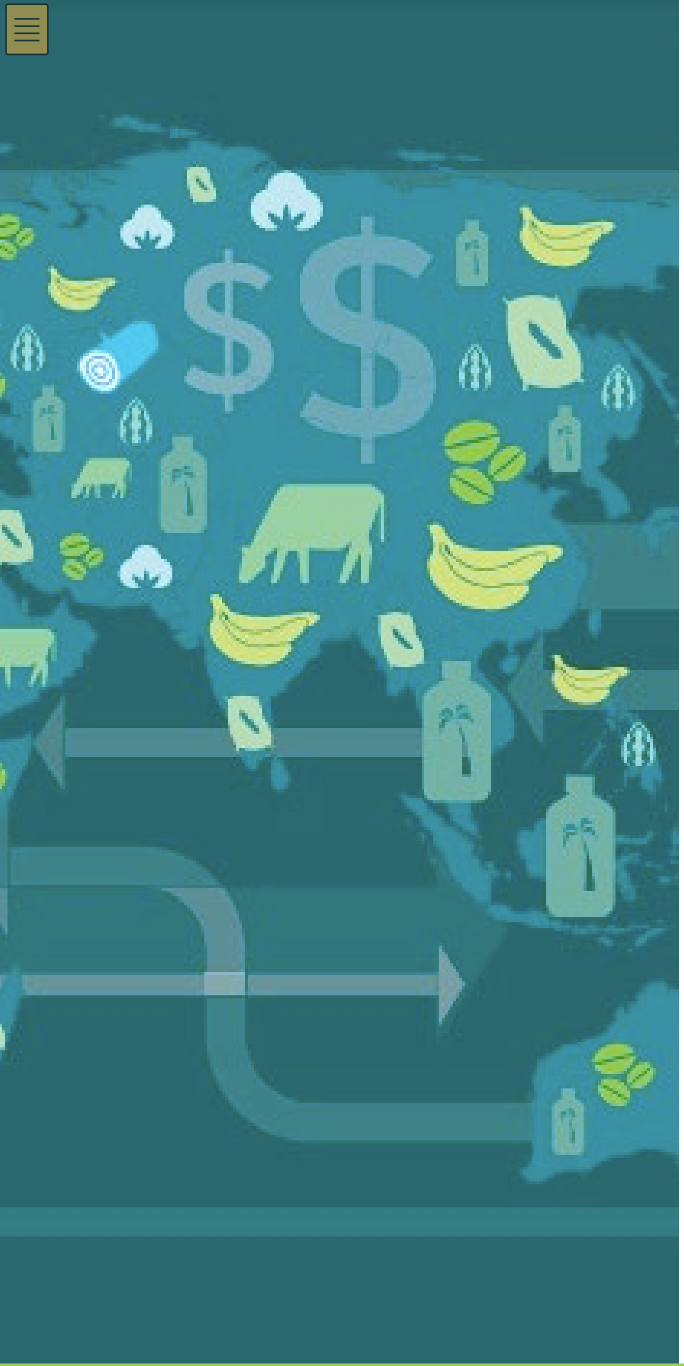
PROGRESS ON THE NEW YORK DECLARATION ON FORESTS

Reward results by countries and jurisdictions

February 2022



9

Reward Results

Goal 9

Reward countries and jurisdictions that, by taking action, reduce forest emissions—particularly through public policies to scale-up payments for verified emission reductions and private-sector sourcing of commodities

Direct compensation payments coupled with policy and governance incentives for sustainable forest management are necessary to counteract forest destruction.

Forest finance can provide **political and economic incentives** for decision makers to take action to reduce forest emissions. Up to USD 460 billion in forest finance is needed per year in order to meet Paris Agreement targets.

Goal 9 seeks to ensure that **countries and jurisdictions that are reducing forest emissions are rewarded**. Rewards may include scaling-up payments for results, or leveraging private sector jurisdictional sourcing, that is, commitments to source from jurisdictions that have reduced deforestation. Each of these finance mechanisms can contribute much-needed finance to meet the USD 2 trillion need.

