



GREEN  
CLIMATE  
FUND

PRIVATE   
INVESTMENT  
FOR  CLIMATE  
CONFERENCE 2019



7-9 October 2019  
Grand Hyatt Incheon  
Republic of Korea  
#GPIC2019

# Natural capital at the heart of catalytic private investments?

16:30 - 17:20 - #GPIC2019

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- Joel Scriven | Business Development Manager, Shell Nature Based Solutions (NBS)
- Filippo Berardi | Senior Climate Change Specialist, GEF
- Lisa Genasci | CEO, ADM Capital Foundation
- Tatiana Espinosa Quiñones | CEO, ArBio-Perú
- Jonah Busch | Chief Economist, Earth Innovation Institute
- Marc Dumas-Johansen | Forest & Land-use Specialist, GCF

GREEN CLIMATE FUND

**PRIVATE  
INVESTMENT  
FOR CLIMATE  
CONFERENCE**



# TROPICAL FORESTS AS A CLIMATE SOLUTION: ECONOMIC POTENTIAL AND THE ROLE OF PRIVATE INVESTMENT



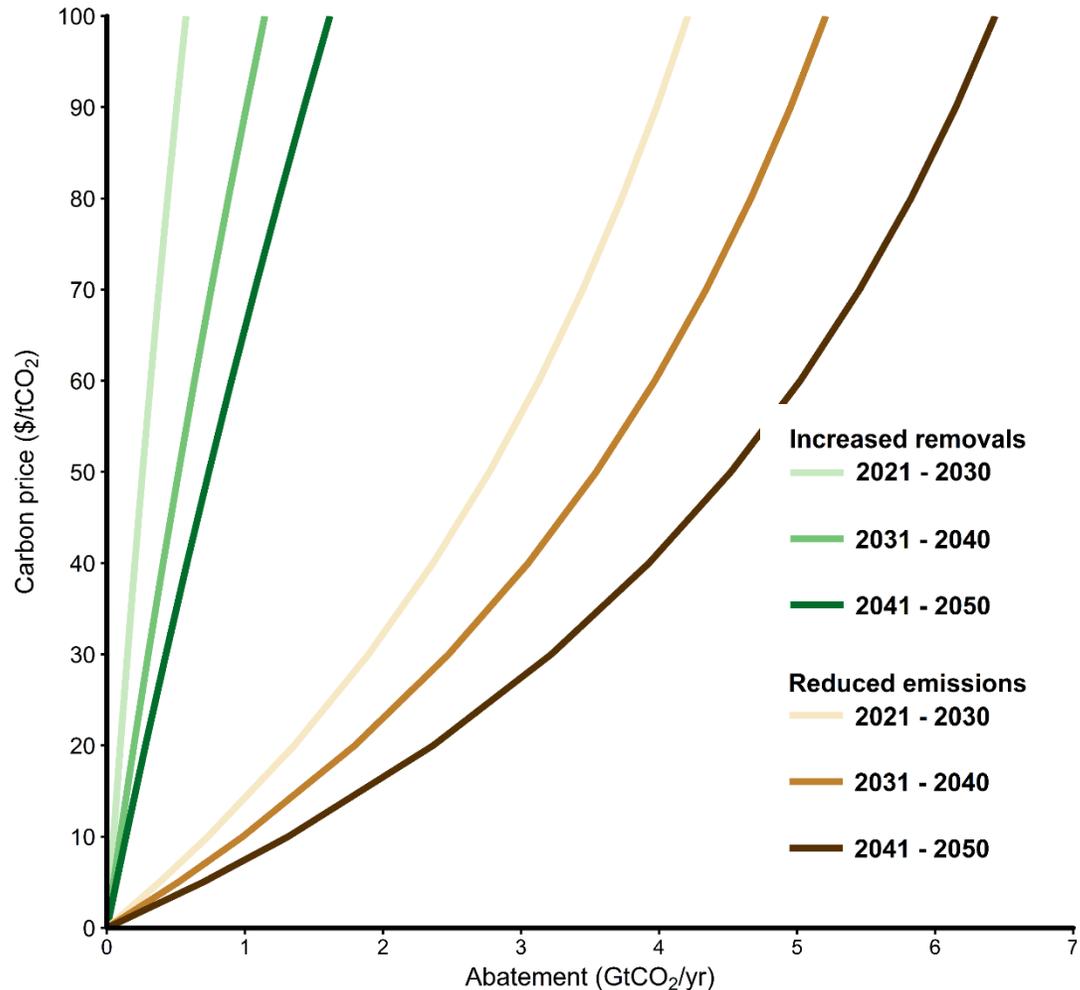
Jonah Busch, Ph.D.  
Earth innovation Institute  
San Francisco, CA



