The Role of Carbon Finance for Sustainable Landscapes: The World Bank Group's Forest Funds

Alexander Lotsch

Senior Carbon Finance Specialist

March 3, 2015

GFOI Meetings (via Webex)

The Key Point

- **The World Bank's landscape and funds are among the few that provide major climate finance for REDD+**

  - **Governments lead on REDD+ program development**

  - **We provide finance and facilitate technical assistance**

- **Our funds' standards on REDD+ are instrumental to pilot REDD+ at scale**

  - **Provide proof-of-concept for REDD+ and generate early finance streams (at scale)**

  - **Help countries to achieve long-term goals under UNFCCC**

- **Our work relies on and interfaces with many other technical and financial partners (like the GFOI)**
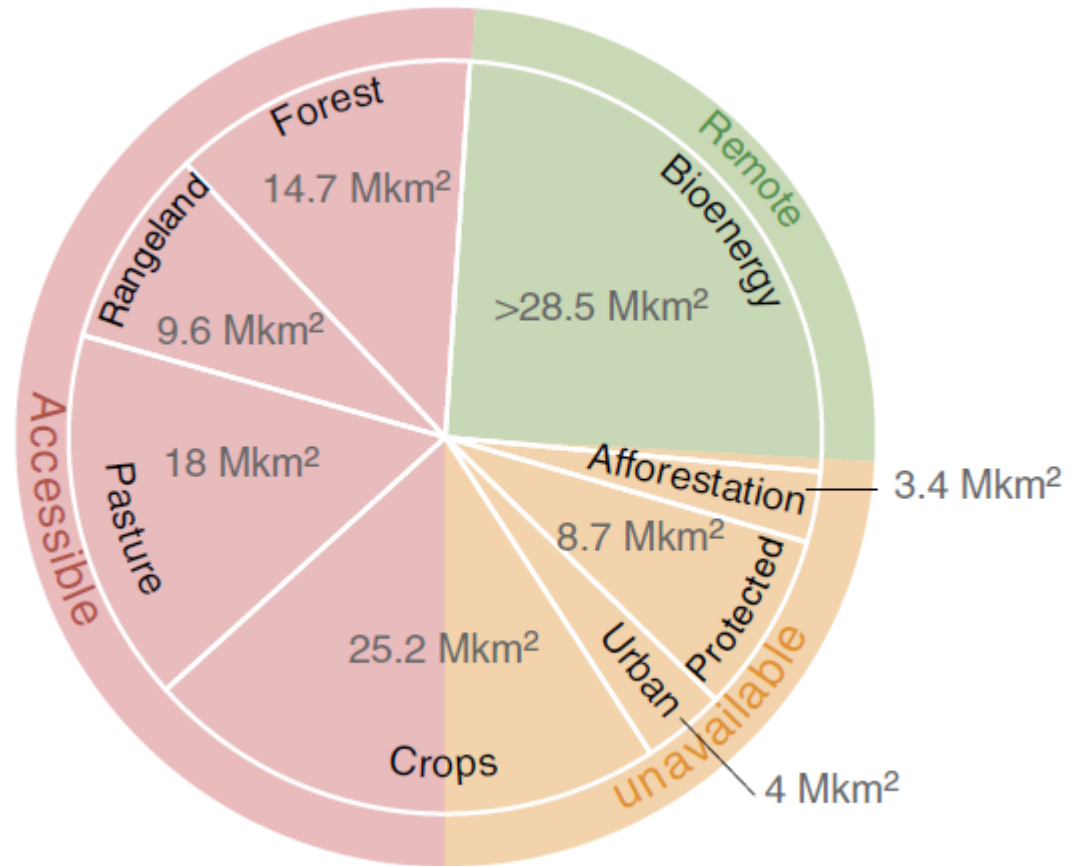
Humbo, Ethiopia

