

# 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. . .

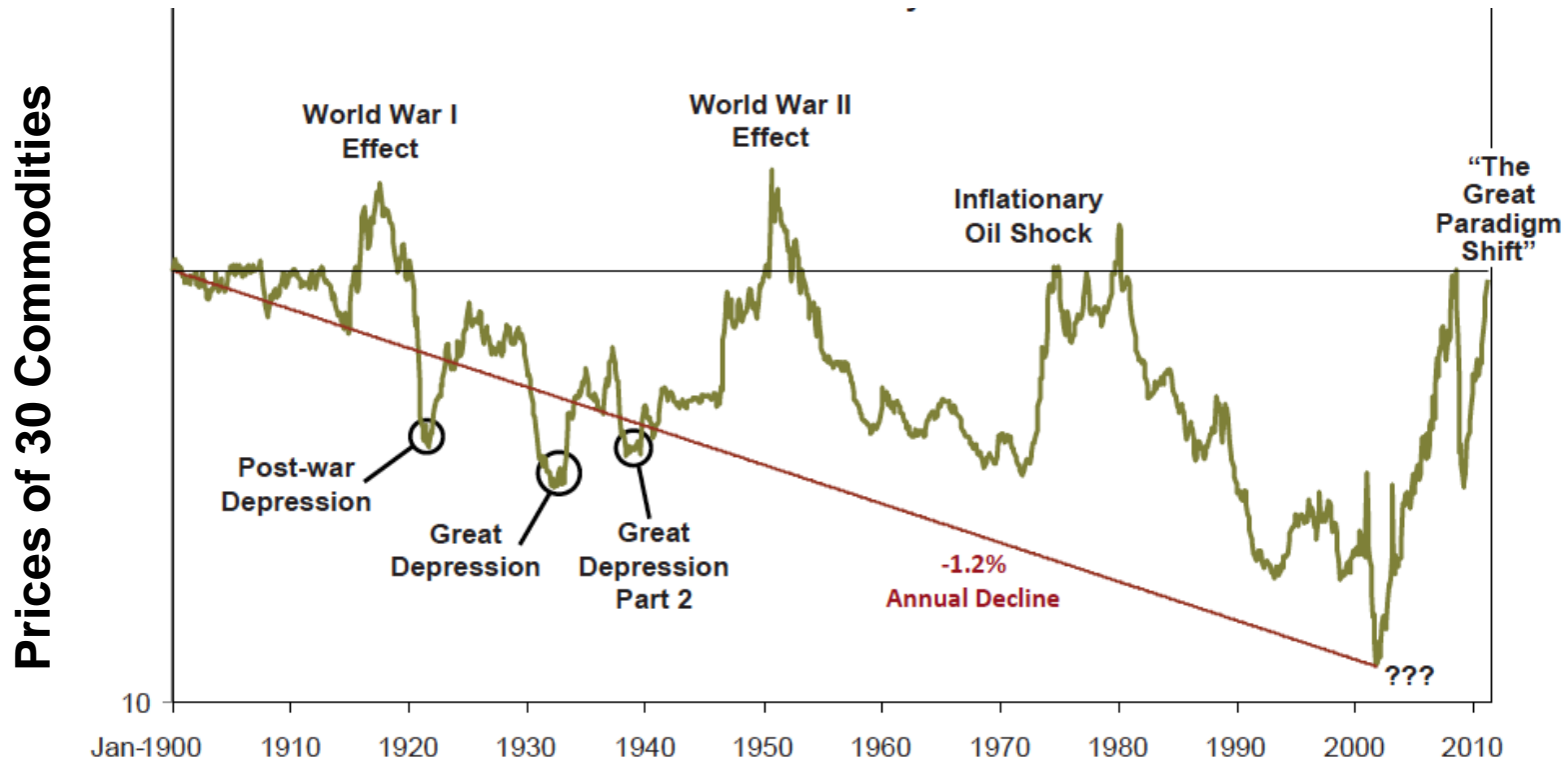
. . . .but we must not be hostage to the UNFCCC box