**Earth  
Innovation  
Institute**

## Potential for low-cost carbon dioxide removal through tropical reforestation

Jonah Busch<sup>1\*</sup>, Jens Engelmann<sup>2</sup>, Susan C. Cook-Patton<sup>3</sup>, Bronson W. Griscom<sup>3</sup>, Timm Kroeger<sup>3</sup>, Hugh Possingham<sup>3</sup> and Priya Shyamsundar<sup>3</sup>



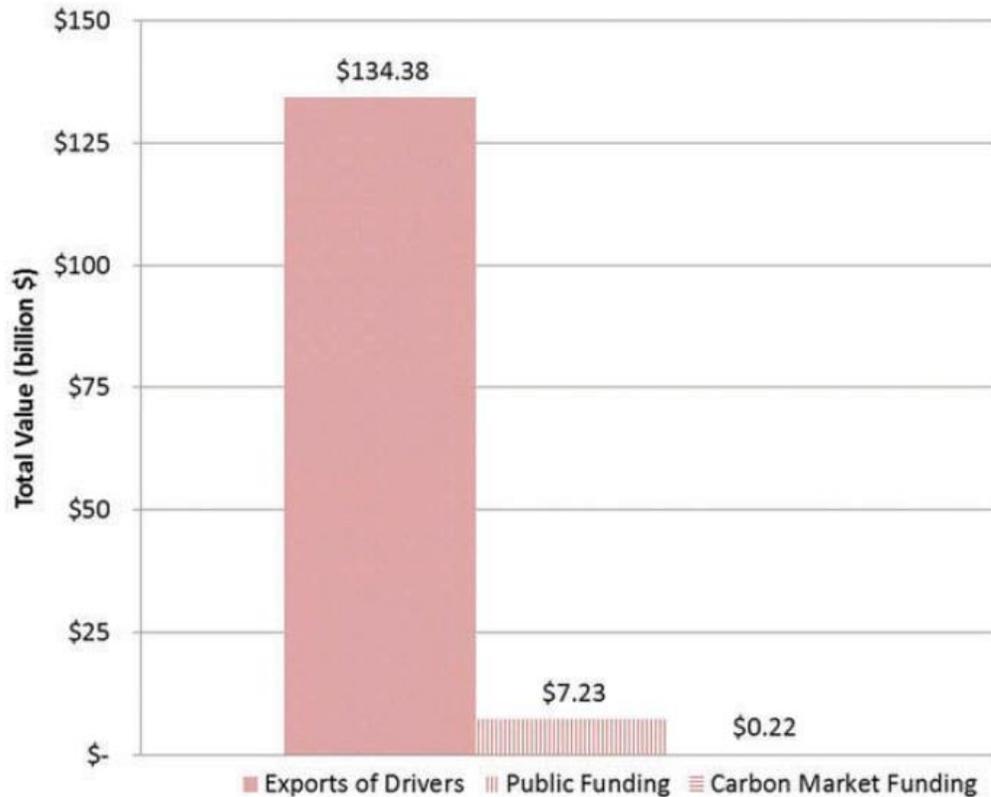
- A hypothetical tropics-wide carbon price of \$20-50-100/tCO<sub>2</sub> would increase removals from tropical reforestation between 2020-2050 by **5.7-15.1-33.3 GtCO<sub>2</sub>** (equivalent to 30 years of emissions from Kuwait-UK-Japan)
- Tropical reforestation can remove **as much or more** carbon dioxide from the atmosphere in 2050 at low-cost than many other “negative emissions technologies” (NETs) that might become available by then
- At the same price, avoided deforestation offers **7.2-9.6 times** as much potential abatement as reforestation
- Combined, tropical reforestation and avoided deforestation offer **as much as one-third** of mitigation needed by 2030 to avoid 2 °C warming below \$100/tCO<sub>2</sub>

## The REDD/Carbon Market Offsets Debate: Big Argument, Small Potatoes

DOUGLAS H. BOUCHER

*Tropical Forest and Climate Initiative, Union of Concerned Scientists, Washington, DC, USA*

**The Drivers of Deforestation  
vs. Public and Carbon Market Funding to Counter Them**



# WHAT CAN PRIVATE INVESTORS DO?



- Anticipate demand for forest carbon, i.e. Reducing Emissions from Deforestation and Degradation (REDD+)
  - Green Climate Fund
  - FCPF Carbon Fund
  - California Tropical Forest Standard
  - International Civil Aviation Organization
- Support deforestation-free agriculture by favoring private commodity suppliers that implement zero-deforestation commitments



September 19, 2019



## Investor statement on deforestation and forest fires in the Amazon

This statement is endorsed by 230 investors representing approximately US \$16.2 trillion in assets.

