate Solutions

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Unlocking Private Sector Finance for Sustainable Landscape Management

16–18 MARCH, 2021

Workshop led and funded by World Bank and
co-organized with the International Emissions Trading Association (IETA) and CDP

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Disclaimer: *This work is a joint product of the World Bank, The International Emissions Trading Association, and CDP with external contributions. Key information and case studies detailed in this report were provided by speaker presentations, interviews, and participant comments. While reasonable efforts have been made to ensure that the contents of this publication are factually correct, the World Bank, the International Emissions Trading Association and CDP do not take responsibility for the accuracy or completeness of its contents and shall not be liable for loss or damage that may be occasioned directly or indirectly through the use of, or reliance on, the contents of this publication.*

The Workshop was facilitated by Meridian Institute (https://merid.org/). This report has been prepared by Climate Focus in collaboration with Meridian Institute and Cutting Edge Design.

Contents

Abbreviations and acronyms

AFOLU: Agriculture, forestry, and other land use

CDP: Carbon Disclosure Project

CERF: The Climate Emissions Reduction Facility

CFI: The Cocoa Forest Initiative

CORSIA: Carbon Offsetting and Reduction Scheme for International Aviation

ECTA: Ethiopian Coffee and Tea Authority

EDF: Environmental Defense Fund

ER: Emission Reduction

ERP: Emission Reduction Program

ERPAs: Emission Reduction Purchase Agreements

ETC: Energy Transition Commission

ETS: Emissions Trading System

EU: European Union

FCPF: Forest Carbon Partnership Facility

FIP: Forest Investment program

Folur: Food Systems, Land Use and Restoration (FOLUR) Impact Program

FREL: Forest reference emission level

GEF: Global Environment Facility

GHG: Greenhouse gas

IBRD: International Bank for Reconstruction and Development

ICAO: International Civil Aviation Organization

ICROA: International Carbon Reduction and Offset Alliance

IDA: International Development Bank

IETA: International Emissions Trading Association

IFC: International Finance Corporation

ISFL: Initiative for Sustainable Forest Landscapes

LULUCF: Land use, land-use change, and forestry

MEPs: Members of European Parliament

MRV: Monitoring, reporting, and verification

Mt: Metric tons

NDCs: Nationally determined contributions

NGO: Non-governmental organization

OFLP: Oromia Forested Landscapes Program

PPPs: Public-private partnerships

Progreen: Global Partnership for Sustainable and Resilient Landscapes

RBP: Results-based payments

REDD+: Reducing emissions from deforestation and forest degradation broadly refers to efforts to reduce emissions from deforestation and forest degradation, and promote forest carbon stock conservation, the sustainable management of forests and enhancement of forest carbon stock

SBTs: Science-based emission reduction targets

SDGs: Sustainable Development Goals

SODEFOR: Société de Développement Forestier

UNEP: United Nations Environment Programme

UNFCCC: United Nations Framework Convention on Climate Change

VCS: Verified Carbon Standard

WBCSD: World Business Council for Sustainable Development

WCF: World Cocoa Foundation

WEF: World Economic Forum

PHOTO SOURCE: Zena Atework Demissie, World Bank

Executive summary

Natural Climate Solutions: Unlocking Private Sector Finance for Sustainable Landscape Management

In March 2021, the World Bank's Forest Carbon Partnership Facility (FCPF) and BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL) hosted a virtual private sector workshop focused on opportunities to partner with the private sector to drive natural climate solutions.

This three-day event, co-organized by the International Emissions Trading Association (IETA) and CDP, and facilitated by Meridian Institute, brought together 900 thought leaders, government representatives, and members of the private sector from more than 50 countries to explore:

- Financing instruments and jurisdictional approaches that facilitate private sector engagement in climate finance;
- Enabling conditions to involve the private sector and the importance of public-private sector collaboration; and
- The efforts of companies and governments to eliminate deforestation from the production of agricultural commodities and other industrial activities.

Through panels, presentations, and breakout group discussions, the workshop defined the following key takeaways, challenges, and next steps for expanding private sector engagement in natural climate solutions.

Climate Finance

Over the three-day workshop, several sessions looked at the role the private sector can play in scaling up climate finance. Below are some of the key takeaway messages.

- The World Bank Group is scaling up its commitment to helping developing countries address climate change and adapt to its

mounting impacts through new result-based climate finance initiatives, such as CERF, FCPF and (upcoming) ISFL ERPAs, and IFC climate finance initiatives, complementing ongoing existent funds from IDA and IBRD and programs such as: FIP, GEF-FOLUR & PROGREEN.

- International carbon markets can play a critical role in scaling natural climate solutions to the required levels to reach net-zero emissions.
- Both public and private investment will be essential to scale natural climate solutions to the necessary levels, and it is important that these funding sources are seen as complementary. Furthermore, collaboration between the public and private sector must go beyond financing in order to successfully meet climate targets.
- Ongoing payments for results from activities to reduce emissions from deforestation and forest degradation (REDD+) are one of the most valued benefits when engaging with the private sector.
- An increasing number of financial institutions, impact funds, and investors are focusing on sustainable finance products, such as sustainability-linked loans, green and transition bonds, sustainable investment funds and insurance solutions.

Enabling Environment

Multiple breakout sessions and speaker presentations examined enabling conditions to foster and attract engagement from private sector. Below are some of the key takeaway messages.

- The private sector, governments, and local communities must work together to create or expand programs and activities that increase sustainable landscape management to eliminate deforestation. They should also understand and mitigate investment risks, and establish appropriate policy mechanisms and frameworks for climate finance.
- The Due Diligence legislation under consideration in the European Union (EU) has the potential to establish a strong anti-deforestation policy for the EU, with broader global implications affecting key players along targeted commodity supply chains.
- In order to engage the private sector, certain enabling conditions must be met, including clarity on land and carbon rights, benefits allocation, and governance. It is critical that governments understand these requirements and are able to work with the private sector to meet them.

Supply Chains

Speakers and participants underscored the importance of improving and scaling up sustainable supply chains for forest-risk commodities. Below are some of the key takeaway messages.

- Many commodity-specific partnerships, such as the Cocoa and Forest Initiative and the Forest Positive Coalition, are underway to address deforestation at the local, national, and sectoral levels.
- Leading companies which are operating in deforestation-driven supply chains, including palm oil and livestock, are advancing their efforts to delink deforestation from supply chains. They are moving beyond certification and intensifying their efforts to establish traceability. They are requiring responsible sources of production and increasing their willingness to cut ties with suppliers that are connected to deforestation.
- Companies are building pre-competitive collaborations with other companies and innovative partnerships across their supply chains, particularly with producers focused on improving livelihoods. Pre-competitive collaborations are forging new partnerships among companies in the same industry to jointly address social and environmental impacts.

Challenges

The workshop explored a number of challenges which can inhibit the deployment of private capital towards natural climate solutions. Below are some of the key takeaway messages.

- Climate finance—including upfront investments—is starting to scale up, with a broad range of transactions taking place at different levels. Rapid scaling presents a range of challenges to both those seeking to participate in and fund these efforts, including: lack of clarity on credibility; application of benefits; uncertainty about project pipeline; and technical and financial capacity of smallholders and other entities.

- The risk perception of financial institutions and funders is a key barrier to sustainable investments due to the lack of understanding of technical operations and the shortage of examples of successful implementation.

- The extra cost of sustainable production should be proportionally shared among governments, companies, and consumers to reinforce the cycle of economically-viable and sustainable production of commodity goods.

- Due to the recent and evolving nature of benefit-sharing plans, there is a degree of uncertainty regarding the effective share that the private sector could benefit from their participation in emission reduction programs (ERPs).

- There is a significant amount of private sector money to be unlocked, but governments need to understand the key requirements to attract private sector finance, and therefore design the right policies and regulatory frameworks to enable and incentivize the private sector.

- There is still a lack of coordination among diverse stakeholders operating at different levels in the same jurisdiction to advance efforts to reduce emissions. There is a need to bring these efforts together, such as through nesting of projects and public-private partnerships.

Next Steps

Workshop organizers seek to build upon the rich dialogue and connections forged throughout the event to promote further collaboration across regions and sectors. Below are some of the actions that participants and their organizations can support moving forward.

- Promote a long-term community of practice that includes the private sector, institutions such as the World Bank, and various platforms to showcase climate-smart best practices, examples of operationalizing climate finance in supply chains, and resiliency models. Through the continuation of these workshops and similar convenings, stakeholders and partners within this community will learn by doing and duplicate positive results in their respective regions.

- The public and private sector are implementing and testing innovative sustainable landscape approaches on a jurisdictional scale. Jurisdictional pilots will pave the way for activities on the national and international level that will contribute to the nationally-determined contributions (NDCs) as well as towards achieving the goals of the Paris Agreement.

- REDD+ countries need to expand their network for climate investment opportunities by collaborating with climate finance investors, initiatives, and private sector entities in future activities in the sectors of agriculture, forestry, and other land use (AFOLU) and land use, land-use change, and forestry (LULUCF).

- Market and finance actors should provide guidance for how they can participate in programs, and discover business opportunities, and/or business development from emission reductions program (ERP) countries.

PHOTO SOURCE: CDP

Context

Every year seems to present new, pressing reasons to scale up efforts to halt forest loss and climate change across the planet. In 2020, the global COVID-19 pandemic underscored the undeniable link between decades of widespread deforestation and forest degradation, accelerated biodiversity loss, and global health. Depleted and degraded forests have led to displaced wildlife, which will continue to expose humans to new pathogens previously isolated in the natural world.

The world has also endured record-breaking temperatures and devastating wildfires in recent years raging across the globe, from the rainforest in Amazon to the peatlands in Siberia, underscoring the need for swift action on climate change.

The private sector continues to be responsible for a large share of global, climate-altering carbon emissions. But that's only part of the story. Over the past decade, a growing number of companies have made commitments to eliminate deforestation from their supply chains. These and other private sector efforts hold the potential to achieve significant emission reductions.

The deployment of natural climate solutions will be critical to achieving the goals of the Paris Agreement, preserving biodiversity, and heading off further global health crises. But there are significant gaps in financing their implementation. A report by the Energy Transitions Commission (ETC) estimates that achieving net-zero emissions by 2050 would cost an estimated $1–2 trillion in additional investments.[1]

The private sector will need to provide much of these investments. In addition, companies and investors will need to take the actions required to reduce and avoid emissions, remove atmospheric carbon, and incentivize other stakeholders to protect forests and enhance carbon stocks.

These are ambitious, transformational targets that the private sector cannot achieve on its own. Multi-stakeholder engagement is imperative to define

large-scale natural climate solutions. Public, private, and civil society actors will each need to play a consequential role.

The public sector will provide a minority share of overall investment but must play a catalytic role through providing targeted finance, supporting project implementation, research, and facilitating relationship building. At the global level, governments set the rules of commerce. At the national and landscape level, they create incentives and deterrents that guide private sector decision making. Civil society and local communities must also be partners in these efforts—particularly communities whose livelihoods depend on forests and other natural ecosystems that will host many of these natural climate solutions.