2004

Today

LAND REQUIREMENTS FROM DIFFERENT SECTORS ARE MULTIPLE, LARGE AND COMPETING
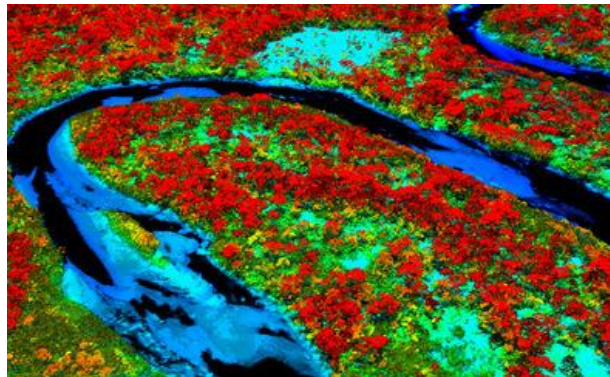
High land demand scenario for 2050

Source: Canadell & Schulze 2014

Transforming Landscapes Requires Innovative Ways to ...

Engage People

Harness Technology

Leverage Finance

THE CHALLENGE WE ADDRESS:

TO PROMOTE RURAL DEVELOPMENT IN A CLIMATE-SMART WAY

CLIMATE CHANGE:

1/4 of global greenhouse gas emissions come from deforestation, unsustainable agricultural practices and land-use. **Agriculture is the main driver of deforestation worldwide.**

Reverse emission trends: Land can be a carbon sink if managed well.

RURAL POVERTY:

75% of the world's poor are rural and depend on healthy landscapes for their livelihoods, food security, and development opportunities.

Reverse land degradation trends: alleviate **poverty** and **share prosperity**.

Forests and Landscapes Climate Finance (CCGFL)
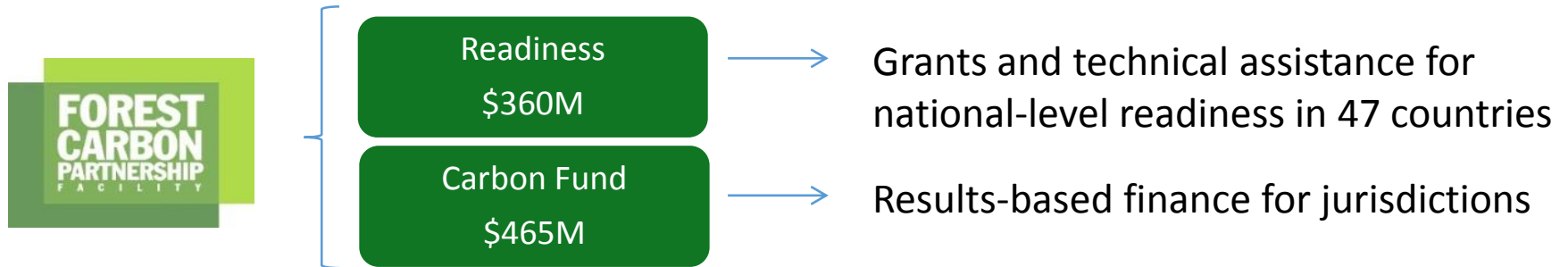## Working toward climate smart landscapes

"Transforming land, lives, and the way we do business."

- **$1.2 billion of carbon finance for forests and landscape transformation**

- **Pioneering new incentive mechanism:** Results-based finance for emission reductions at the landscape level

- **Working across Sectors:** Environment, Agriculture, Energy & Extractives

- **Global reach:** Operations in 54 countries and in 5 regions

- **Fostering public-private sector partnerships:** Collaboration with IFC (World Bank private sector arm) and commodity corporates at global and local level
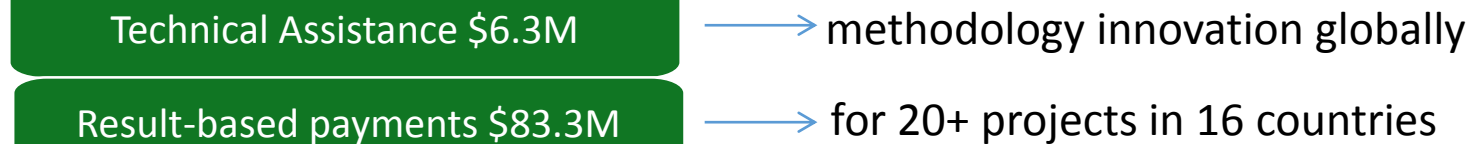
OUR FUNDS ($1.2 BILLION)