It is with deep concern that we follow the escalating crisis of deforestation and forest fires in Brazil and Bolivia. As investors, who have a fiduciary duty to act in the best long-term interests of our beneficiaries, we recognise the crucial role that tropical forests play in tackling climate change, protecting biodiversity and ensuring ecosystem services.

As investors, we see deforestation and the associated impacts on biodiversity and climate change as systemic risks to our portfolios and see the reduction of deforestation as a key solution to managing these risks and contributing to efficient and sustainable financial markets in the longer term. Considering the growing risks due to increased deforestation in Brazil, Bolivia and other Amazonian countries, we therefore urgently request companies to redouble their efforts and demonstrate clear commitment to eliminating deforestation within their operations and supply chains, including by:

1. Publicly disclosing and implementing a commodity-specific no deforestation policy with quantifiable, time-bound commitments covering the entire supply chain and sourcing geographies.
2. Assessing operations and supply chains for deforestation risk and reduce this risk to the lowest possible level, disclosing this information to the public.
3. Establishing a transparent monitoring and verification system for supplier compliance with the company's no deforestation policy.
4. Reporting annually on deforestation risk exposure and management, including progress towards the company's no deforestation policy.

# FOREST RESILIENCE ASSOCIATION - ARBIO

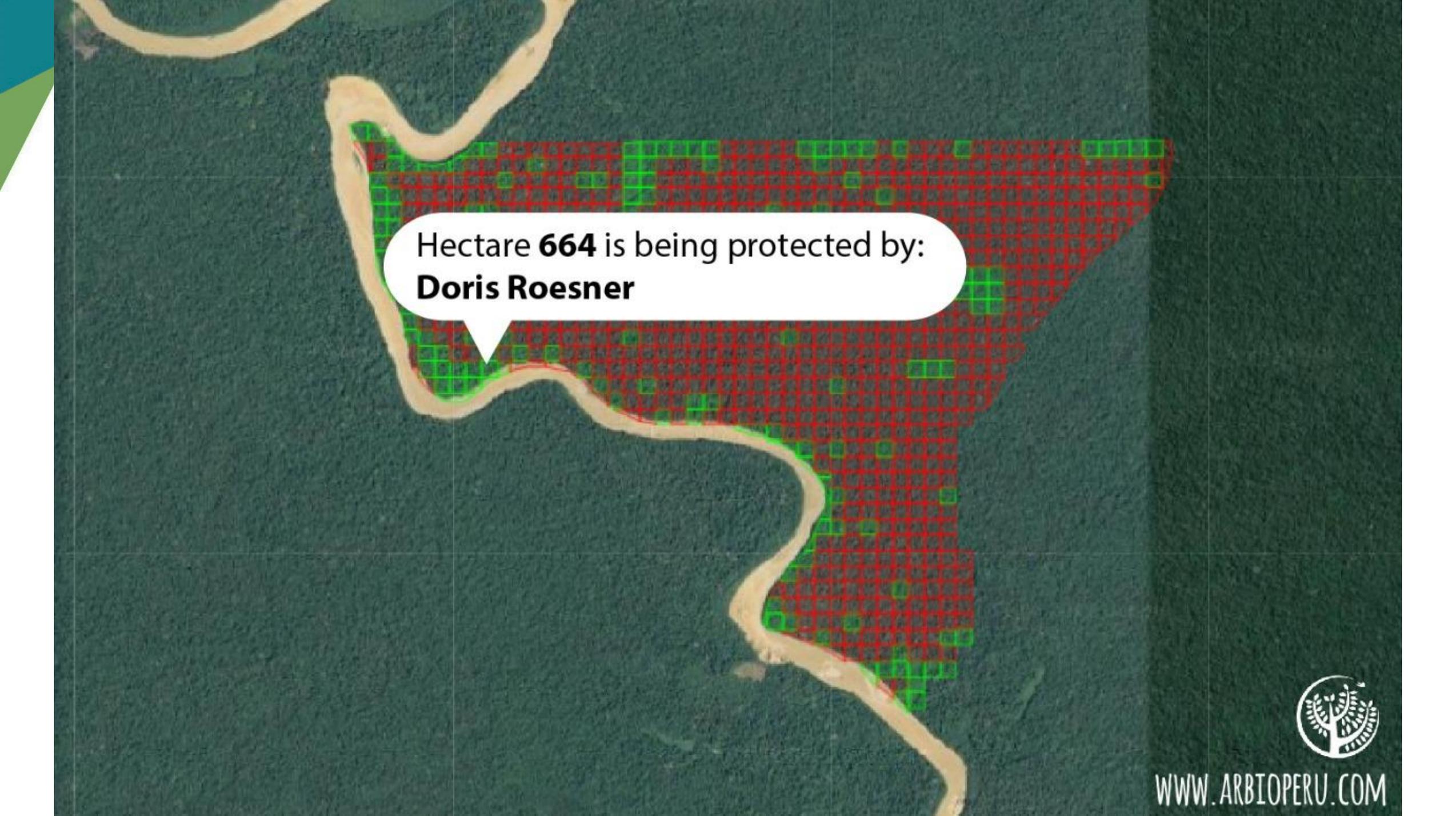


**Tatiana Espinosa**  
Executive Director  
ARBIO-Perú







An aerial photograph of a landscape with a winding river. A large area of the land is overlaid with a red grid pattern, indicating a specific plot or area of interest. A white callout box with a pointer is positioned over the grid, containing text. The background is a dark greenish-blue color.

Hectare **664** is being protected by:  
**Doris Roesner**





GREEN  
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GREEN  
CLIMATE  
FUND



EEN  
MATE  
ND





EEN  
MATE  
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# THE SOLUTION?



- Access to finance: alternatives to incorporate the private sector
- Ecosystem services markets
- Enabling conditions from the Government ('rules of the game')
- Integrate conservation with development