Given these challenges and opportunities, the FCPF-ISFL private sector workshop was designed and implemented to advance strategies to deepen the private sector's engagement in scaling up climate action.

PHOTO SOURCE: © AADO MEDIA

PHOTO SOURCE: © AADO MEDIA

About the workshop

The FCPF-ISFL private sector workshop was held March 16–18, 2021, as a virtual convening of thought leaders, government representatives, and the private sector to discuss strategies and opportunities to scale up private sector engagement in natural climate solutions. The event covered two key topics on which the private sector is mobilizing in support of natural climate solutions and toward a forest-positive impact. These approaches are complementary, and when deployed together, drive greater impact than either one alone.

- Creating an enabling environment for climate finance for natural climate solutions.

- Increasing sustainable landscape management, including eliminating commodity-driven deforestation.

The first day of the workshop explored financing instruments and approaches to facilitate private sector engagement with a spotlight on new World Bank initiatives. The second day honed in on climate finance, addressing topics ranging from enabling conditions for private sector engagement to REDD+ nesting programs. Building on the theme of public-private sector collaboration, the third day highlighted the critical role that companies must play in eliminating deforestation from the production of agricultural commodities in conjunction with governments.

The event, which was co-organized by the International Emissions Trading Association (IETA) and CDP, and was facilitated by the Meridian Institute, brought together a diverse array of participants across stakeholder groups from around the world. The workshop was held virtually due to the COVID-19 pandemic, which allowed for a large group of attendees to participate. Nearly 900 individuals registered for the event, and between 450–600 attended each day of the workshop.

Speakers and attendees represented the private sector, academia, donors, non-government organizations (NGOs), research, and governments—both

FIGURE 1
Registrants by organization type

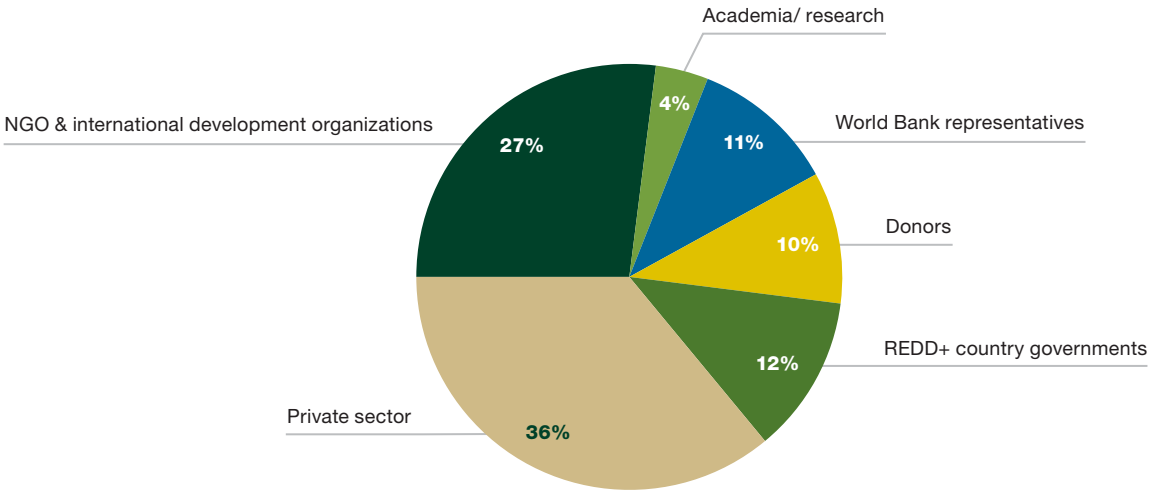
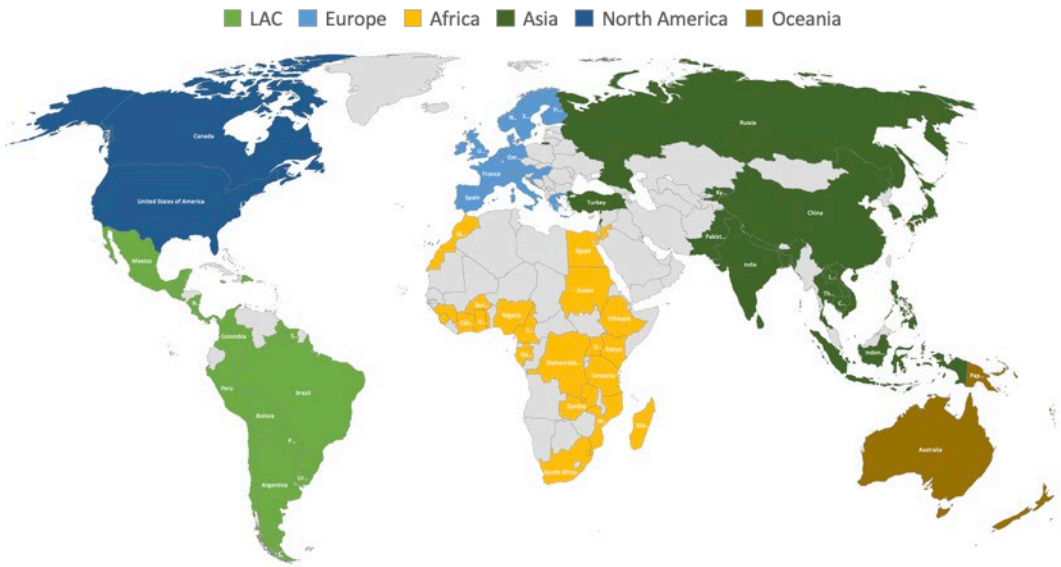


FIGURE 2
Countries represented by registrants



from developing and developed countries. Attendees joined from five continents and more than 50 countries.

The workshop highlighted leading examples of global, regional, and local action, stimulating insights on natural climate solutions already being implemented by the private sector through project and program investment, as well as commodity supply chains.

Through panels, presentations, and breakout group discussions, the workshop defined several key takeaways, challenges, and next steps for expanding private sector engagement in natural climate solutions. Additional session information can be found in the workshop agenda included as Annex A. The next section of the report captures these key ideas, messages, and recommendations from the workshop.

PHOTO SOURCE: WB FCPF

Workshop Highlights

Opening perspectives

On Day 1 of the workshop, the "Opening Perspectives" session provided the opportunity for co-host representatives to welcome the audience, preview workshop discussions, and highlight desired outcome. Featured speakers from the World Bank, IETA, Tesco, and Ghana's Forestry Commission provided the following context on the private sector's engagement in climate finance and natural climate solutions (for more information on the session, consult the workshop agenda in Annex A).

An aggressive reduction in global greenhouse gas (GHG) emissions will be required over the next three decades to realize the goals of the Paris Agreement and avoid the worst impacts of a changing climate. The land sector is responsible for approximately a quarter of global GHG emissions,[2] with roughly half of those generated directly by the agriculture sector, and the other half resulting from land use change—mainly deforestation—and emissions from the forestry sector (LULUCF).[3,4,5]

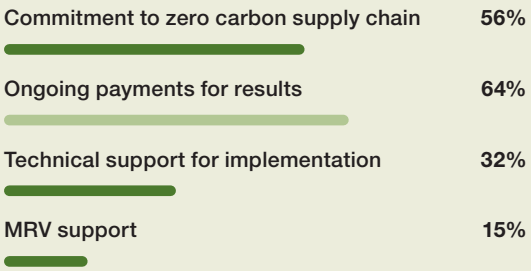
In addition to halving GHG emissions each decade, the global economy must also make significant investments in carbon removals in order to have a high probability of limiting warming to 1.5 °C or 2 °C.[6] Natural climate solutions will play a crucial role in addressing climate change mitigation;[7] according to a recent study, nature can provide over one-third of the climate mitigation needed between now and 2030 to stabilize warming to below 2 °C.[8] In order to realize the potential of the land sector to meet global climate goals, all available strategies for reducing emissions and enhancing carbon stocks must be deployed.

The private sector plays a crucial role in reducing emissions, removing atmospheric CO_2, and incentivizing other stakeholders to take action to protect forests and enhance carbon stocks.

There is increasing pressure from civil society and governments on the private sector to remove deforestation from global commodity supply chains and investment portfolios. Much of the onus of reducing emissions from land-use change rests

Attendee Poll

What are the most important ways that the private sector can help you? (Multiple choice)



upon private enterprise as financiers, producers, processors, traders, and purchasers of commodities. Likewise, private sector actors play an integral part by participating in blended financing mechanisms for: funding natural climate solutions; developing investment plans that make potential projects more attractive to other funders; and using carbon removals to meet net-zero emissions commitments.

Yet, the private sector cannot achieve transformational change on its own. Multi-stakeholder engagement is imperative, whether the goal is to drive collaboration between supply chain partners; for landscapes and jurisdictions to develop sustainable production models; or to put together sufficient funding to bring a new carbon sequestration project to market. Public-private partnerships (PPPs) have been an effective way for stakeholders to combine their expertise and resources to achieve sustainable landscape management and emission reduction (ER) goals. The public sector plays a crucial role in enabling the private sector to act through appropriate policy incentives and regulations. Additionally, after more than a decade of preparing REDD+ programs for implementation, many countries welcome carbon finance investments—through a variety of mechanisms—in their jurisdictions.

Finally, civil society must also be a central part of these efforts. Forests are home to some of the most vulnerable communities on the planet, and the fate of forests will have a tremendous impact on livelihoods, just as it will on the climate. Effective conservation financing should play a key role in driving investments into low-carbon supply chains and generating emission removal and avoidance opportunities; but investment must be aligned with the needs of the people who most directly interact with and rely on forests. PPPs that drive sustainable land management are nearly always contingent on projects that are mutually beneficial for and include civil society (including NGOs and local peoples) to drive real reductions, results, and long-term impact.

The private sector has a critical opportunity to drive forest-positive impact with a focus on conservation, restoration, and landscape approaches.

> "Most REDD+ countries now are developing investment plans, to put out the compelling message that we understand that forests don't just contribute to climate solutions, but investing in forestry and sustainable land use programs makes good business sense."
>
> **—ROSELYN FOSUAH,**
> Director Climate Change Directorate,
> Forestry Commission of Ghana

The goal of this work must be to reduce emissions, avoid deforestation, drive removals, and improve outcomes for communities. The cooperation of the public and private sectors with civil society, local communities, and multilateral organizations is a hallmark of successful interventions to address emissions from—and achieve removals in—the land sector.

FCPF-ISFL private sector engagement

During the Day 1 workshop session entitled "Private Sector Engagement FCPF and ISFL," the World Bank provided an overview of The Forest Carbon Partnership Facility (FCPF) and The BioCarbon

Fund Initiative for Sustainable Forest Landscapes (ISFL) through which it provides ongoing support to critical commodity producing nations to reduce emissions from deforestation and enhance carbon stocks. The session also discussed the role of private sector engagement and ways that companies can engage with the FCPF and ISFL.