Since 2010, approximately USD 24.5 billion – an **average of USD 2.4 billion per year** – has been channeled from international and domestic public sources into forest mitigation activities.

- USD **7.7 billion** has been committed through **international development finance.**
- Just over USD **6.7 billion** has been committed by **multilateral climate funds and bilateral donors through REDD+**, of which USD 4.6 billion went to results-based payments, and the remaining USD 1.8 billion to readiness and implementation.
- USD **10.1 billion** has been committed by **forest country governments for activities under their REDD+ plans**, (although it is unclear to what extent these funds have been disbursed).

Many types of results-based forest finance mechanisms have been developed.

They can broadly be categorized into three types:

Results-based and carbon credit programs

Programs that directly finance governments. They involve unique standards that countries need to meet in order to receive funding.

- *Forest Carbon Partnership Facility's Readiness and Carbon Fund*
- *REDD+ Early Movers (REM)*
- *BioCarbon Fund*
- *Green Climate Fund (GCF)*

Carbon credit standards

Private certification bodies that provide tools to generate and issue carbon credits that can be sold on voluntary carbon markets.

- *Verified Carbon Standard (VCS)*
- *VCS Jurisdictional and Nested REDD+ (JNR)*
- *Gold Standard*

Hybrid

Programs that are linked to specific standards. In practice, this involves developing a funding vehicle to support the creation of carbon credits certified by a private standard.

- *Emergent (ART/TREES)*

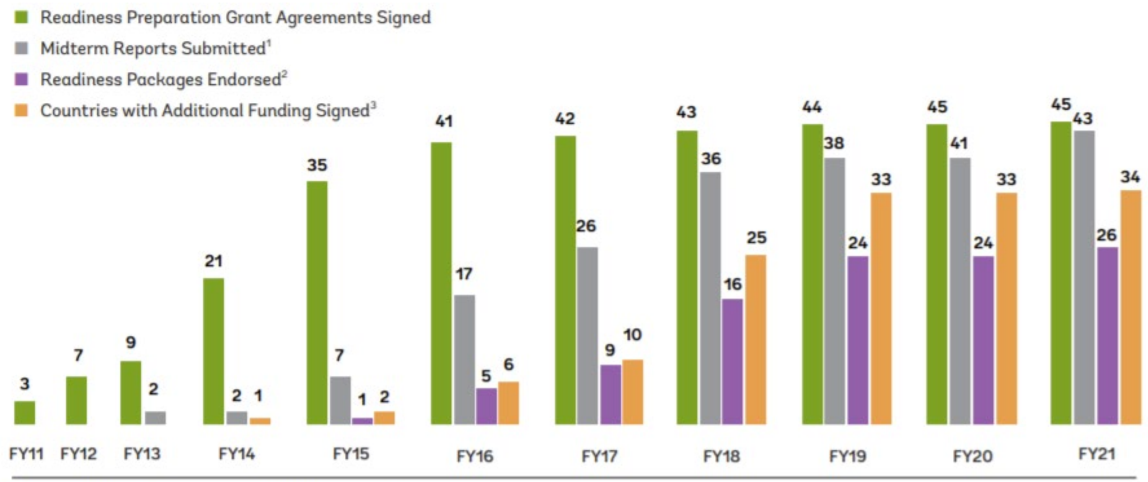
Countries' readiness to implement results-based forest finance mechanisms continues to grow steadily.

- **14 nations have now progressed into the payment phase** of REDD+ under the Forest Carbon Partnership Facility **(FCPF) Carbon Fund.** Considerable progress was made in 2021, with a record 10 Emission Reduction Payment Agreements (ERPAs) being signed in this year alone.