# THE TROPICAL LANDSCAPES FINANCE FACILITY - TLFF

Lisa, Genasci  
ADM Capital Foundation



**TLFF**  
TROPICAL LANDSCAPES FINANCE FACILITY

*Established in April 2006, the ADM Capital Foundation (ADMCF) is a registered charitable institution with more than USD30m invested in projects with over 70 partners in 10 Asian countries*

ADMCF is an impact driven foundation focused on making change in Asia. Through research, we identify environmental challenges then work toward solutions across five key areas. We partner with local NGOs, academics, policy makers, companies and other philanthropic donors, either through core programmes or via our incubated initiatives.



Air



Water



Landscapes



Marine



Wildlife



Kids (Legacy)

## INITIATIVES

We identify and incubate initiatives that fill gaps to help meet specific systemic change objectives. ADMCF believes that foundations are in the unique position of being able to take risk and be creative to foster change and we follow that course ourselves. ADMCF initiatives are listed below:



[aarambhindia.org](http://aarambhindia.org)



[redress.com.hk](http://redress.com.hk)



[supporthk.org](http://supporthk.org)



[tlffindonesia.org](http://tlffindonesia.org)



[chinawaterrisk.org](http://chinawaterrisk.org)



[chooserighttoday.org](http://chooserighttoday.org)

# TLFF 1: FIRST CORPORATE SUSTAINABILITY BOND IN SOUTH EAST ASIA



Transaction Highlights: Tranche 1	
Borrower	<ul style="list-style-type: none"> <li>Royal Lestari Utama (“RLU”) and its subsidiaries</li> </ul>
Size	<ul style="list-style-type: none"> <li>USD 95mm</li> <li>Class A (USD 30mm), Class B1a (USD 20mm), Class B1b (USD 15mm), Class B1c (USD 15mm), Class B2 (USD 15mm)</li> <li>Class B2 will be retained by the Sponsors</li> </ul>
Tenor	<ul style="list-style-type: none"> <li>5 – 15 years</li> <li>Class A (15 years), Class B1a (15 years), Class B1b (5 years), Class B1c (7 years), Class B2 (15 years)</li> </ul>
Interest Rate	<ul style="list-style-type: none"> <li>Class A (4.136%), Class B1a (9%), Class B1b (8.375%), Class B1c (8.875%), Class B2 (2%)</li> </ul>
Guarantee	<ul style="list-style-type: none"> <li>USAID will provide a guarantee in respect of 50% of the USD 70mm Guaranteed Loan Portion of the USD Secured Loan, amounting to 36.84% effectively of the USD 95mm principal, subject to a maximum ceiling of USD 33.25mm</li> </ul>
Rating	<ul style="list-style-type: none"> <li>Aaa by Moody’s for the Class A notes</li> </ul>