Forest Carbon Partner Facility (FCPF)

As the first initiative of its kind, the FCPF is designed to prepare developing forest countries for REDD+. The Facility was created in 2008 and works to develop multi-sectoral approaches to decreasing emissions from deforestation and degradation at the landscape scale. The FCPF helps countries understand and promote private sector investment by removing barriers, increasing liquidity, diminishing risks, and seeking out innovative entry points for the private sector to help scale up REDD+ activities. The FCPF supports REDD+ efforts through the Readiness and Carbon Funds. The former allocates grants to build the framework for national REDD+ strategies, reference emission levels, MRV systems, and environmental and social safeguards. Meanwhile, the Carbon Fund helps to further catalyze engagement from the private sector and other key stakeholders, such as government and community, by testing large-scale landscape approaches in policy, financing instruments, and pilot projects.

2021 marks a pivotal year for FCPF as participant countries are shifting from preparation to implementation of jurisdictional emission reduction programs. As of May 2021, 14 countries have signed emission reduction purchase agreements (ERPAs), valued at nearly $670 million in results-based financing for approximately 135 million tons of carbon emission reductions through 2025, the equivalent of taking nearly 30 million cars off the road for a year.

The Biocarbon Fund Initiative for Sustainable Forest Landscapes (ISFL)

The ISFL launched in 2013 to provide technical emission reductions support and RBPs for ERs to deforestation-linked commodity producing nations. Colombia, Ethiopia, Indonesia, Mexico, and Zambia were selected to receive RBPs and technical assistance through the program. The Biocarbon Fund adopts a landscape approach to reducing emissions throughout a large area by protecting forests and improving land management in the agriculture, forestry, and other land use (AFOLU) sector.

Both the FCPF and ISFL focus on sustainable forest and land use in key deforestation-driving value chains such as cocoa, coffee, livestock, timber, and mining. The programs have pioneered the capacity-building centered jurisdictional approach, which has enabled the private sector to work towards removing deforestation-linked commodities from their operations and supply chains by engaging with producers across a landscape or jurisdiction and redirecting supply chains towards more sustainable and equitable practices. This has been accomplished by incentivizing the development and implementation of sustainable land management. Additionally, these funds guide readiness and implementation of REDD+, including testing the purchasing of ERs to foster an enabling environment for jurisdictions to participate in the global climate finance market.

Innovative Approach

Multilevel stakeholder engagement has been a key aspect of preparing REDD+ nations for emissions markets and addressing deforestation through FCFP and ISFL. At the firm level, the World Bank has engaged the International Finance Corporation (IFC), while the FCFP and ISFL have led collaboration with partners at the sectoral, national, and jurisdictional levels. For example, in Orinoquia, Colombia, the IFC has provided firms technical advice and training on low-carbon production through improved cattle and cocoa production as well as improved tilling practices. Meanwhile, the ISFL has worked on the national and jurisdictional level in Colombia to promote better land-use planning, policy, and capacity, and to support companies in fulfilling deforestation commitments. At the sectoral level, the ISFL has assisted the private sector in leveraging their resources to meet and implement those commitments.

Which private sector actors play important roles in implementing activities that contribute to sustainable forestry and deforestation-free agriculture?

(adapted from FCPF Private Sector Engagement Approach)

Smallholders, farmers, forest managers, and cooperatives

To improve sustainability in production and increase investments.

Producer companies in local supply chains

To improve supply chain sustainability and increase investments.

Processing and manufacturing companies in regional supply chains

To improve supply chain sustainability and implement deforestation-free sourcing policies.

Large companies in global supply chains, including consumer retailers

To implement deforestation-free sourcing policies and improve efficiency of transformation processes.

Financial institutions, insurers, investors, and funds

To change investment practices and invest in carbon credits, green bonds, and insurance products.

Industry groups, such as the World Business Council for Sustainable Development (WBCSD) and World Economic Forum (WEF)

To promote carbon markets and pricing solutions for climate change; direct sustainable initiatives to eliminate deforestation from business operations; and facilitate public-private connections and private sector engagement.

Entities under current or future GHG compliance schemes, such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), a program whereby airlines purchase carbon credits from other sectors

To participate in industry-specific schemes to reduce or offset emissions and promote carbon-neutral growth in specific industries.

Other companies with commitments to carbon neutrality, including extractive companies with voluntary commitments to climate solutions for forests

To accelerate transitions and adaptation to sustainable operations and obtain sustainability and climate-smart certifications.

Climate finance for natural climate solutions

After learning about the World Bank's FCPF and ISLF, participants were provided an overview in the session "101: Climate Finance for Natural Climate Solutions," of different regulatory and financing structures that place value on emission reductions and removals to deliver climate finance for natural climate solutions.

A recent report from IETA suggests that in order to meet the goals of the Paris Agreement and limit warming to well below 2 °C, carbon markets will need to scale considerably. The report suggests that 23 gigatons of CO_2 equivalent (CO_2e) reductions and removals will be needed to meet the Paris Agreement goals, which could lead to the emergence of a $800 billion per year carbon market by 2050.[9] The primary mechanisms to encourage that significant uptick in finance for climate solutions, as well as some of the key challenges and efforts underway to address those, are laid out below.

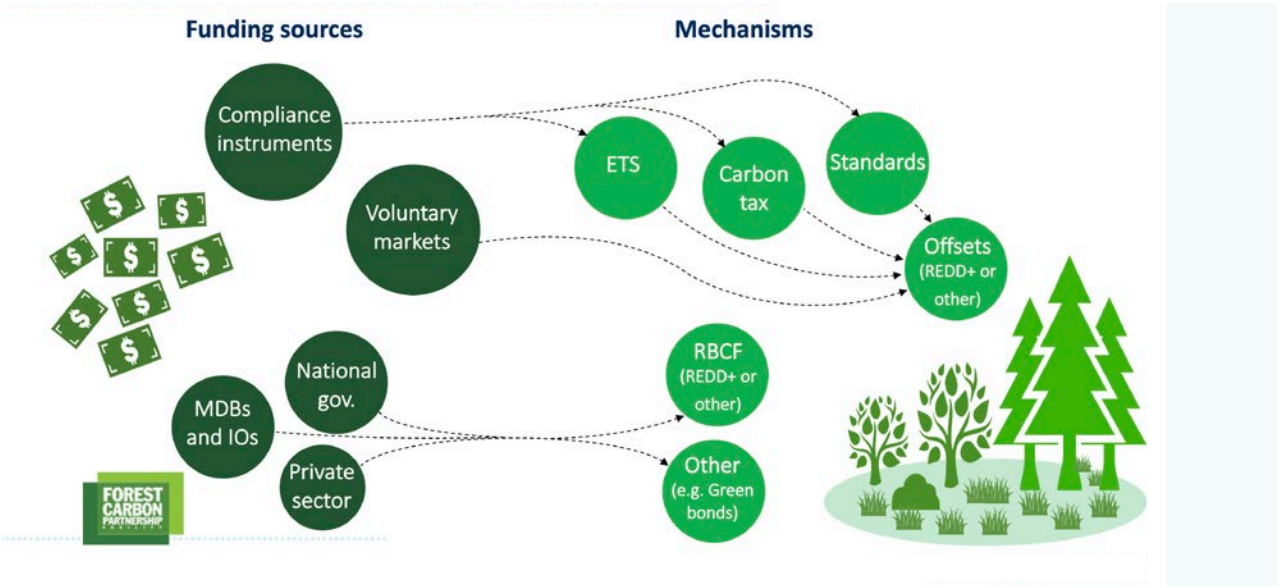
Two key regulatory and financing structures designed to deliver climate finance for natural climate solutions are:

1. **Results-based payments** or climate funds
2. **Market-based approaches,** including compliance and voluntary carbon markets

Results-based payments (RBPs) (or climate funds, such as the FCPF and ISFL) are mechanisms whereby funding and/or payments are made by a project's funder once pre-defined results are achieved. These are largely bilateral or multilateral agreements with countries to incentivize emissions reductions and removals at the national or sub-national level. In the context of the Paris Agreement, the results that trigger RBPs are verified CO_2e emission reductions over a specified period of time. REDD+ projects may become eligible for RBPs after United Nations Framework Convention on Climate Change (UNFCCC) verification of emission reductions and technical evaluation of avoided deforestation based on forest reference emission levels (FRELs) and/or forest emission levels. Policy and technical support for participating nations and jurisdictions is vital in providing a pathway for RBPs.

Market-based approaches to climate change, including natural climate solutions, assign a cost

FIGURE 3
Public and private funding sources for natural climate solutions



Source: VividEconomics

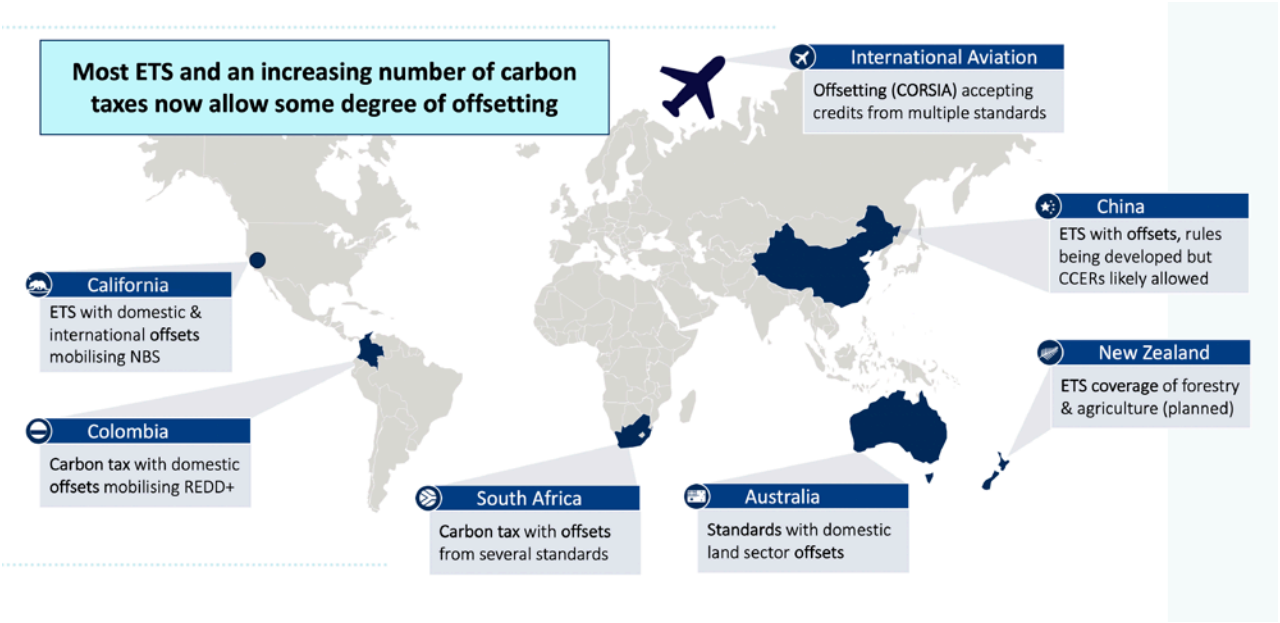
to CO_2 emissions, and a value to activities that reduce, avoid, or remove carbon emissions. In the voluntary carbon market, corporates purchase offset credits to meet voluntary climate targets and goals. Carbon markets can also be mandated by governments, where certain sectors or large emitters are required to reduce emissions or meet their compliance obligations through other tools, including carbon offsets. An increase in compliance markets (e.g., CORSIA, the Colombian carbon tax) as well as a resurging interest from corporates in voluntarily compensating emissions have led to a rapid increase in the collective demand for carbon credits in the last two years. In 2019, the issuance of credits almost doubled from 2018, from 75.7 to 140 $MtCO_2e$.[10] Almost 100 $mtCO_2e$ in credits were issued in 2019 by Verra's Verified Carbon Standard (VCS) alone, a large share of which came from natural climate solutions activities.[11]