Forest Carbon Partnership Facility (since 2008) **$825M**

Readiness $360M	→ Grants and technical assistance for national-level readiness in 47 countries
Carbon Fund $465M	→ Results-based finance for jurisdictions

Initiative for Sustainable Forest Landscapes (ISFL)(2013) $300M

Technical Assistance $75M	→ For jurisdictional programs in 4 countries
Result-based payments $225M	

BioCF Tranche 1 & 2 (CDM and voluntary markets) (2004) **$90M**

Technical Assistance $6.3M	→ methodology innovation globally
Result-based payments $83.3M	→ for 20+ projects in 16 countries

SCALING-UP OUR PROGRAMS:

In parallel, we are supporting countries to be ready to take climate-smart land-use to national scale
(FCPF Readiness Fund)

To scale-up impact, we now target landscape-level transformation
(BioCF ISFL & FCPF Carbon Fund)

In 2004 we began project-level pilots to change land-use
(BioCF T1/2)

**Key outcomes so far**
- _**Learning value**_
- _**Step in the right direction to desired impact on climate**_

Average scale of intervention

100 million ha

10 million ha

10,000 ha

2004

2015

2030
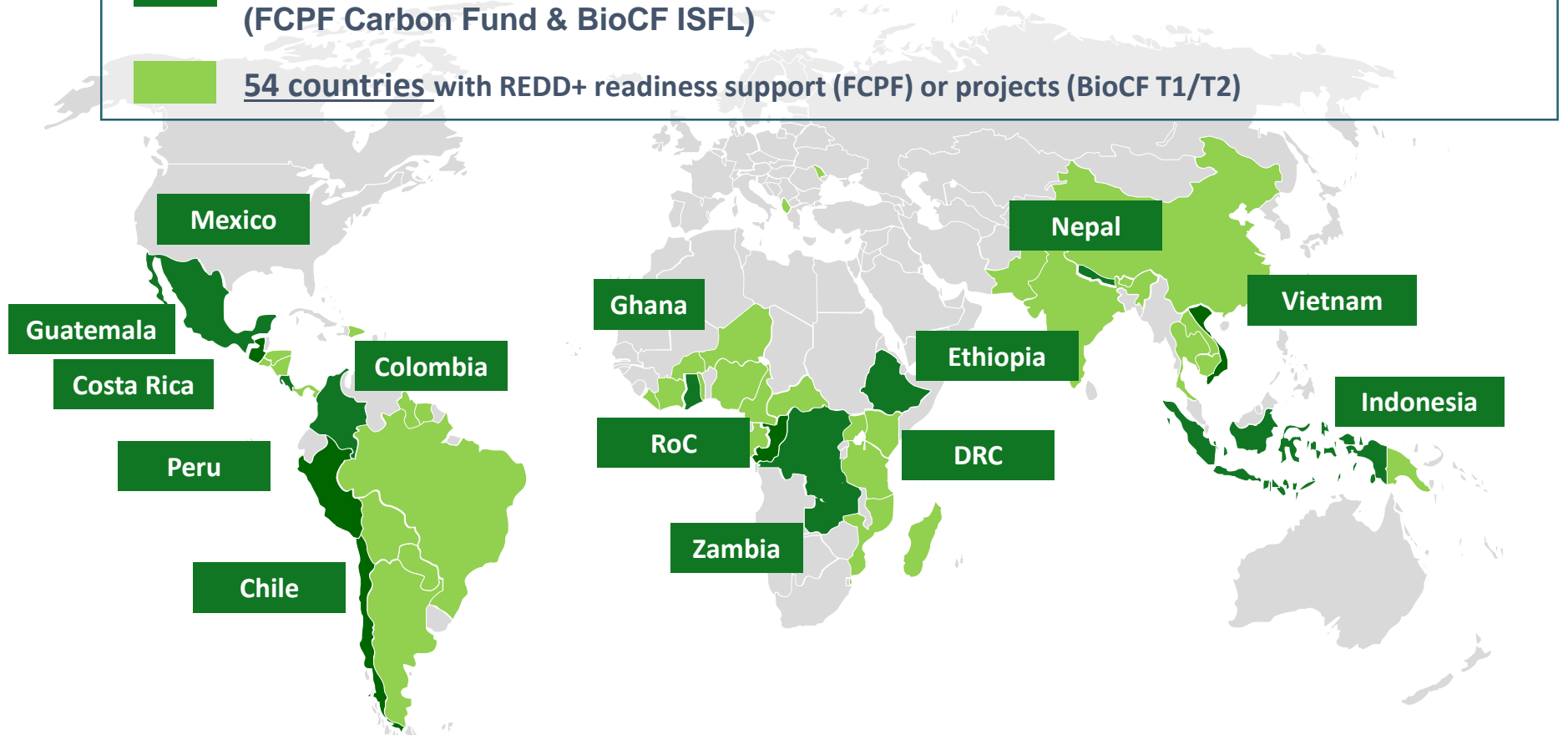
Where we work:

14 countries with large scale climate-smart land-use programs under development (FCPF Carbon Fund & BioCF ISFL)

54 countries with REDD+ readiness support (FCPF) or projects (BioCF T1/T2)

Mexico

Nepal

Ghana

Vietnam

Guatemala

Ethiopia

Costa Rica

Colombia

Indonesia

Peru

RoC

DRC

Zambia

Chile

Together these programs will slow tropical deforestation and forest degradation in an area equivalent to the size of France, and cut the equivalent of one year of greenhouse gas emissions from roughly 20 coal-fired power plants.

Key Features of Carbon Fund REDD+ Programs

	Costa Rica	Mexico	Ghana	DRC	Nepal	Chile	Rep. of Congo	Vietnam	Guate-mala	Peru	Indo-nesia
Accounting Area [million ha, % of country]	4.1 (80%)	17.7 (9%)	5.9 (25%)	12.3 (5%)	2.3 (15%)	16.5 (22%)	12.4 (36%)	5.1 (16%)	10.9 (100%)	15.6 (12%)	12.5 (9%)
Forest Area in Accounting Area [million ha, % of Accounting Area]	n/a	17.7 (100%)	4.6 (77%)	9.8 (80%)	1.2 (52%)	8.4 (51%)	12 (97%)	2.3 (45%)	3.7 (34%)	13.1 (84%)	4.2 (34%)
Average Annual Emissions during Reference Period [million tCO_2e/yr]	-4.7[1] (10.6-15.3)	6.2	28.5	23.9	4.4	9.4	6.2	.7[1] (16-15.3)	11.5	17.6	60.7
HFLD Adjustment [million tCO_2e/yr]	n/a	n/a	n/a	6.0	n/a	n/a	5.1	n/a	n/a	3.1	n/a
Estimated Program ER 2016-2020 (5 years) [million tCO_2e]	14.7[2,4]	8.7	18.5	34.2[2]	14.0	7.5	11.7[3]	20.6[2]	21	20.7[3,4]	53.4[4]
Estimated/assumed Program Effectiveness	11%	28%	13%	29%	64%	16%	37%	13%	37%	20%	28%

1 Emissions minus Removals
2 ERs from reduced emissions plus enhanced removals
3 Includes adjustment for High Forest Low Deforestation (per Methodological Framework)
4 Adjusted from ER-PIN to align with 5 year program period

Our work across sectors:

To achieve climate-smart land use, protect forests, restore degraded land, and improve local livelihoods, we need action across sectors. Example actions include:

Agriculture: Decouple deforestation from agriculture commodity growth

Energy: Improve the fuelwood/charcoal value chain

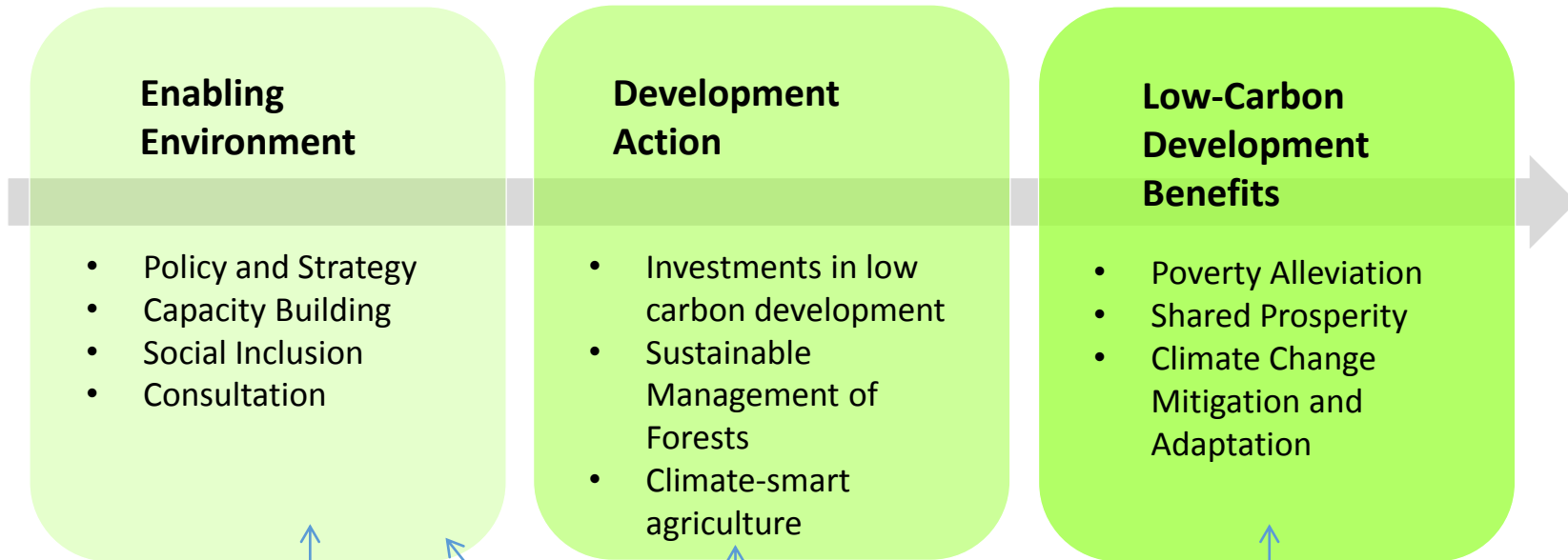**Transport**: Plan to minimize environmental impact

Land: Invest in land use planning, address land tenure issues

Mining: Set "high" environmental management standards

Forestry: Governance, Sustainable Forest Management, Community Forestry

Our Business Model:

Enabling Environment	Development Action	Low-Carbon Development Benefits
• Policy and Strategy • Capacity Building • Social Inclusion • Consultation	• Investments in low carbon development • Sustainable Management of Forests • Climate-smart agriculture	• Poverty Alleviation • Shared Prosperity • Climate Change Mitigation and Adaptation

We provide:

FOREST CARBON PARTNERSHIP FACILITY

BioCarbon Fund
Initiative for Sustainable Forest Landscapes

Grant Funding; Technical Assistance

Results-Based Finance for Emission Reductions

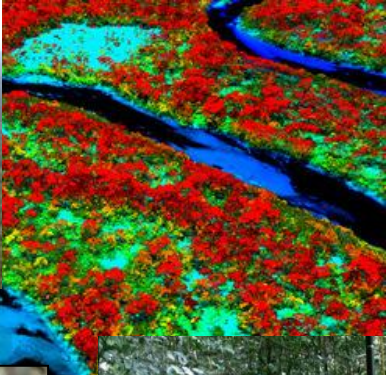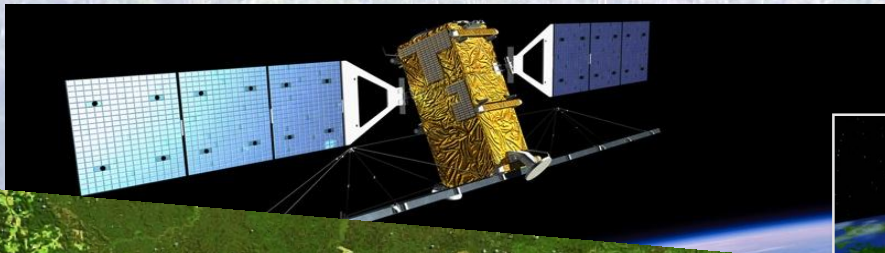**We "crowd-in":**