## ESG Overview

- The project is an industrial rubber plantation, smallholder rubber, other community programs and conservation on **88,000 hectares** in Jambi, Sumatra and East Kalimantan (concession details below)
- At maturity, the plantation will represent c. **10% of Michelin’s global natural rubber supply**, ensuring a stable supply of high-quality and sustainable natural rubber products
- RLU seeks to deliver **“win-win” outcomes for the company, communities and biodiversity through high productivity plantations and efficient mills** that will produce industrial natural rubber alongside conservation
- Barito Pacific Group and Michelin have set out expectations for **no deforestation, environmental protection, respect for rights of local people and workers, and the development of local communities**
- The project has been developed in partnership with WWF, which has worked with RLU to set aside remaining 20,000 hectares of HCV & HCS areas as well as critical wildlife conservation and riparian areas.
- Directly employ and train 16,000 people (30% women) and create value add for 24,000 local farmers by giving access to assistance, extension and fair pricing

## KALIMANTAN

- Concession areas maintain considerable ecological importance- home to critically endangered species; provides habitat to a range of threatened flora and fauna; and is located upstream of an important river system
- The landscape has suffered severe deforestation and degradation in recent years, around 40% of intact forest remains within the 19,000 Ha concession
- Area’s current state is characterised by high GHG emissions, low incomes, illegal encroachment & logging, and high social & wildlife conflict levels

## JAMBI

- Concession area is part of the “Rimba Corridor”- home to critically endangered species & biodiversity area; home to two indigenous tribes; forms a protective buffer to the threatened 143,000 Ha Bukit Tigapuluh National Park; located upstream of an important watershed system
- The 400,000 Ha BTP landscape has suffered severe deforestation and degradation in recent years- only 5% of intact HCV forest now remains within the 71,000 Ha Jambi concession
- Area’s current state is characterised by high GHG emissions, low incomes, illegal encroachment and high social & wildlife conflict levels