While offsets do not provide a full decarbonization solution on their own, they can be an important part of a broader climate strategy, playing a critical role in facilitating the transition from a carbon-based economy today to a low- or zero-carbon economy by 2050.[12] Voluntary markets are populated by numerous buyers and sellers, using a variety of standards. However, one clear trend is the heavy representation of natural climate solutions in voluntary markets—making up nearly 60% of the value of transactions in 2019.[13]

Compliance markets are also a significant and growing source of demand for carbon credits, as most allow for the use of a limited quantity of offsets to meet regulated emitters' obligations. To enable private sector investment at scale, efforts are underway to expand the role of nature-based carbon crediting in compliance markets around the world. One such initiative is IETA's Markets for Natural Climate Solutions, which is working to maximize business investment in natural climate solutions to ensure it plays the fullest role possible in delivering the goals of the Paris Agreement. See some of the compliance markets that use natural climate solutions in Figure 4.

It is becoming apparent, including through discussions at this workshop, that sources of climate finance (public and private) and forms of delivery

FIGURE 4
Compliance markets for natural climate solutions



Source: VividEconomics

(results-based payments, markets, and other forms) must be increasingly seen as harmonious and interrelated. Climate targets will not be achieved without all available funding sources and styles that play different and important roles, including leveraging and supporting further investment.

World Bank activities in the future of climate finance

Following introductory sessions on Day 1, the World Bank shared new initiatives to advance results-based climate finance. This session, entitled "World Bank Activities in the Future of Climate Finance," principally featured the creation of the Climate Emissions Reduction Facility (CERF).

Climate Emissions Reduction Facility (CERF)

The Climate Emissions Reduction Facility (CERF) facilitates carbon purchases by private sector actors from producer nations. The CERF is designed to provide a buyer for emissions in excess of those that are contracted through ERPAs and are taken up in buffer funds; excess credits that are pooled together to address non-permanence risks associated with AFOLU projects. The Facility will provide an international auction platform to make excess emissions available to private sector buyers. This auction will facilitate sales of these emissions for countries by a third party, thereby mitigating potential transaction risks while also providing transparency on the buyer and price. Over a 10-year period, the Facility aims to disburse results-based climate finance to help developing countries shape low-carbon development pathways and encourage donors to increase funding to achieve scale. Ultimately, CERF will enable corporates to directly support developing countries to meet their nationally-determined contributions, protect forests, and achieve their net-zero targets.

A secondary role of the CERF is to create an umbrella program for facilitating emissions reduction crediting across natural climate solutions, sustainable infrastructure solutions, and fiscal and financial solutions. This will bring together jurisdictional, sectoral, and programmatic crediting schemes into one standardized approach to facilitate more simplified carbon crediting and allow for smoother scaling of efforts.

Driving co-benefits through jurisdictional investments

In transitioning from the focus on World Bank climate finance initiatives on Day 1 to nesting and private sector requirements for climate finance on Day 2, the workshop featured two panels showcasing jurisdictional approaches in different parts of the world. First, a session entitled "Leveraging Sustainable Landscape Interventions: National, Sectoral, and Company Levels" highlighted interventions on multiple levels in Cote d'Ivoire and Ghana to reverse forest loss in cocoa supply chains, focusing on the Forest Cocoa Initiative. Second, the session "Exploring Climate Finance Approaches and Jurisdictional Case Study" looked at the financial constraints in a jurisdictional approach to achieve emission reductions by focusing on coffee stumping in Ethiopia through the ISFL program.

Leveraging sustainable landscape interventions: national, sectoral, and company level

The Cocoa Forest Initiative, a private sector collaboration designed to reverse forest loss in Côte d'Ivoire and Ghana, has fostered forest conservation through increased financial and technological capacity.

Côte d'Ivoire has suffered significant forest and savannah cover loss over the past several decades, driven by agricultural encroachment into forest and savannah areas. This loss of habitat endangers biodiversity and ecosystem services, rural livelihoods, and the feasibility of ongoing cocoa production. In cocoa supply chains, producers and companies are working together to address sector challenges through collective action, while also relying on climate finance to boost investments and incentives for forest-positive outcomes.

The Cocoa Forest Initiative (CFI) was established to address the challenges of forest cover loss in Côte d'Ivoire and Ghana. The CFI, facilitated by Sustainable Trade Initiative (IDH) and the World Cocoa Foundation (WCF), was signed in 2017 by 35 companies, with a goal of aligning stakeholders in the sector to meet eight commitments relating to increasing agroforestry production, supply chain enforcement, and the implementation of improved rural and urban planning.

Through the CFI, companies operating in cocoa supply chains have implemented a range of initiatives in partnership with government and in a pre-competitive manner that has the potential to reduce risk and benefit all stakeholders. Supply chain management and traceability pose particular challenges across the sector. A few examples of CFI member outcomes include:

- Nestlé has invested $2.73 million in protecting and restoring the Cavally classified forest in Côte d'Ivoire, which is helping them reach their goal to achieve net-zero emissions by 2050.

- Olam has distributed over 657,700 forest and fruit trees in Cote D'Ivoire and Ghana converting 32,800 hectares (ha) of ageing cocoa farms into polygon-mapped sustainable agroforestry lands restoring rural forest cover and facilitating land tenure.

- Building on the successful launching of its 2017 Sustainable in a Generation Plan, Mars is working to build trust with farmers to integrate the use of technological solutions with improved ground-based data collection to verify outcomes.

- Société de Development Forestier (SODEFOR) has reforested 220,000 ha of forest including 55,000 ha of agroforestry (between 1966–2020) and drafted management plans to classify 2,500,000 ha of forests over the period 1996–2005.

- Siat has launched a public-private partnership for collaborative action to formulate the first ever sustainable landscape development plan for a classified forest of category 3, under the new Forest Code and in line with the Cocoa Forest Initiative commitments. This plan, once approved by all stakeholders, will serve as legal basis for a complete transformation process of a devastated landscape of 133,000 ha over a ten-years period.

The CFI supply chain activities complement RBP agreements that CFI member countries have also established. In October 2020, Côte d'Ivoire signed a $50 million Emission Reduction Payment Agreement (ERPA) through the FCPF, which will protect land in the southwest part of the country including the Taï National Park, a UNESCO designated World Heritage Park and one of the last primary tropical rainforests standing in West Africa.[14] This agreement aims to incentivize local communities to engage in long-term sustainable forest management, thereby reducing emissions and enhancing carbon stocks as co-benefit, and to develop forest management plans for four large and highly degraded classified forests adjacent to the park through the Forest Investment Project.

Working through this program and the CFI partnership, the forest management agency of the Côte d'Ivoire, SODEFOR, has received support from public and private sources to improve its research and technical support programs for farmers. The agency invested in supporting smallholders to identify ideal cocoa companion species and plant density; they have created cloning programs and seed production and conservation centers. In both Côte d'Ivoire and Ghana, landscape PPPs between cocoa and chocolate companies are being developed with support from the World Bank and WCF in alignment with national and local governments to drive sustainable cocoa production and sustainable livelihoods at scale.

These interventions demonstrate the power of PPPs to enhance cocoa supply chain sustainability by working on the national, sectoral, and firm levels.

Exploring Climate Finance Approaches and Jurisdictional Case Study

Jurisdictional investments promoting co-benefits in coffee production in Oromia, Ethiopia are expected to overcome technical and financial capacity constraints and serve as a model for funding impactful collaborations.

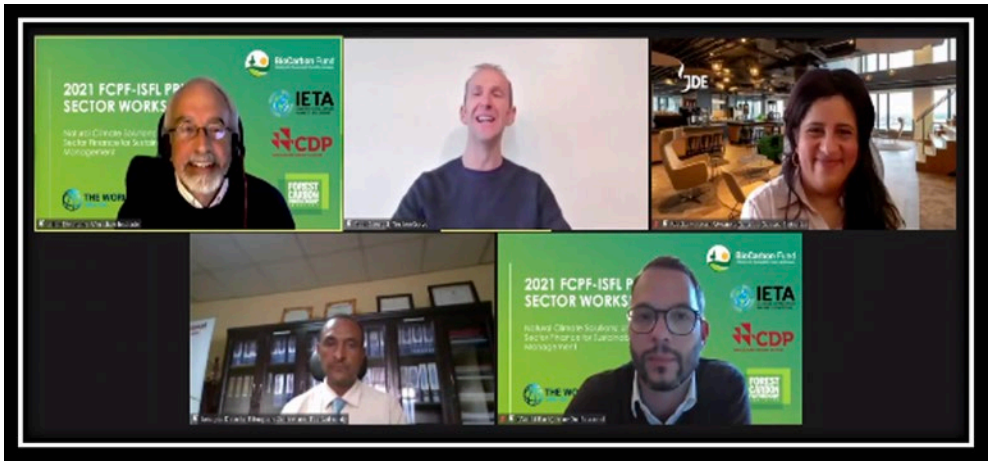
The Oromia Forested Landscapes Program (OFLP) in Ethiopia is one of the national REDD+ pilot areas supported by the World Bank-facilitated ISFL. The Program aims at improving the enabling environment for sustainable forest management and investment in the Oromia jurisdiction. This includes facilitating the implementation of forest management plans, forest users training, sustainable land management, forest policy reforms, and design of MRV systems. Ultimately, the main expected result is an ERPA that will enable Ethiopia to meet its emission reduction targets over the next decade.

Home to the world-renowned Arabica coffee, Ethiopia is the largest producer of coffee in Africa and the fifth largest coffee producer worldwide, contributing approximatively 4.2 percent of total world coffee production. Ethiopia enjoys many competitive advantages including genetic diversity, renowned origins, high quality cup profile and low production costs. Ethiopia offers favorable conditions for coffee production that commands competitive global prices. Still, the nation has struggled to increase yields. Of the 1.2 million hectares in coffee cultivation in Oromia, 60–70 percent of land is cultivated at suboptimal rates, mainly due to aging trees cultivated by smallholder farmers. In pursuit of increased yields, farmers have tended to convert their coffee systems into the production of annual cash crops, such as maize. Replacing coffee production—which is grown in the shade of larger trees—compromises the nation's biodiversity and ecosystem services, drives deforestation, erodes the soil, and destroys carbon sinks.