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

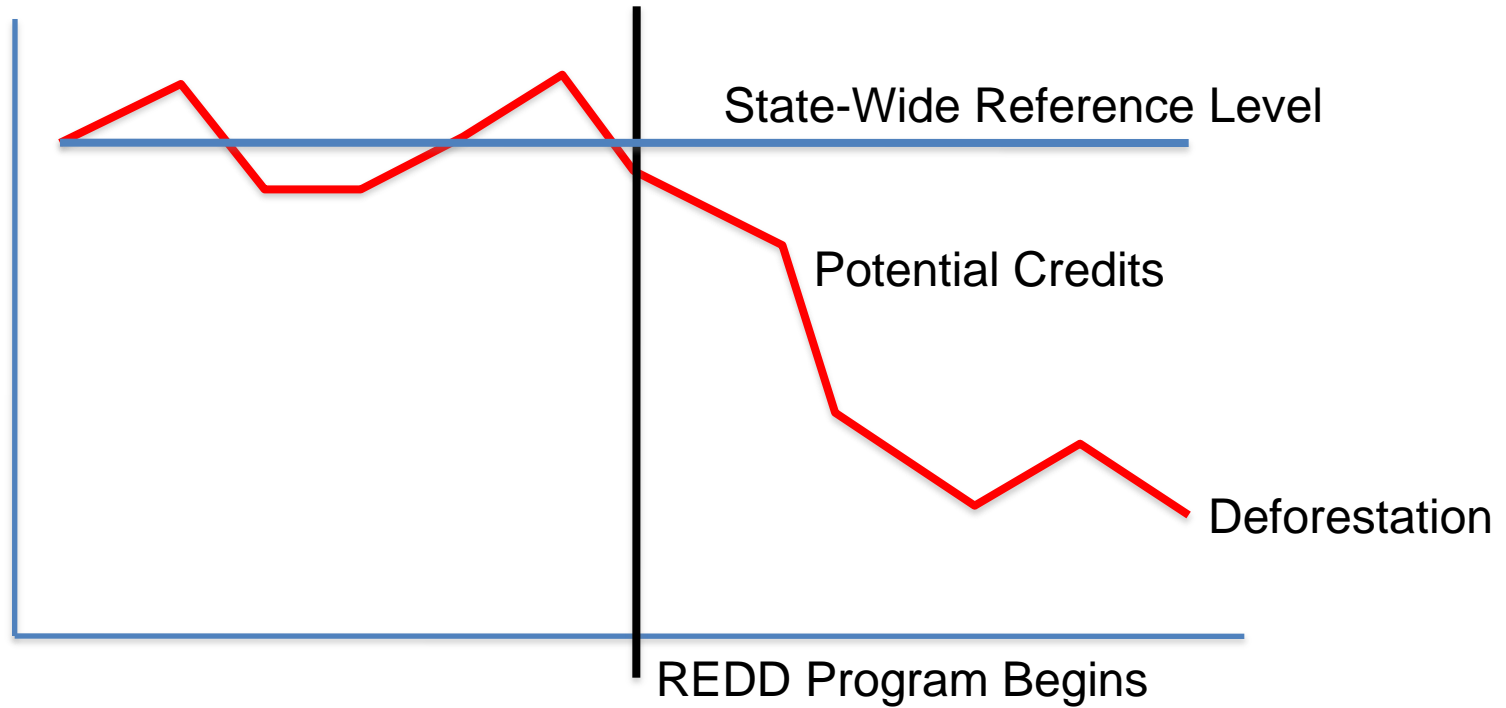
- ***National Processes***

- 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**