## Shell Nature-Based Solutions

Joel Scriven  
Business Development Manager

# OUR AMBITION INCLUDES OUR CUSTOMERS' EMISSIONS

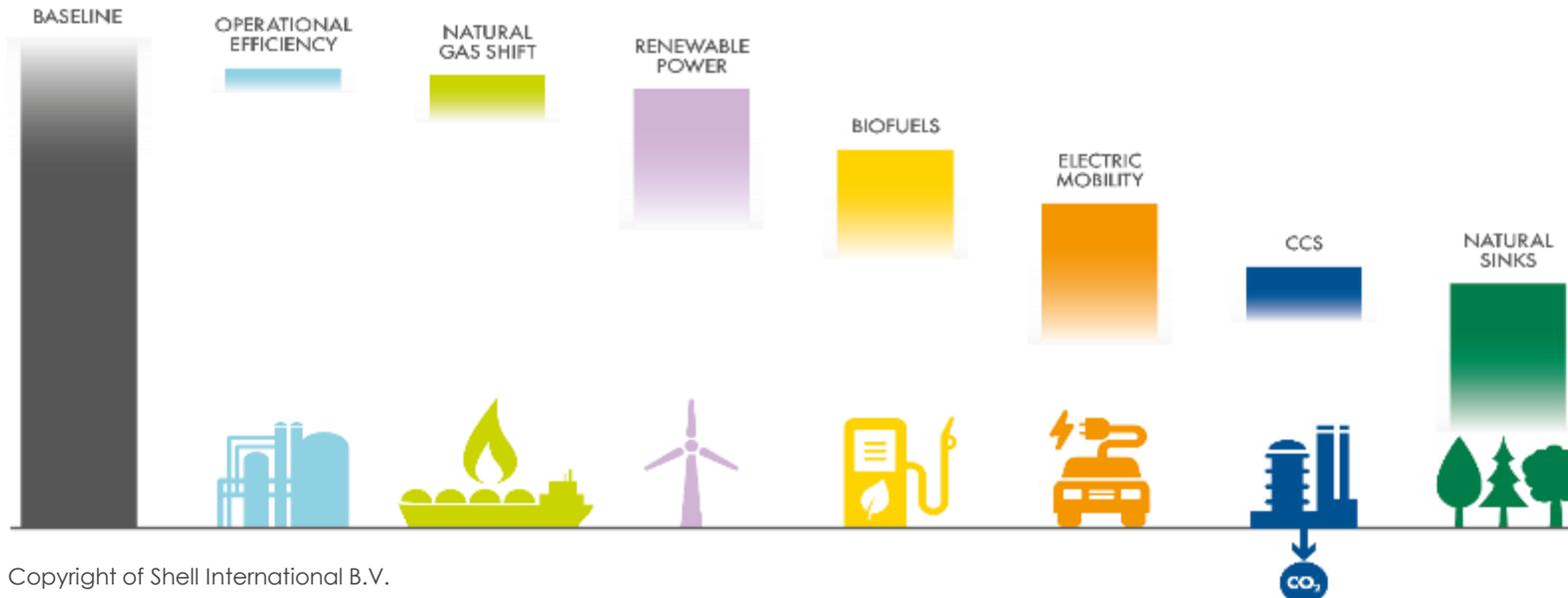
## Shell CO<sub>2</sub> emissions

### Scope 1/2

Our assets/  
suppliers

### Scope 3

Use of our  
products



- 15% of emissions are caused by getting our products to customers, including during production, manufacture and transportation
- **85% of emissions are generated by our customers when they use our energy products**
- Our ambition includes those emissions too

# BUILDING AN INTEGRATED NBS VALUE CHAIN



## Supply

We are investing in natural ecosystems to reduce emissions and capture more CO2 while benefitting biodiversity and communities

Copyright of Shell International B.V.



## Marketing & Trading

Shell is one of the most established investors of carbon credits in the world, active across compliance and voluntary markets



## Demand

As part of building demand, we offer carbon-neutral driving to motorists in the Netherlands and have sold the first ever carbon neutral LNG shipments



# THE GLOBAL ENVIRONMENT FACILITY (GEF)

Filippo Berardi

GEF



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INVESTING IN OUR PLANET

# GEF-7 Private Sector Strategy

## Pillar I

Expanding the use of Non-Grant Instruments

- GEF investments in specific transactions to **de-risk private sector** participation.
- GEF resources used with high flexibility in a **variety of financial products** (equity, debt, guarantees, etc).

## Pillar II

Mobilizing Private Sector as Agent for Market Transformation

- Building of **multi-stakeholder partnerships**, including public and private actors.
- Involve the **private sector** in **early design** stages of major GEF-7 Impact Programs.

## KEY OBJECTIVES

- Fund work promoting **systemic transformation**, to address **drivers** of environmental degradation and linking **sustainable supply with demand and markets**.
- Support **innovative approaches** consistent with the GEF approach.
- **Crowd in** the private sector to deliver environmental benefits **beyond business as usual**.
- **Co-develop** projects with countries and agencies that identify particular roles for the private sector.
- Create long-lived, **durable PPPs** that **outlive current GEF funding cycles** or dependency on public finance.