Limited investment in farm renovation is not unique to coffee in Ethiopia but is being observed in other sectors such as cocoa in West Africa, and similar crops around the globe. Stumping, the practice of cutting back coffee plants to encourage new growth, coupled with training in good agricultural practices, is a simple way to increase yields by as much three times, and provides the opportunity to reduce total area in production (growing more without a need for further deforestation or forest degradation).

However, implementing the practice results in a short-term loss or reduction of production volumes—the famous "Valley of Death"—which many farmers cannot afford. The promise of increasing profits by as much as 85 percent is hardly enough to convince farmers if such results are only attained after six years. In order to meet global demand, improve livelihoods, and conserve Ethiopia's biodiversity, farmers require new technical support and financing models to help facilitate the targeted transition.

FIGURE 5
Exploring climate finance approaches and jurisdictional case study



Clockwise from top left: John Ehrmann (Meridian Institute), Paul Stewart (TechnoServe), Nadia Hoarau Mwaura (Jacobs Douwe Egberts), Jean-Dominique Bescond (World Bank), and Adugna Debela (ECTA).


PHOTO © JDE Tech

To address this issue, the ISFL is supporting Ethiopia to undertake a proof-of-concept project that validates the stumping business model and measures the impacts on emissions, farmers income, and productivity. The development of the proof of concept will be co-financed by large global roasters committed to assist Ethiopia in increasing coffee productivity through sustainable coffee supply chains. The project will work in close collaboration with the banking sector and coffee cooperative unions, who will assist them in adapting their credit due diligence and risk appraisals to support farmers' investment in stumping.

Meanwhile, the Ethiopia Coffee and Tea Authority (ETCA) is working with partners on creating improved mechanized stumping techniques as well as implementing group organic certification programs to provide farmers with more feasible ways of commanding better prices. Likewise, TechnoServe and JDE have provided technical trainings centered on sustainable intensification to 30,000 farmers. By providing training, technical assistance, and investments, this public-private partnership model is increasing the viability of low-carbon coffee production, while also preparing Ethiopian farmers for engaging in carbon markets.

This project will be used to demonstrate the cost effectiveness of tree stumping over a three-year period to radically increase the productivity of shaded coffee and, as a result, improve farmer income, without increasing carbon emissions. It is expected that a $250 million investment in a nation-wide program will increase exports, netting an additional $500 million in annual income for farmers; and an additional $700 million in annual export earnings.

Nesting

During Day 2 of the workshop, the session entitled "The Role of Nesting in Scaling Investment in Natural Climate Solutions" gave an overview on the latest developments in nesting approaches to REDD+, and the role it can play in scaling private sector finance.

Nesting is an important mechanism to drive private sector finance into REDD+, allowing different sources of finance to work together to achieve mitigation at scale.

Nesting refers to a set of provisions aimed at ensuring project-level accounting is aligned with jurisdictional (e.g., national) strategies and methods for REDD+.[15] Nesting allows for a variety of stakeholders to contribute to REDD+ and can provide many benefits, such as attracting private sector finance and capacity to on-the-ground activities, while maintaining a government's ability to participate in international results-based payment programs.

While nesting entails coordination and harmonization of accounting systems at the project, municipal, and sub-national levels—and ultimately embedding those in national or jurisdictional accounting systems—it can also drive the integration of natural climate solutions, through policies and project implementation to advance mitigation goals.

As interest and activities in natural climate solutions (including REDD+) and voluntary and compliance markets drastically increases, the relevance and importance of nesting also increases. Countries are exploring jurisdictional approaches to REDD+ through their carbon markets, while others are looking to nest existing REDD+ projects in their regions. In results-based payments programs (including the FCPF, Green Climate Fund (GCF), and other bilateral agreements) participating REDD+ countries are also hosting REDD+ projects. As we near the 26th UN Climate Change Conference of the Parties (COP26) and look to finalize Article 6 of the Paris Agreement, the need for alignment of accounting frameworks between REDD+ projects and jurisdictional approaches becomes increasingly urgent.

A decentralized nesting approach is seen as the primary path for many countries where the government engages in climate finance, claims credits, and supports a standardized monitoring, reporting, and verification (MRV) system. However, nesting comes with challenges related to the policy and legal aspects (including carbon tenure and rights protection as well as benefit allocation as described below), cooperation between the private sector and governments, and technical aspects including MRV and baseline and reference level allocation. Therefore, nesting often requires considerable policy and technical support from both the private and public sectors. Enhanced coordination and understanding are critical for nesting to yield significant emission reductions.

Private sector requirements for climate finance

The private sector plays an essential role in financing and scaling forest carbon projects. Following the discussion about the role of nesting in scaling private sector finance, Day 2 of the workshop proceeded with the session, "Private Sector Requirements for Climate Finance" which examined some key enabling conditions for engaging the private sector in climate finance for natural climate solutions.

Carbon tenure & rights protection

Carbon tenure and rights protection provide the foundation for claiming emission reductions and removals and the associated payments. Without clear carbon rights, private investments in projects or jurisdictional programs are unlikely to materialize. The growth in jurisdictional approaches (from the previously dominant project-based approaches) introduces a range of challenges: the allocation of emission reductions to projects, how to deliver benefits, and what standard and/or methodology framework is most appropriate. RBP programs and carbon standards can help address these challenges, but there is no one correct way to address questions about carbon rights in different contexts. Sovereign local legal systems, application of clear standards, and inclusion of local stakeholders are important in crafting appropriate solutions.

Due diligence

Due diligence, in the context of carbon credits, is a process that companies and investors go through before investing in projects or purchasing carbon credits to understand and mitigate key risks. This often entails, but is not limited to, reviewing return on investment, quality of credits, carbon rights, and governance models. To avoid challenges in project implementation and carbon transactions, it is important to integrate due diligence processes at an early stage of project development and negotiation of carbon transactions. Having a strong due diligence process is not necessarily about avoiding high-risk projects, but rather understanding how to account for and address risks as they are identified. Meeting these requirements can sometimes be challenging for countries and/or projects, but this type of transparency and clarity around potential risk and risk mitigation is critical to addressing the risk perception of financial institutions and funders. Thus, due diligence plays an important role in attracting private sector investment.

Benefits allocation

Benefit allocation and sharing mechanisms aim to ensure that carbon finance and other co-benefits are distributed equitably and fairly. Benefits can be monetary in nature, including carbon credits, tax benefits, and other marketable products, or non-monetary such as secured carbon and/or land tenure and improved livelihoods.

There are a variety of methods for administering, allocating, and providing benefits to multiple actors for certain carbon related activities or results. Engaging with local communities is critically important as they can both positively and negatively affect the outcomes of a project and are often the most vulnerable stakeholder group. It is equally important to ensure that projects are aligned with the objectives of key stakeholders.

Key challenges associated with private sector climate finance

The rapid scaling of climate finance, occurring at multiple levels, presents a variety of challenges for funders and prospective recipients. Day 2 of the workshop featured a session entitled "Private Sector Climate Finance—Opportunities and Challenges" which examined some of these challenges and how they are being addressed.

Lack of clarity on credibility

Given the abundance of standards and methodologies in use, and the rapid pace of change underway, buyers do not always have confidence that they understand the credibility of projects. As accounting and verification methodologies vary, and because project co-benefits such as economic development and biodiversity protection are not always well-defined, the quality of carbon credits is not always guaranteed. However, best practices are set and recognized by various bodies, including the International Carbon Reduction and Offset Alliance (ICROA) and the offsetting system under the UN's International Civil Aviation Organization (ICAO), the Carbon Offsetting and Reduction Scheme for Aviation (CORSIA). Credits are also issued by independent standards including Verified Carbon Standard (Verra), American Carbon Registry, Climate Action Reserve and Architecture for REDD+ Transactions, etc. As attention on the voluntary market grows, so do the efforts and interest in providing clarity and guidance on credit credibility.

The use of carbon credits in corporate climate strategies

There is some lack of clarity on how to account for ERs, removals, and avoided emissions in supply chains, and how to apply these benefits to corporate ambitions such as net-zero targets.

As we near closer to 2030 and 2050, scrutiny on corporate climate claims increases. There is ongoing work by a variety of organizations to establish guidance and principles to set a level playing field and allow for more clarity and transparency on how corporate targets are met. These organizations include the Science Based Targets Initiative Forest, Land and Agriculture project (SBTi FLAG), Trove Research, Gold Standard, and ICROA.

Uncertainty about the pipeline of projects

It is not clear if there are enough high-quality offsets to meet the growing demand by the private sector to achieve both compliance and voluntary climate targets. Some projects come with risks that impede their ability to supply credits to the market. For example, natural climate solutions projects that are located in countries that face significant governance challenges can struggle to find sufficient investment. However, as attention to the voluntary carbon market intensifies, many initiatives, including the Taskforce on Scaling Voluntary Carbon Markets (TSVCM), have emerged to address supply and quality concerns related to the voluntary carbon market.

Technical and financial capacity

Local stakeholders, especially smallholders, may lack the technical and financial capacity needed to adopt sustainable land use practices and comply with carbon standards. While large multinational companies have focused on engaging their direct suppliers, independent smallholders operate largely outside formal programs designed to cultivate practices that comply with corporate procurement standards. Further engagement with smallholders, including through workshops like this one that bring together the private sector, governments, and civil society, will be critical to ensure that local stakeholders can fully participate in these solutions.

Innovative Approach

The Lowering Emissions by Accelerating Forest finance (LEAF) coalition is a newly-launched public-private effort aiming to mobilize at least $1 billion in financing to protect tropical forests.[16] The Coalition was launched at the Leaders Summit on Climate hosted by US President Biden on 22–23 April 2021, with heads of state from over 40 countries to deliver enhanced climate ambition commitments and reduction targets.

LEAF includes initial participation from the governments of Norway, the UK, the US, and

leading companies including Amazon, Airbnb, Bayer, Boston Consulting Group, GSK, McKinsey, Nestlé, Salesforce, and Unilever—aiming to expand over the coming months to include support from additional companies and countries. On the day of the announcement, the Coalition issued a global call for proposals for emissions reductions from deforestation verified against the Architecture for REDD+ Transactions (ART)/The REDD+ Environmental Excellence Standard (TREES).

Payments for emissions reductions will be made after actual reductions have been achieved by reducing levels of deforestation and forest degradation or restoring forests. These reductions will be independently verified by third-party Verification and Validation Bodies.[17]

Reducing deforestation

Corporate supply chains and related government regulations provide additional opportunities for natural climate solutions, specifically reducing deforestation from commodity production. Day 3 of the workshop highlighted the critical role that companies can play in eliminating deforestation from production of agricultural commodities and discussed how their commitments and actions can be aligned with government goals and emerging forest-related regulations.