Private and Public Finance (including IDA, IBRD, FIP, GEF financing)

Who we work with:

Forest countries:

47 countries

Partners:

Private Sector

global and local level

FCPF

Beneficiaries:

Local communities, CSOs & Indigenous Peoples

Donors:

15 governments, 1 private sector firms, 1 NGO

Donors:
Australia
BP Technology Ventures
Canada
Denmark
European Commission

Finland
France
Germany
Italy
Japan
Netherlands

Norway
Spain
Switzerland
The Nature Conservancy
United Kingdom
United States

Tools

Technical Guidance

The REDD+ Decision Support Toolbox

Online tool with a simple interface, supported by a comprehensive database, that

- **Informs** the technical approach for reference levels (RL), forest monitoring, and measurement reporting and verification (MRV)
- **Facilitates** technical and policy decisions related to RL and MRV
- **Integrates** a range of variables required for estimation emissions

STANDARDS WE HAVE DEVELOPED TO PILOT REDD+
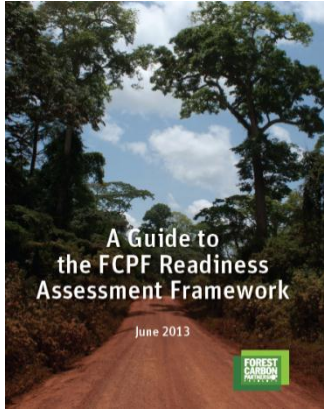

REDD+ READINESS ASSESSMENT FRAMEWORK
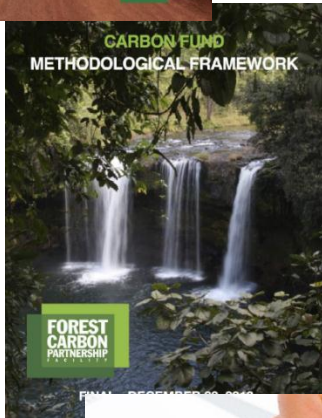
CARBON FUND METHODOLOGICAL FRAMEWORK

GENERAL CONDITIONS FOR EMISSION REDUCTION PAYMENT AGREEMENTS

Some Features of the Carbon Fund Methodological Framework

- Account for emissions from degradation (if significant)

- Provide consistency in reference level emissions (historical) and MRV'ed emissions (during program implementation)

- Quantify uncertainty in emission reduction estimates

- Track leakage (displacement of emissions) and reversals
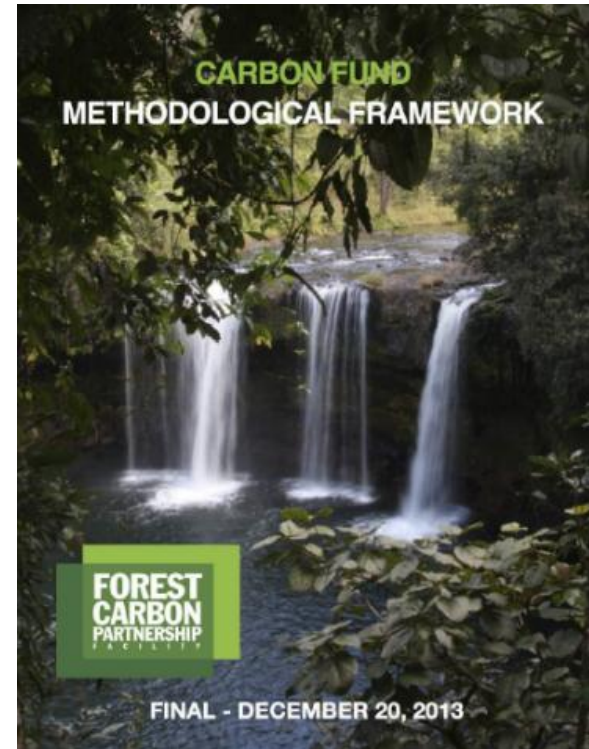
How the GFOI can help countries (even more) to advance on REDD+

- **Become more integral to national REDD+ process**

- **Coordinate on capacity building and guidance materials**

- **Help make forest monitoring become a routine and sustainable operational task in REDD countries**