- Also in 2021, the first certified emission reduction payments were disbursed, a total of USD 6.4 million to Mozambique, for the **first-ever accredited verification of jurisdictional REDD+ emission reductions.**

- **The FCPF Readiness Fund has now signed a total of 45 preparation grants** to support countries' REDD+ readiness efforts.

Countries' annual progress under the FCPF Readiness Fund



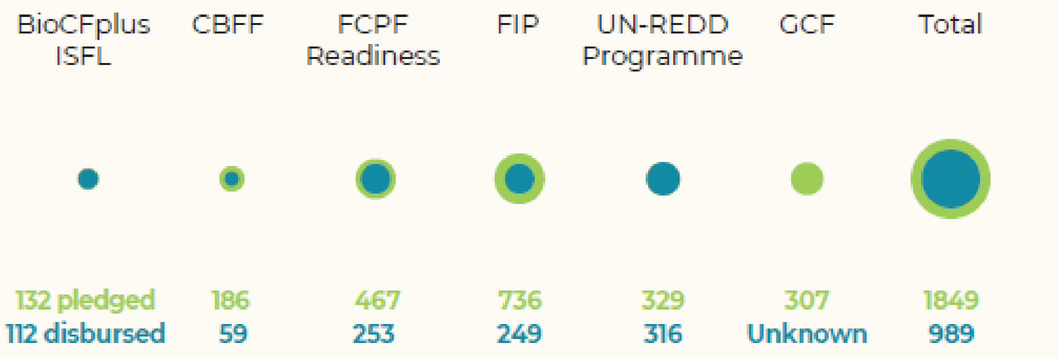
[1] Two new Midterm Reports submitted in FY21: Paraguay, Thailand.
[2] Two new Readiness Packages endorsed in FY21: Guyana, Vanuatu.
[3] One new country signed for additional funding in FY21: Burkina Faso.

Source: FCPF Annual Report 2021

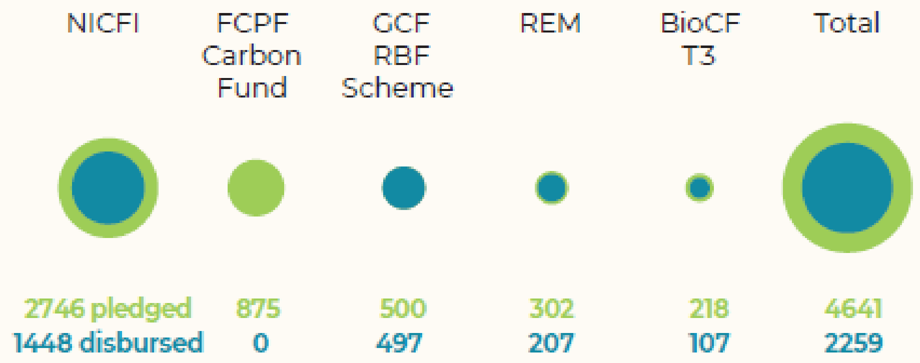
Just over **USD 6.7 billion in REDD+ finance** has been pledged by multilateral climate funds since 2010.

However, **less than half** of this amount has been disbursed, with most occurring in the last two years.

International REDD+ Readiness and implementation finance, in million USD (cumulative since 2010)



International REDD+ Results-based finance, in million USD (cumulative since 2010)



Some private sector progress is evident, but it has yet to be seen whether **commitments will translate into action**.