The day began with a session entitled, "Private Sector Commitments in Forest Positive Supply Chains", which showcased examples of corporate leadership to eliminate deforestation from the supply-chain of forest-risk commodities including examples of innovative and collective actions taken to address deforestation.

Halting deforestation is critical to achieving the goals of the Paris Agreement and the United Nations' Sustainable Development Goals (SDGs). An estimated ten million hectares of forests have been lost each of the past five years.[18] Forest clearance results in a significant contribution of global emissions, as well as the loss of biodiversity and habitats of endangered species and threatens the well-being of local communities and indigenous peoples who depend on forests for their livelihoods.[19]

Attendee Poll

What do you consider to be the main challenges to eliminate deforestation from the supply chains of forest-risk commodities?

The most significant driver of global deforestation is the expansion of commercial agriculture. More than half of all global forest loss associated with agriculture between 2001 to 2015 was due to the production and consumption of just seven commodities—cattle products, palm oil, soy, timber products, natural rubber, cocoa, and coffee.[20] Multinational companies in downstream supply chains have a unique role to play in reducing environmental impacts of forest-risk commodities, as they have the ability to work with their direct and indirect suppliers to influence production conditions on the ground. Over the past 15 years, many companies have made pledges to build supply chains that are fully sustainable and deforestation or conversion-free by 2020—though it's worth noting those commitments have largely not been met.[21]

Key strategies employed by downstream commodity buyers to drive forest protections in their supply chains include use of third-party certification, implementing traceability systems, working directly with suppliers to provide technical support for improved operations, reducing the quantity of materials used, and engaging multilateral platforms such as the Consumer Goods Forum to drive change at the sectoral level.

Importer country governments also have important leverage to hold producers, processors, traders, and producer country governments accountable by regulating products that can be sold in end markets. Importer countries also can engage producer country governments directly to encourage measures that would halt the conversion of forests and to encourage the adoption of policies that promote sustainable sourcing.

Landscape or jurisdictional-level sustainable sourcing approaches, for example, offer a promise of supplying sustainably produced commodities while also supporting sustainable rural development by improving incomes in the production region, which can reduce reliance on harmful forms of sustenance agriculture for livelihoods stability.

Innovative approach to influence the wider supply chain

French multinational retailer Carrefour is seeking to eliminate deforestation not just from its own supplies, but throughout the wider supply chain. To create industry change, Carrefour is co-chair of the CGF Forest Positive Coalition of Action, driving collaborative action with industry leaders to accelerate efforts to remove commodity-driven deforestation and advocate for Forest Positive solutions. In addition, Carrefour has launched the Soy Manifesto with the French government to demonstrate collective pressure from multiple end-buyers and encourage producers to move towards deforestation-free soy production. This multi-stakeholder platform enables the government and private sector actors to engage soy traders with a common set of expectations.

"We have to rebuild our value chains. I believe that it is our collective responsibility to take action and engage stakeholders at every link of the chain. We must find innovative solutions and push for further traceability to be as close as possible to the ground."

—**BERTRAND SWIDERSKI,**
Sustainability Director, Carrefour Group

The role of the European Union in reducing deforestation

While the private sector has responsibility to act to reduce deforestation, government regulations play a critical role in ensuring consistency and accountability. During Day 3 of the workshop, the session entitled "Emerging EU Legal-Framework to Halt and Reserve EU-Driven Global Deforestation" provided an overview on forest-related regulations under development by the European Commission to eliminate imported deforestation products. Participants also discussed the implications of these emerging regulations for producer countries and the companies operating and sourcing from these regions.

To combat deforestation associated with imported commodities, the European Parliament called for binding due diligence and oversight which would incentivize forest preservation in producer countries.

In 2020, the European Parliament recommended the adoption of legislation that would prohibit the import of products linked to deforestation into the European Union (EU), as detailed in the report, 'An EU legal framework to halt and reverse EU-driven global deforestation.' Legislation on this subject is expected to be released by the European Commission (EC) in the summer of 2021.

The European Parliament called for binding due diligence and oversight on imported commodities linked to deforestation, such as palm oil, soy, leather, cocoa, coffee, rubber, and livestock products. The forthcoming legislation will likely require due diligence from all companies regardless of size—including publicly traded small to medium size enterprises—and throughout the entire commodity supply chain. Members of European Parliament (MEPs) proposed that such legislation also cover financial institutions directly or indirectly funding deforestation.

If implemented, these policies have the potential to shift consumption in the EU to preserve forest cover. They are also likely to impact producer countries that rely on exports of high-value commodities to support livelihoods and local

economies. The MEPs suggest working with producer countries through bilateral measures that would combine development aid and other support mechanisms to mitigate any adverse economic effects, while also addressing concerns that commodities not compliant with the European regulatory standards may be redirected to less stringent markets. The legislation could be fully implemented as soon as 2022.

Commodity-specific deforestation action

During Day 3 of the workshop, the session entitled, "Key Actions and Approaches to Achieve Deforestation-Free Supply Chains for Livestock Products and Palm Oil" looked at examples from livestock and palm oil value-chains to illustrate how companies are implementing targets, building key partnerships, and using technology to achieve deforestation-free supply chains at scale.

Many commodity-specific interventions are underway to address deforestation at the local, national, and sectoral levels. There has been increased agreement amongst participants in commodity supply chains on the need to adopt a combination of solutions and mechanisms to tackle deforestation—including utilizing tools that are currently available to map, track, and monitor the supply chains of forest-risk commodities. Importantly, multi-stakeholder efforts such as the Consumer Goods Forum's Forest Positive Coalition of Action strengthen supply-chain collaboration while also boosting the collective bargaining power of downstream companies in relation to their suppliers.

Examples of multi-stakeholder solutions being utilized in palm oil and livestock supply chains are provided below.

Palm oil

Companies that report to CDP show that they are taking more consistent action to reduce deforestation in palm oil supply chains than on any other commodity. Nearly all companies report taking some action.[22] Still, there is much more work to be done.

To overcome challenges in addressing deforestation linked to palm oil production, such as the limited efficacy of palm oil certification, stakeholders in the sector have employed a range of approaches to support the implementation of targets, build key PPPs, and use technology to achieve deforestation-free supply chains at scale:

- **Technological innovation.** Remote sensing using publicly available satellite imagery has become a reliable way for the industry to generate greater supply chain transparency, and isolate and exclude actors involved in deforestation and other forms of land degradation.

- **Traceability.** Nestlé has achieved 96% traceability to mills and 75% traceability to plantations, which is accompanied by remote sensing, on-the-ground assessments, smallholder projects, and supplier engagement.

- **Jurisdictional approaches** to local capacity-building have been an effective way of generating transparency for suppliers and buyers while transitioning towards a more encompassing model of jurisdictional sourcing. Importantly, these landscape approaches aim to drive emission reductions while also working to eliminate deforestation from supply chains and stimulate ecosystem restoration.

- **Financing for smallholders.** Smallholders are the main drivers of deforestation linked to palm oil production. Addressing palm oil-linked deforestation requires working closely with smallholders and producers on livelihoods, community development, and capacity-building. For Golden Agri Resources, a vertically integrated Singaporean palm oil company, this includes working with smallholders to help them get access to markets to sell crops other than palm oil, increasing their resiliency and financial autonomy.

- **Addressing land ownership and establishing land tenure.** Golden Agri Resources has begun to confront the issue of rural poverty within palm oil production enclaves by working with

governments to map land tenure, as establishing land rights is key to rural poverty alleviation and ending deforestation.

Livestock

Meat production from cattle is the single greatest driver of deforestation in Latin America. Meat and dairy production generate two thirds of emissions from the livestock sector and almost 6% of all anthropogenic emissions.[23] Recent research suggests that 48% of deforestation in the Brazilian Amazon can be linked to indirect suppliers.[24] No single link in the supply chain can shift the market alone; multi-stakeholder engagement to drive certification, improve traceability, and deploy climate finance will be essential to eliminating deforestation in the sector.

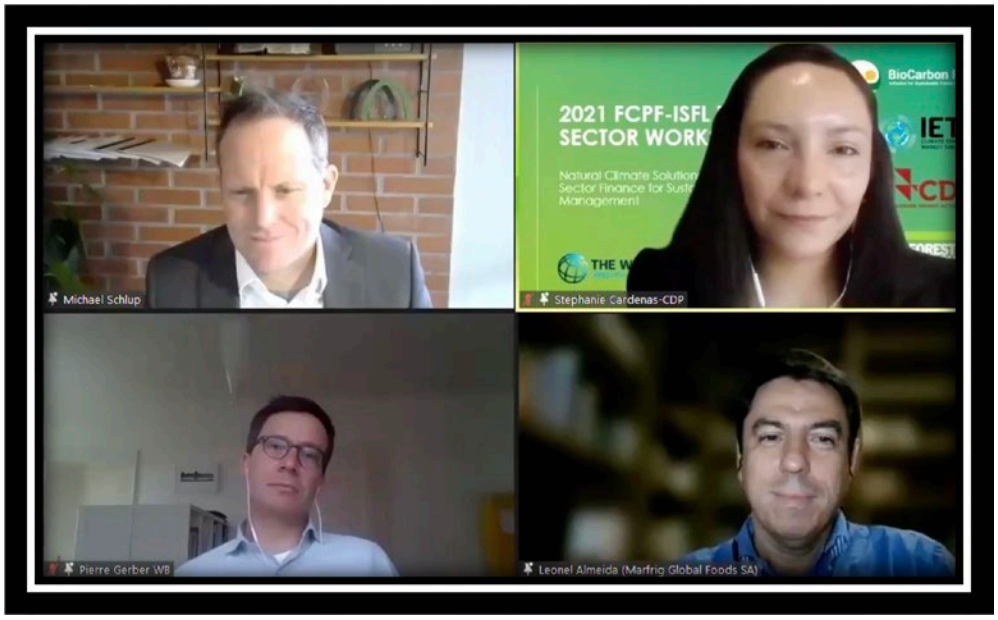
Cattle and beef companies identify forest-related risks to company operations valued at $4.6 billion; yet the cost of responding to forest-related risks is just 5% of the risk, or $218 million[25]—suggesting they are currently investing a relatively small percentage of earnings to address looming risks to the industry.

The World Bank has observed that given the very significant global emissions driven by the cattle sector, there is ample mitigation potential that has not yet been tapped by climate finance. Numerous emission reduction activities are operational in the beef sector, but most are currently in the pilot or initial phase of implementation. Six key investment opportunities in the beef sector have been identified:

- Sector-specific credit lines with forest and climate conditionality;
- Value chain finance promoting natural ecosystem protection;
- Animal protein sector participation in emissions trading schemes;
- Programmatic support for policy changes;
- Sourcing deforestation-free feed from Verified Sourcing Areas; and
- Price-based climate finance programs for technical innovation.