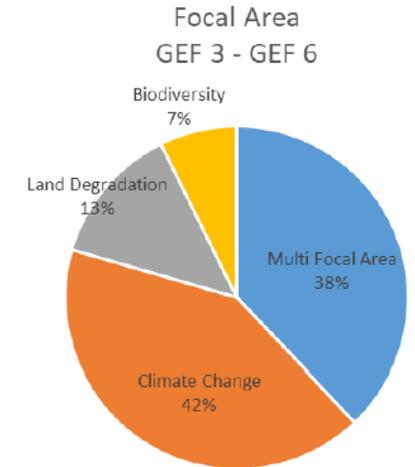
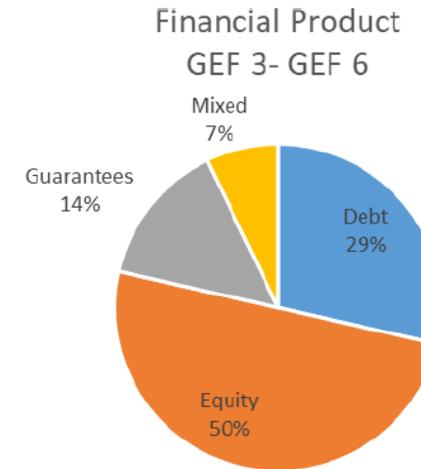
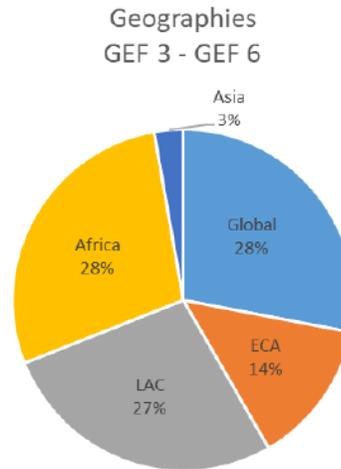
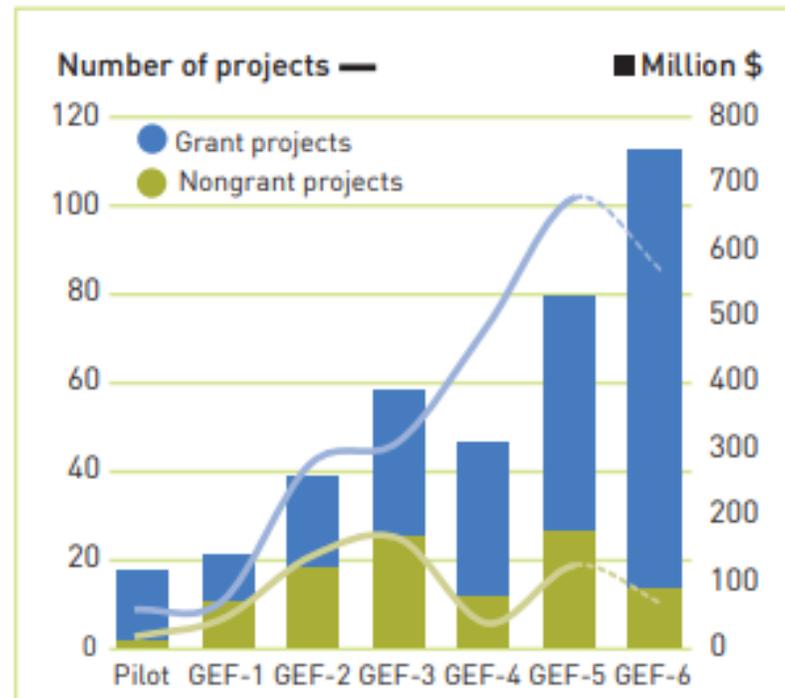
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[www.thegef.org](http://www.thegef.org)



# GEF's experience with Blended Finance

**FIGURE 3.3** GEF investment in and number of private sector grant and nongrant projects, by replenishment period



- **GEF-6:** \$110M pilot program funded 11 transactions leveraging USD 1.79 billion in co-financing.
  - **26% of GEF funding** for land degradation. **3 projects:** (i) Moringa AgroForestry Fund for Africa (ii) Risk Mitigation Instrument for Land Restoration in (LAC) (iii) Pilot Initiative for Sustainable Landscapes (global).
- **GEF-7:** \$136M program: first RfP closed in August with 19 projects received (more than double the resources available):
  - Out of 19 proposals, **10 involve land degradation and climate change** mitigation.
- **GEF support with Grants:** GEF-6 supported the **Land Degradation Neutrality (LDN) Fund** managed by Mirova (US\$ 2M grant for TA). \$150 M committed as of last week (of \$200M target).



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# GEF's Major Programs Related to Land Use

## Food Systems, Land Use and Restoration (FOLUR)

GEF-7: ~\$430M

- Production landscapes where remaining forests are threatened by expansion of **commercial commodities**
- Landscapes where production of globally **important food crops or livestock** creates high intensity negative externalities
- Landscapes that are highly degraded and in need of **restoration** for the ecosystem services they provide to agricultural production

## Sustainable Forest Management

GEF-7: ~\$260M

- Focus on **globally important forests** with regional ecosystem-scale approach to the entire biome.
- **3 sub-programs:** Amazon, Congo Basin, Drylands
- **Strategy:** (i) improve **forest governance**, (ii) support **rational land use planning**, (iii) strengthen of **protected areas**, (iv) support **management of agriculture lands** to reduce pressure on nearby forests, (v) use **financial mechanisms and incentives** for SFM such as certification, REDD+ and other PES