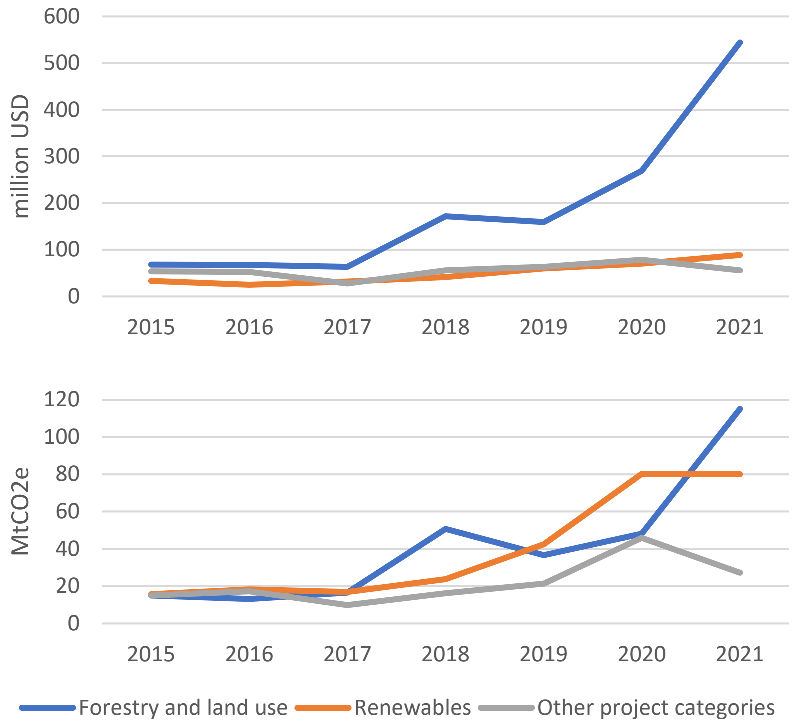
- In 2021, **23% of companies had a zero or net-zero deforestation commitment** for all forest risk commodities they are linked to, compared to only 4% in 2015.

- The **Lowering Emissions by Accelerating Forest finance (LEAF) Coalition**, one of the largest ever public-private forest finance initiatives, announced mobilization of USD 1 billion in funding in 2021. LEAF is a private-sector led initiative developed to support emission reductions in tropical forest countries through the provision of results-based finance.

Carbon markets have become a significant financier of emission reductions from forest projects.

Compliance markets: An increasing number of domestic compliance schemes now allow entities to use forest-based offsets to meet their emission reduction obligations. As of 2021, 13 jurisdictional compliance programs around the world allow for such activities.

Voluntary markets: Recent years have seen rapid growth in the volume and value of forest project transactions in the voluntary market.



Insufficient investment and burdensome program requirements hinder many countries' access to results-based finance.

Finance:

- Insufficient funding for all phases of REDD+ activities is hindering implementation progress, and **most REDD+ programs globally have yet to move from a preparatory "readiness" stage to accessing results-based finance.** Many forest country governments are forced to fill gaps with domestic resources.

Governance:

- While many countries demonstrate interest in participating in results-based payment mechanisms, **reaching the final stage of acceptance is exceedingly challenging.** Establishing sufficient REDD+ verification and monitoring capacities can be costly, and many governments are hesitant to invest time and capacities in doing so without confidence in the financial reward, especially when forest resources have valuable alternative uses (e.g. logging, mining, etc.).

Technical capacity:

- High technical and administrative requirements for many stages of the REDD+ process presents a significant barrier to engagement. In particular, few countries are equipped with **sufficient ground-level resources to demonstrate verified emission reductions** and access pilot result-based payments.

Increased finance and collaboration are key to reaching a **positive tipping point** for forest finance.

- **The private sector** must **scale up its investments** in conservation, restoration, and sustainable forest use efforts to achieve forest goals while **ensuring the environmental and social integrity** of underlying activities, utilizing tools such as the Voluntary Carbon Markets Integrity Initiative.
- **Developed country governments** should **develop and fund additional mechanisms** to complement results-based finance with up-front investments for REDD+ implementation.
- **Forest country governments** should **complement direct investments in forests with wider fiscal reform**, re-directing harmful subsidies into forest positive activities.
- **All stakeholders** should **commit to transparency and communication** in setting global carbon prices to ensure that the carbon prices for forest and land use projects are sufficient to meet Paris Agreement objectives; and should explore how REDD+ program and reporting requirements could be modified **to enable participation in crediting standards and international compliance markets**.