For more information on this initiative see additional resources from the World Bank on the topic of livestock and climate finance.

FIGURE 6
Sharing key actions and approaches to achieve deforestation-free livestock products



Clockwise from top left: Michael Schlup (&Green Fund), Stephanie Cardenas (CDP), Leonel Almeida (Marfrig), and Pierre Gerber (World Bank).

Innovative Approach

The &Green blended finance fund is working to decouple commodity production from deforestation in a commercially viable way. Financing is provided through concessional loans, preferentially targeting sectors where traditional investors show limited interest given higher risk profiles and the need for long-term investments in projects. &Green has provided $30 million investment to Marfrig (a major Brazilian beef processor) over ten years to achieve full traceability and monitoring of all direct and indirect (tier 2 and tier 3) suppliers. Together, Marfrig and &Green are committed to measurable long-term forest protection and inclusion of smallholder ranchers once this transparency has been achieved.

PHOTO SOURCE: CMSCR Project: Aliance Pedegan, GIPAV, TNC, Fondo Accion

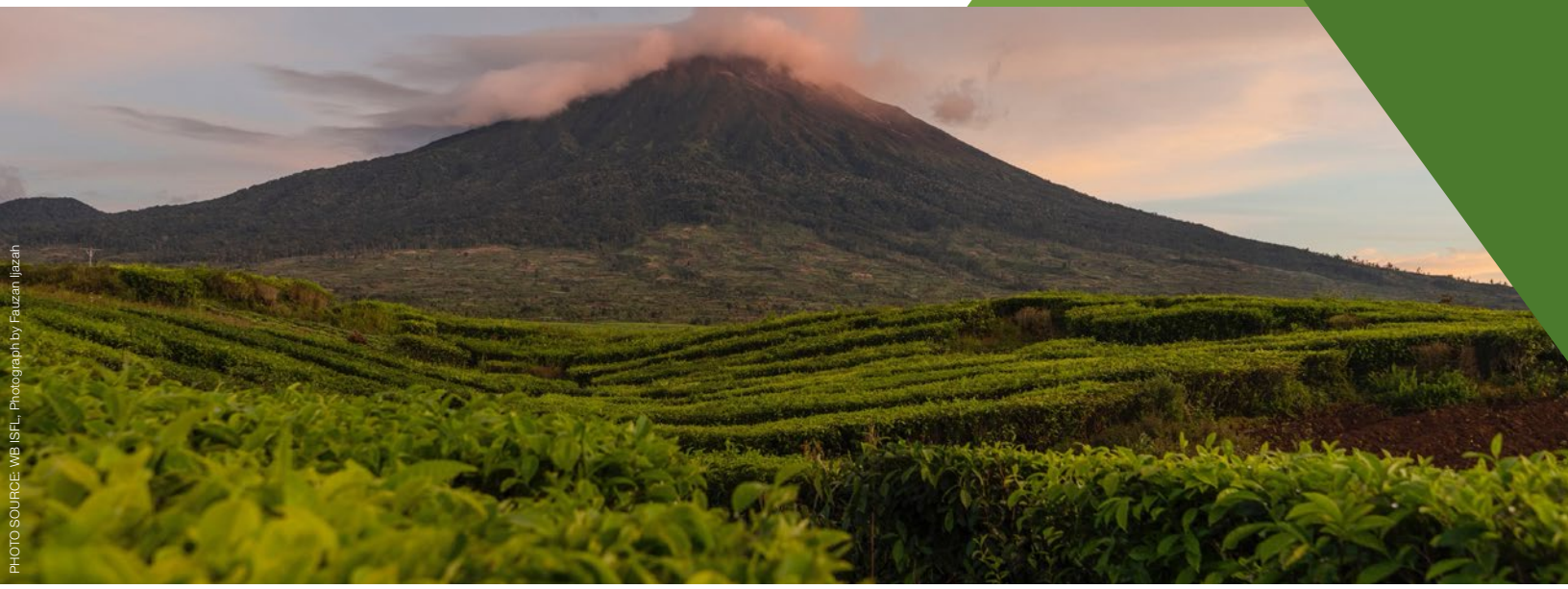


PHOTO SOURCE: WB ISFL. Photograph by Fauzan Ijazah

Conclusion

The private sector, in partnership with governments and communities, needs to ambitiously reduce emissions, remove atmospheric CO_2, and incentivize other actors to protect forests and enhance carbon stocks.

Private investment in natural climate solutions continues to accelerate, but much more is needed to protect standing forests and keep warming below 2 °C in alignment with the Paris Agreement. The private sector carries much of the responsibility for reducing emissions from deforestation and land-use change—but cooperation and multi-stakeholder engagement are essential. The private sector, governments, and local communities must work together to create and expand programs and activities that increase sustainable landscape management to eliminate deforestation, understand and mitigate investment risks, and establish appropriate policy mechanisms and frameworks for climate finance.

The 2021 FCPF-ISFL private sector workshop highlighted many examples of private sector engagement to drive natural climate solutions. Following the rich discussions that took place during the workshop about financing instruments and jurisdictional approaches, enabling conditions to involve the private sector, and eliminating deforestation from the production of agricultural commodities, participants and the organizations they are affiliated with should seek to advance the following endeavors:

- Promote a long-term community of practice consisting of the private sector, institutions such as the World Bank, and various platforms to showcase climate-smart best practices, examples of operationalizing climate finance in supply chains, and resiliency models. Through the continuation of these workshops and similar convenings, stakeholders and partners within this community will learn by doing and duplicate positive results in their respective regions.

- The public and private sector are implementing and testing innovative sustainable landscape approaches at the jurisdictional scale. The

jurisdictional pilots will pave the path for wider activities on the national and international level that will contribute to the NDCs as well as towards achieving the goals of the Paris Agreement.

- REDD+ countries need to expand their network for climate investment opportunities by collaborating with climate finance investors, initiatives, and private sector entities in future activities in the AFOLU and LULUCF sectors.

- Market and finance actors should provide guidance for how they can participate in programs, and discover business opportunities, and/or business development from ERP countries.

The workshop is part of an ongoing dialogue on the topic of private sector engagement in climate finance, natural climate solutions, and sustainable landscape management that continues throughout the year in regional and sector-specific engagements. Other events in 2021 include:

- A series of webinars and forthcoming report from the World Bank on the topic of livestock & Climate Finance;

- The Cocoa & Forest Knowledge Program, and implemented by Alisos and Kinome, featuring south-south knowledge exchanges, co-creating a cocoa agroforestry guide and online knowledge platform;

- IETA's virtual webinar series, IETA LIVE & IETA LIVE innovator's series, including upcoming events on the voluntary carbon market and climate;

- Series of regional climate summits hosted by IETA through the fall taking place in Europe, North America, Latin America; as well as the IETA Business Hub at the 26th UN Climate Change Conference of the Parties (COP26) in Glasgow; and

- Series of global workshops hosted by CDP during the 2021 disclosure cycle.

If you would like to learn more about how to engage with the FCPF on REDD+ activities, the FCPF Private Sector Engagement Approach provides a comprehensive overview of FCPF's approach to supporting partner countries in engaging with the private sector by creating replicable, scalable, and innovative models in governance and finance.

The 2022 private sector workshop is in development and will likely employ a mix of in-person and virtual formats to deliver topical and regional deep dives. Please be sure to visit the websites of the FCPF and ISFL to sign up for the newsletters and stay updated on future workshops and opportunities for collaboration.

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Appendix

Speaker list

Adugna Debela
Director General, Ethiopian Coffee and Tea Authority

Alexis Leroy
Founder and CEO, ALLCOT

Andrew Brooks
Head of Cocoa Sustainability, Olam

Angela Foster-Rice
Senior Vice President, Strategic Business Development, Everland

Angela Tejada
Senior Manager in Sustainability, Mars

Anna Cavazzini
Member of the European Parliament

Anna Lehmann
Global Climate Policy Director, Wildlife Works

Anna Turrell
Head of Environment, TESCO

Bertrand Swiderski
Sustainability Director, Carrefour

Biruktayet Assefa Betremariam
Senior Agriculture Specialist, World Bank

Charlotte Streck
Co-founder & Director, Climate Focus

Christina Magerkurth
Architecture for REDD+ Transactions

Darrell High
Cocoa Manager, Nestlé

Dave Muenz
Executive Officer, Senior VP, ESG, Kao Corporation

Dejene Hirpa
General Manager, Oromia Coffee Farmers' Cooperative Union

Dexter Galvin
Global Director of Corporates and Supply Chains, CDP

Dirk Forrister
President and Chief Executive Officer, IETA

Donna Lee
Independent Consultant

Dr. Barbara Wettstein
Public Affairs Manager, Sustainable Sourcing, Nestlé

Ed Rumsey
Managing Partner, Permian

Edit Kiss
Investment Director, Mirova Natural Capital

Ellen Lourie
Senior Policy Associate & NCS Lead, IETA

Eron Bloomgarden
Executive Director, Emergent Forest Finance Accelerator

Felipe Carazo
Head of Public Sector Engagement, Tropical Forest Alliance

Götz Martin
Director of Sustainability, Golden Agri Resources

Jean-Dominique Bescond
Senior Private Sector Specialist, World Bank

Jeremy Manion
Lead, Forestry Carbon Markets and Natural Climate Solutions, Arbor Day Foundation

John Ehrmann
Senior Partner, Meridian Institute

Juan Carlos Gonzalez Aybar
Senior Project Manager NBS, Total

Katrin Harding
Originator, Low Carbon Trading, BP

Leonel Almeida
Sustainability Manager, Marfig

Leslie Durschinger
Founder & CEO, Terra Global

Lisa DeMarco
Senior Partner and CEO, Resilient LLP

Mamadou Sangare
General Director, SODEFOR

Mano Demeure
Chief Business Development Officer, SIAT

Marc Sadler
Manager, Climate Funds Management, World Bank

Marco Daldoss Pirri
Regional Lead Forests, CDP

Maria Carvalho
Senior Consultant, Climate Policy and Carbon Pricing, South Pole

Michael Schlup
E&S Lead, &Green Fund

Muluneh Lemma
Vice President, Credit Appraisal and Credit Management, Commercial Bank of Ethiopia

Nadia Hoarau Mwaura
Sustainability Director, JDE

Naomi Swickard
Chief Program Officer, Verra

Nicolas Gordon
Chief Sustainability Officer, CPMC

Paul Stewart
Global Coffee Director, TechnoServe

Pierre Gerber
Senior Livestock Specialist, World Bank Group

Richard Saines
Partner, Pollination Group

Robert O'Sullivan
Climate Change Consultant, GreenCollar

Roselyn Fosuah
Director Climate Change Directorate, Forestry Commission of Ghana

Simon Henry
Director of Carbon Market Development, IETA

Stephanie Cardenas
Manager Forests, CDP

Stuart Evans
Senior Engagement Manager, Vivid Economics

Valerie Reboud
Country Manager, IDH

Annex A

2021 FCPF-ISFL Private Sector Workshop (Virtual) Agenda

Natural Climate Solutions: Unlocking Private Sector Finance for Sustainable Landscape Management

16-18 MARCH, 2021

Co-organized by The World Bank, IETA, and CDP

Facilitated by Meridian Institute

Time Zone	Start Time (0:00) in Time Zone
Eastern Time (ET)	8:30 AM
Greenwich Mean Time (GMT)	12:30 PM
Central European Time (CET)	1:30 PM
Western Indonesian Time (WIB)	7:30 PM

Registration: Click here to register

Translation: Spanish, French, and English language options will be provided

MEETING OBJECTIVES

The 2021 FCPF-ISFL Private Sector Workshop will focus on strategies and opportunities to catalyze private sector finance toward natural climate solutions. The first day will explore financing instruments and approaches to facilitating private sector engagement with a spotlight on new initiatives to be announced by the World Bank. The second day will hone in on climate finance more deeply, addressing topics ranging from enabling conditions for private sector engagement to REDD+ nesting programs. Building upon the theme of public-private sector collaboration, the third day will highlight the critical role that companies must play in eliminating deforestation from the production of agricultural commodities in conjunction with governments.