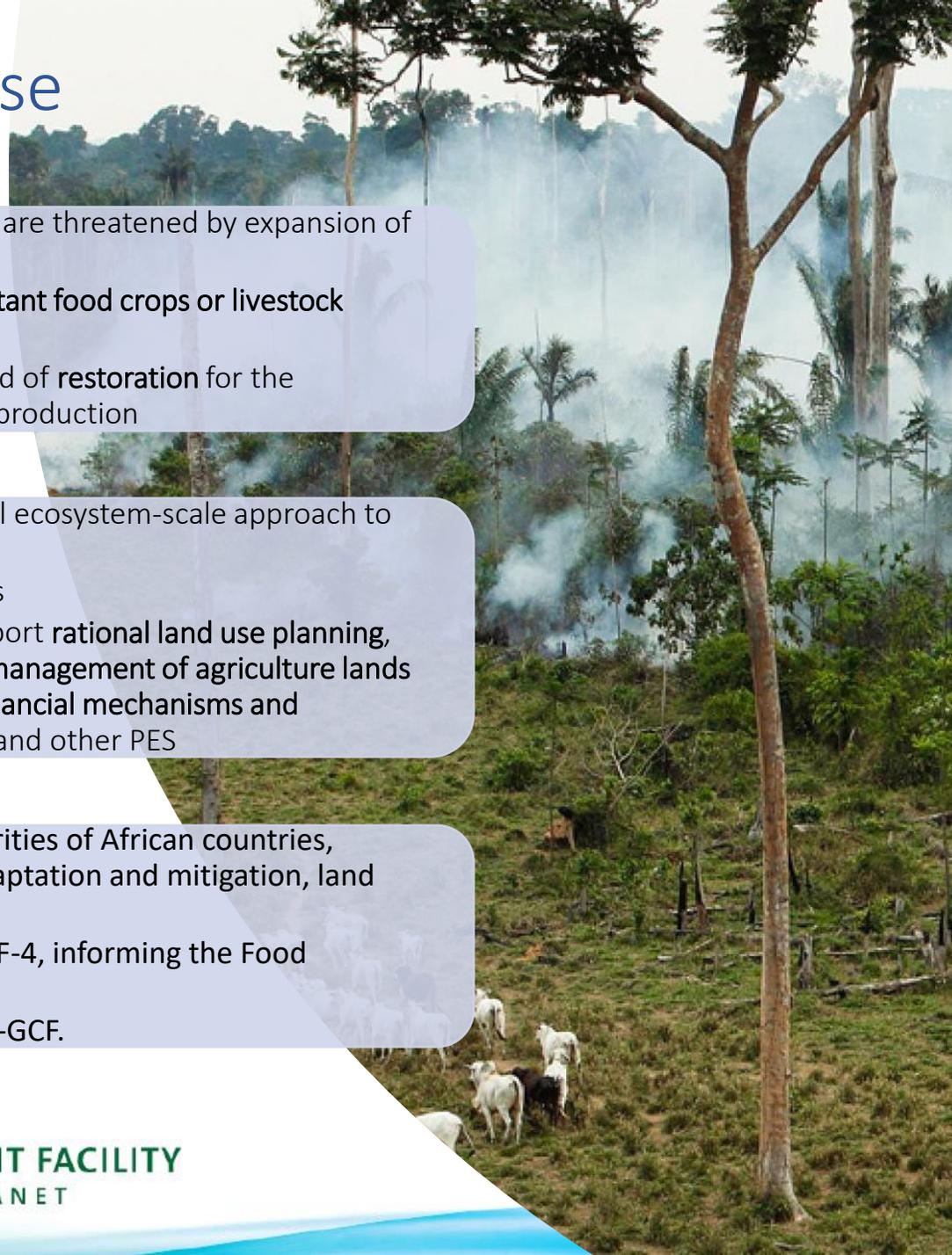
## Great Green Wall

GEF-4 onwards

- Initiative to address urgent environmental priorities of African countries, especially in Sahel, covering climate change adaptation and mitigation, land degradation/desertification, and biodiversity.
- Several projects and initiatives funded from GEF-4, informing the Food Security Pilot in GEF-6 and FOLUR in GEF-7.
- Opportunity for coordinated programming GEF-GCF.



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## GCF – GEF coordinated engagement and joint resources programming

- Enhance channels for communication among different focal points;
- Coordinate the development of a country programs/plans that utilizes opportunities across the climate finance landscape and engage prospective implementing entities;
- Identify challenges and solutions for the collaborative engagement process; and
- Obtain lessons on enhancing coordination among stakeholders and the two Funds.

21 Countries expressed interest to date in collaborating with GCF and GEF with the following approaches:

**Coordination of enabling activities**  
such as hosting joint and multi purpose workshops

**Scaling up**  
previous/current GEF projects with GCF resources

**Parallel financing**  
Vs.  
**Sequencing financing**



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# GREEN CLIMATE FUND

For more information: <https://www.greenclimate.fund/redd>