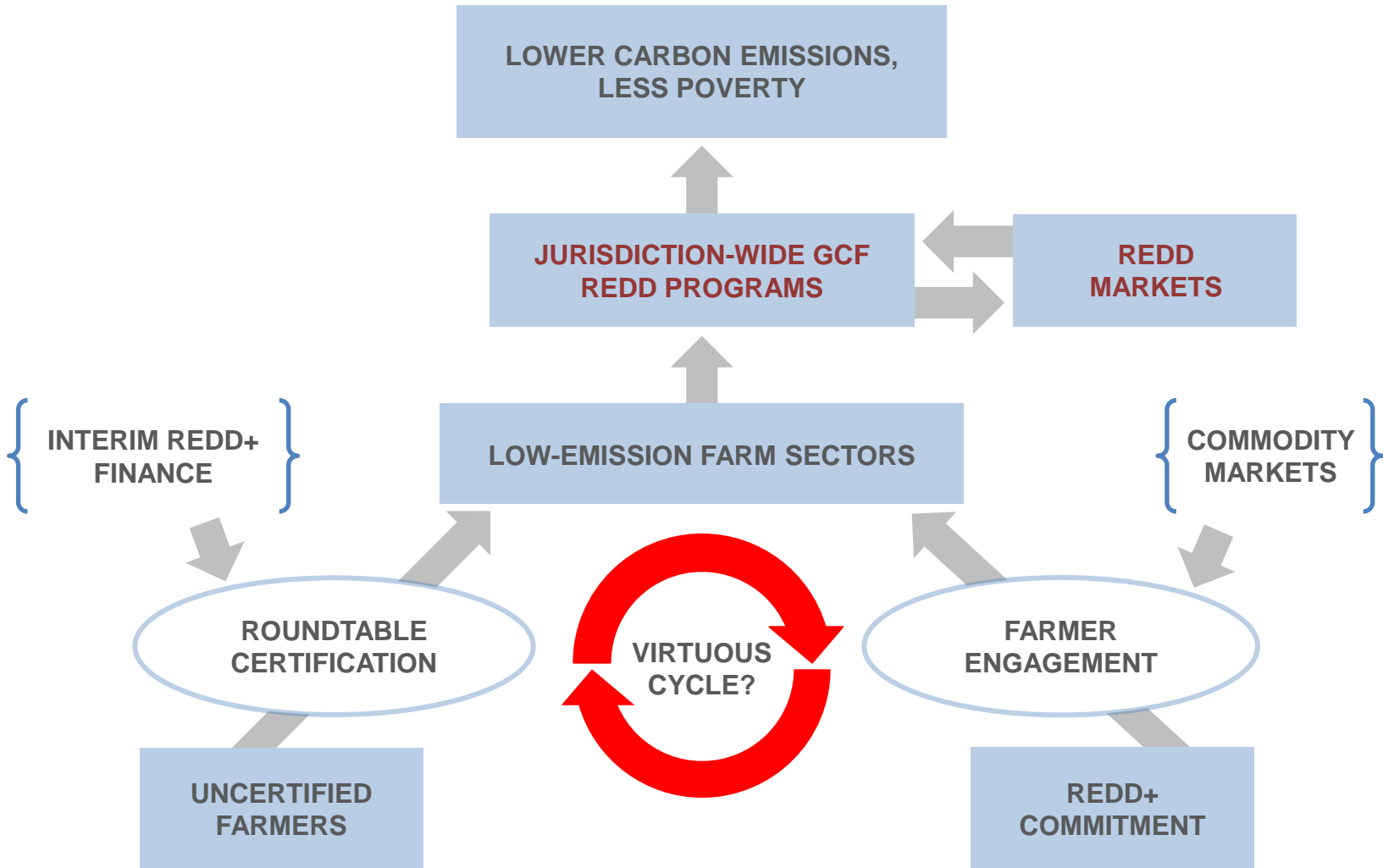
## **Step Two Toward LERD: REDD+** *Financial Instruments*

- **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 &amp; Environmental Safeguards?</i>	YES	YES