DAY 1: TUESDAY, 16 MARCH, 2021

:00-4:15 **Incentivizing Private Sector for Improving Sustainability**

The first day will focus on showcasing different financing instruments and approaches to facilitate private sector engagement.

:00 **Welcome, Introductions and Workshop Overview**

John Ehrmann, Senior Partner, Meridian Institute

Welcome attendees, introduction of the knowledge event/lessons learned and continuation from 2019 workshop, transition to opening perspectives.

:15 **Opening Perspectives**

Moderator: John Ehrmann, Meridian Institute

Opportunity for co-host representatives to welcome audience, provide their perspectives, and highlight desired outcomes.

Marc Sadler, Manager, Climate Funds Management, World Bank

Roselyn Fosuah Adjei, Director Climate Change Directorate, Forestry Commission of Ghana

Dirk Forrister, President and Chief Executive Officer, IETA

Anna Turrell, Head of Environment, TESCO

:45 **Private Sector Engagement FCPF and ISFL**

Jean-Dominique Bescond, Senior Private Sector Specialist for the Forest Carbon Partnership Facility & BioCarbon Fund, World Bank

Overview of FCPF and ISFL, the role of private sector engagement, and three ways to engage with the FCPF and ISFL.

:55 **101: Climate Finance for Natural Climate Solutions**

Moderator: Ellen Lourie, Senior Policy Associate, IETA

This session will provide an overview of different regulatory and financing structures that place value on emission reductions and removals to deliver climate finance for Natural Climate Solutions (NCS).

Stuart Evans, Senior Engagement Manager, Vivid Economics

Lisa DeMarco, Senior Partner and CEO, Resilient LLP

1:30 **Break**

1:45 **World Bank Activities in the Future of Climate Finance**

Marc Sadler, Manager, Climate Funds Management, World Bank

The World Bank will be sharing their perspectives to advance results-based climate finance.

2:15 **Leveraging Sustainable Landscape Interventions: National, Sectoral, and Company Levels**

Moderator: John Ehrmann, Meridian Institute

The session will showcase how the World Bank Group is working with partners to leverage interventions from national/jurisdictional level, down to sectoral level and finally firm level, drawing from the FCPF Ivory Coast (IVC) cocoa example.

Mamadou Sangare, General Director, Sodefor

Valerie Reboud, Country Manager, IDH

Angela Tejada, Senior Manager in Sustainability, Mars

Darrell High, Cocoa Manager, Nestlé

Mano Demeure, Chief Business Development Officer, SIAT

Andrew Brooks, Head of Cocoa Sustainability, Olam

3:15 **Reflection on Day 1 & Overview of Next Day and Closing Remarks**

Interactive reflection about Day 1; Discuss agenda for Day 2 and share ideas to keep in mind for the remainder of the workshop.

DAY 2: WEDNESDAY, 17 MARCH, 2021

:00-4:15 **Innovative Solutions: Policy, Finance, and the Carbon Market**

The second day will cover the role of the private sector and market approaches in scaling investment into natural climate solutions (NCS).

:00 **Welcome, Introductions and Workshop Overview**

John Ehrmann, Meridian Institute

:10 **Exploring Climate Finance Approaches and Jurisdictional Case Study**

Moderator: John Ehrmann, Meridian Institute

This panel discussion will explore the financial constraints in a jurisdictional approach to achieve emission reductions by focusing on coffee stumping in Ethiopia through the ISFL program.

Biruktayet Assefa Betremariam, Senior Agriculture Specialist, World Bank
Paul Stewart, Global Coffee Director, TechnoServe
Adugna Debela, Director General, Ethiopian Coffee and Tea Authority
Dejene Hirpa, General Manager, Oromia Coffee Farmers' Cooperative Union
Nadia Hoarau Mwaura, Sustainability Director, JDE
Muluneh Lemma, Vice President, Credit Appraisal and Credit Management, Commercial Bank of Ethiopia

1:10 **The Role of Nesting in Scaling Investment in NCS**

Moderator: Simon Henry, Director, Carbon Market Development, IETA

This session will provide an update on the latest developments in nesting approaches to REDD+, and the role it can play in scaling private sector finance.

Charlotte Streck, Co-founder & Director, Climate Focus
Naomi Swickard, Chief Program Officer, Verra

1:40 **Break**

1:55 **Private Sector Requirements for Climate Finance**

Opening remarks: Leslie Durschinger, Founder & CEO, Terra Global

Participants will be given a brief overview of requirements for private sector engagement in scaling and financing NCS projects and increasingly jurisdictional programs, followed by deep-dive breakout sessions to examine key requirements.

Breakout 1: Carbon Tenure & Rights Protection

Moderator: Alexis Leroy, Founder and CEO, ALLCOT

Will examine how countries are dealing with these challenges, and how programs and projects have defined and devolved carbon tenure while maintaining property rights and avoiding conflict.

Richard Saines, Partner, Pollination Group
Robert O'Sullivan, Chief Adviser, International Markets, GreenCollar
Anna Lehmann, Global Climate Policy Director, Wildlife Works

Breakout 2: Due Diligence and Participation in Governance

Moderator: Leslie Durschinger, Founder & CEO, Terra Global

Private companies that are actively transacting in nature-based carbon will share what they require for due diligence and governance oversight to make a financial commitment.

Juan Carlos Gonzalez Aybar, Senior Project Manager NBS, Total
Donna Lee, Independent Consultant
Christina Magerkurth, Architecture for REDD+ Transactions

1:55 **Breakout 3: Benefits Allocation Plans**

Moderator: Katrin Harding, Originator, Low Carbon Trading, BP

This session will review different methods for allocating, administering, and providing benefits to multiple actors for certain carbon activities or results.

Ed Rumsey, Managing Partner, Permian

Angela Foster-Rice, Senior Vice President, Strategic Business Development, Everland

Jeremy Manion, Lead, Forestry Carbon Markets and Natural Climate Solutions, Arbor Day Foundation

3:15 **Private Sector Climate Finance - Opportunities and Challenges**

Moderator: Maria Carvalho, Senior Consultant, Climate Policy and Carbon Pricing, South Pole

Highlighting examples of climate finance transactions, including economics terms, key contractual requirements, and how the governance and management of investments align private sector and implementing entity incentives.

Edit Kiss, Investment Director, Mirova Natural Capital

Eron Bloomgarden, Executive Director, Emergent Forest Finance Accelerator

Trevor Munday, Programme Manager – Forestry Initiatives, Eni

4:00 **Overview of Next Day and Closing Remarks**

Discuss agenda for Day 3

DAY 3: THURSDAY, 18 MARCH, 2021

:00-3:30 **Supply Chain Company Commitments and Government Goals**

The third day will highlight the critical role that companies can play in eliminating deforestation from production of agricultural commodities and discuss how their commitments and actions can be aligned with government goals and emerging forest-related regulations and how these will influence the market in both demand and production regions.

:00 **Welcome, Introductions and Workshop Overview**

John Ehrmann, Meridian Institute

:10 **Private Sector Commitments in Forest Positive Supply Chains**

Moderator: Dexter Galvin, Global Director of Corporates and Supply Chains, CDP

This roundtable will showcase examples of corporate leadership to eliminate deforestation from the supply-chain of forest-risk commodities including examples of innovative and collective actions taken to address deforestation.

Nicolas Gordon, Chief Sustainability Officer, CPMC

Bertrand Swiderski, Sustainability Director, Carrefour

Dave Muenz, Executive Officer, Senior VP, ESG, Kao Corporation

1:00 **Emerging EU Legal-Framework to Halt and Reserve EU-Driven Global Deforestation**

Anna Cavazzini, Member of the European Parliament

This presentation will provide an overview on the emerging forest-related regulations under development by the European Commission to eliminate imported deforestation products and on the implications for producer countries and the companies operating and sourcing from these regions.

1:20 **Key Actions and Approaches to Achieve Deforestation-Free Supply Chains for Livestock Products and Palm Oil**

These two breakout sessions will cover examples from livestock and palm oil value-chains on how companies are implementing targets, building key partnerships, and using technology to achieve deforestation-free supply chains at scale.

Livestock session:

Moderator: Stephanie Cardenas, Manager Forests, CDP

Overview of the state of corporate action on deforestation and climate within the livestock sector using CDP data. The World Bank will share findings on livestock and climate finance, Marfrig will highlight their work on Neutral Carbon Meat and Low Carbon Meat while showcasing their new action to green their supply chain with the &Green Fund. Followed by lively discussion.

Pierre Gerber, Senior Agriculture Economist, World Bank
Leonel Almeida, Sustainability Manager, Marfig
Michael Schlup, Head of Impact and ESG, Managing Director, &Green Fund

Palm oil session:

Moderator: Marco Daldoss Pirri, Regional Lead Forests, CDP

Overview of the state of corporate action on deforestation and climate within the palm oil sector using CDP data. Session will include a presentation demonstrating corporate leadership on palm oil deforestation-free value chains with a particular focus on landscape approaches and collective action.

Barbara Wettstein, Public Affairs Manager, Sustainable Sourcing, Nestlé
Dr. Götz Martin, Director of Sustainability, Golden Agri Resources
Felipe Carazo, Head of Public Sector Engagement, Tropical Forest Alliance

2:05 **Break**

2:20 **Public-Private Sector Dialogues**

Breakout sessions to summarize and distil key takeaways and action items from the workshop with input from all participants. Participants will select their breakout group based on language: English, French, or Spanish.

3:15 **Overview of Workshop, Next Steps, and Closing Remarks**

John Ehrmann, Senior Partner, Meridian Institute
Jean-Dominique Bescond, World Bank

Review the three-day workshop, encouraging participants to reflect on the potential next steps that can be taken, highlighting the importance of collaboration to achieve the common goal of eliminating deforestation.