# A Virtuous Cycle Between Roundtables and GCF?



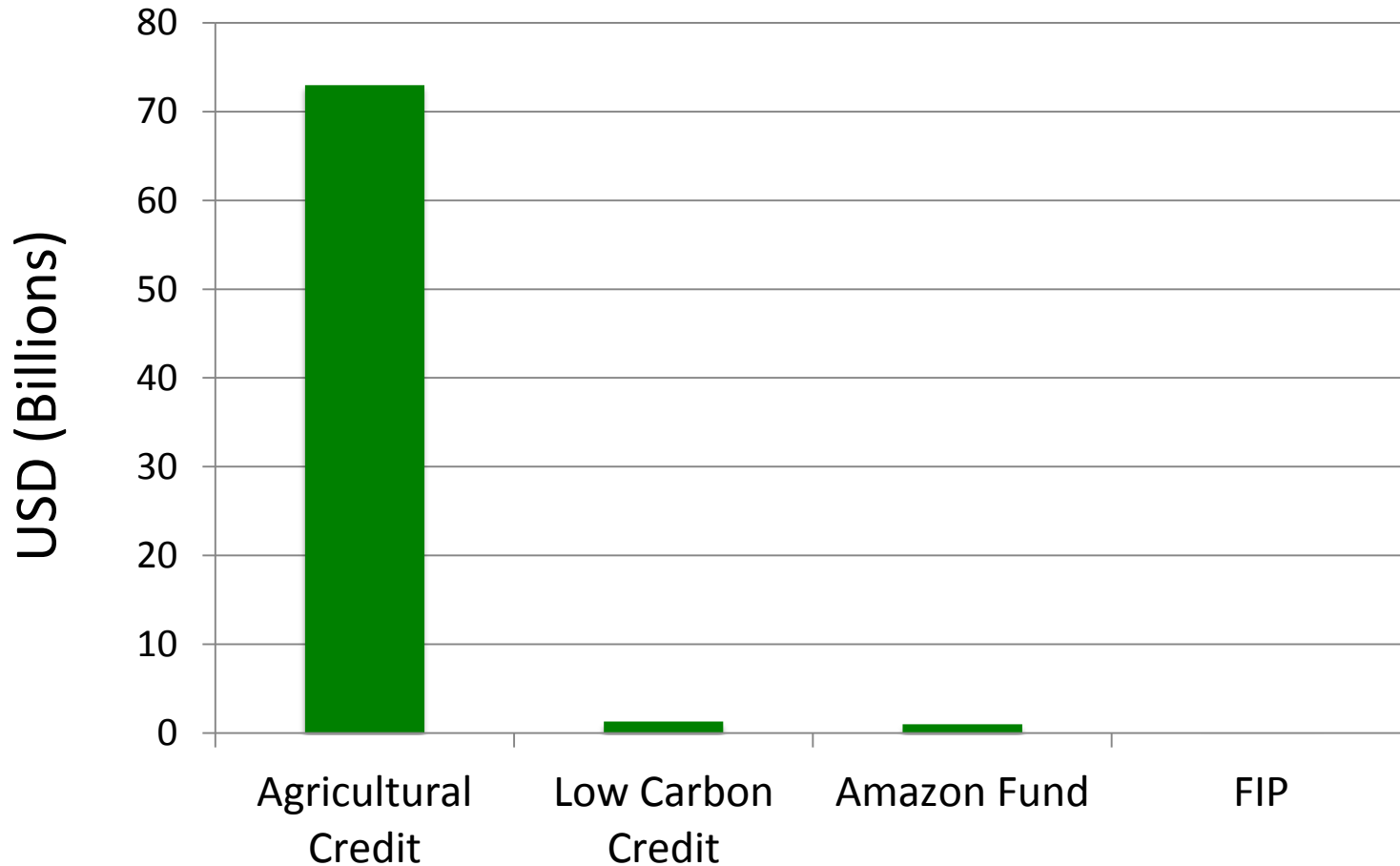
# Building a Bridge Between Commodity Roundtables and REDD

## *A Cross-Sector Alliance*



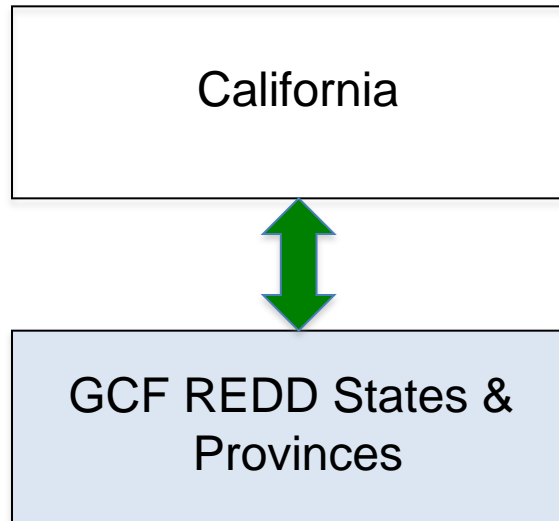
25 Nations Where REDD Finance and Roundtables Overlap

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

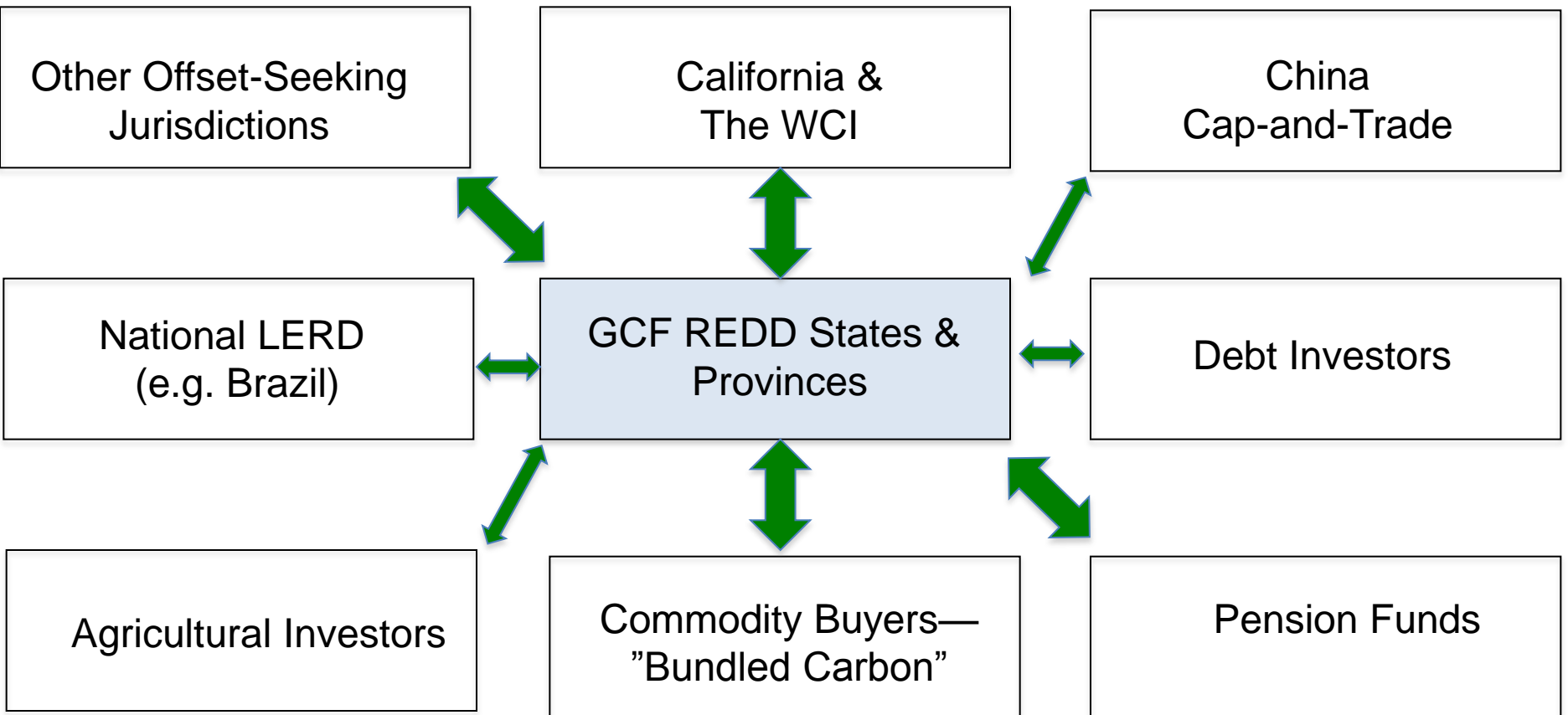


Example: Brazil Agriculture and REDD+ Finance\*

# The GCF Today



# The GCF in 2015?



# **The GCF. . .Out of the Box**