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The role of private sector in REDD+: And how might green growth change this?

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Iain Henderson UNEP FI

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Agenda: setting the scene

Iain Henderson, UNEP Finance Initiative

- Who are the private sector?
- Why we all need the private sector to be central to the solution

Chris Webb, PwC

- What is holding back the private sector, and what does a green growth context change?
- How might we overcome these barriers?

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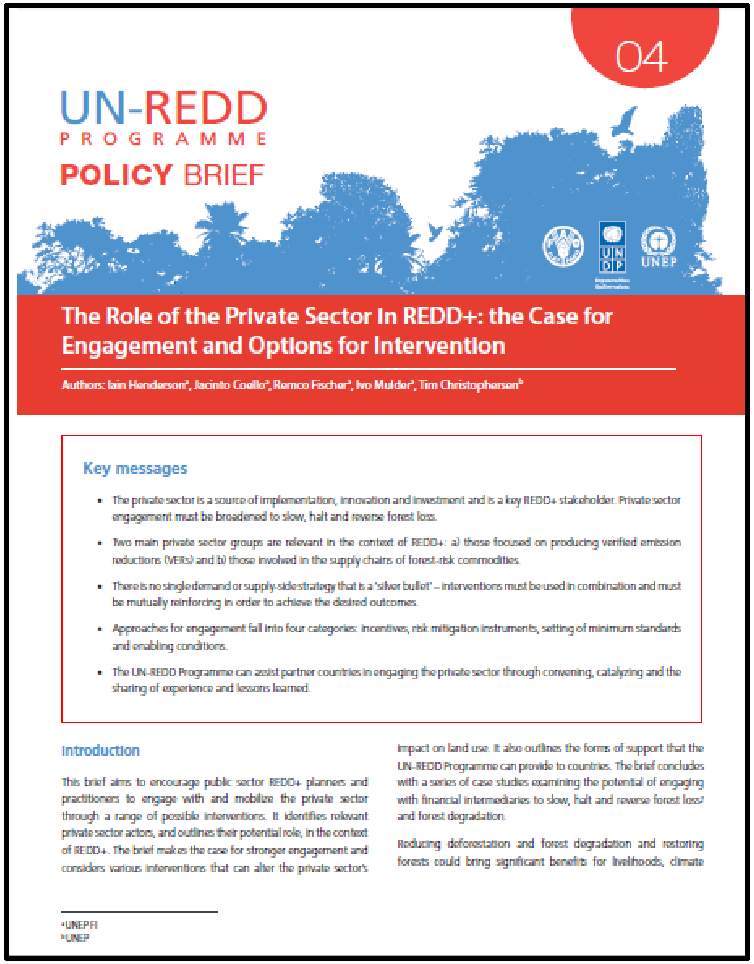
The private sector

“That part of the economy which is run by private individuals or groups, usually as a means of enterprise for profit, and is not controlled by the state.”

UN-REDD Programme Policy Brief

- Who are the Private Sector?
- Why are they important?
- How they can be engaged?
- How policy tools can influence behaviour?
- Case studies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UN-REDD PROGRAMME

POLICY BRIEF

The Role of the Private Sector in REDD+: the Case for Engagement and Options for Intervention

Authors: Iain Henderson[a], Jacinto Coello[a], Remco Fischer[a], Ivo Mulder[a], Tim Christophersen[b]

Key messages

- The private sector is a source of implementation, innovation and investment and is a key REDD+ stakeholder. Private sector engagement must be broadened to slow, halt and reverse forest loss.
- Two main private sector groups are relevant in the context of REDD+: a) those focused on producing verified emission reductions (VERs) and b) those involved in the supply chains of forest-risk commodities.
- There is no single demand or supply-side strategy that is a 'silver bullet' – interventions must be used in combination and must be mutually reinforcing in order to achieve the desired outcomes.
- Approaches for engagement fall into four categories: incentives, risk mitigation instruments, setting of minimum standards and enabling conditions.
- The UN-REDD Programme can assist partner countries in engaging the private sector through convening, catalyzing and the sharing of experience and lessons learned.

Introduction

This brief aims to encourage public sector REDD+ planners and practitioners to engage with and mobilize the private sector through a range of possible interventions. It identifies relevant private sector actors, and outlines their potential role, in the context of REDD+. The brief makes the case for stronger engagement and considers various interventions that can alter the private sector's impact on land use. It also outlines the forms of support that the UN-REDD Programme can provide to countries. The brief concludes with a series of case studies examining the potential of engaging with financial intermediaries to slow, halt and reverse forest loss? and forest degradation.

Reducing deforestation and forest degradation and restoring forests could bring significant benefits for livelihoods, climate

[a]UNEP FI
[b]UNEP

Which private sector actors are important to ‘REDD+’

1. **Verified Emission Reductions (VERs)**
   - Relatively small: 2011 market transactions of US$237
   - But is a place of great innovation, piloting and ‘learning by doing’
2. **‘Forest-risk’ commodities**
   - Private sector actors involved in the production and supply chains of agricultural commodities- largest global driver of deforestation and degradation
   - Estimated annual producer values for palm oil, beef and soy were US$31 billion, 14 billion and 47 billion respectively in 2011
   - Actors can include producers of raw materials, suppliers, manufacturers, traders, retailers, consumers, financiers and technical service providers
3. Those who can create a new low carbon, **non-extractive economic paradigm outside the forest** which will be required to make REDD+ politically, economically and socially viable

Why we need the private sector

1. Investment
2. Innovation
3. Implementation

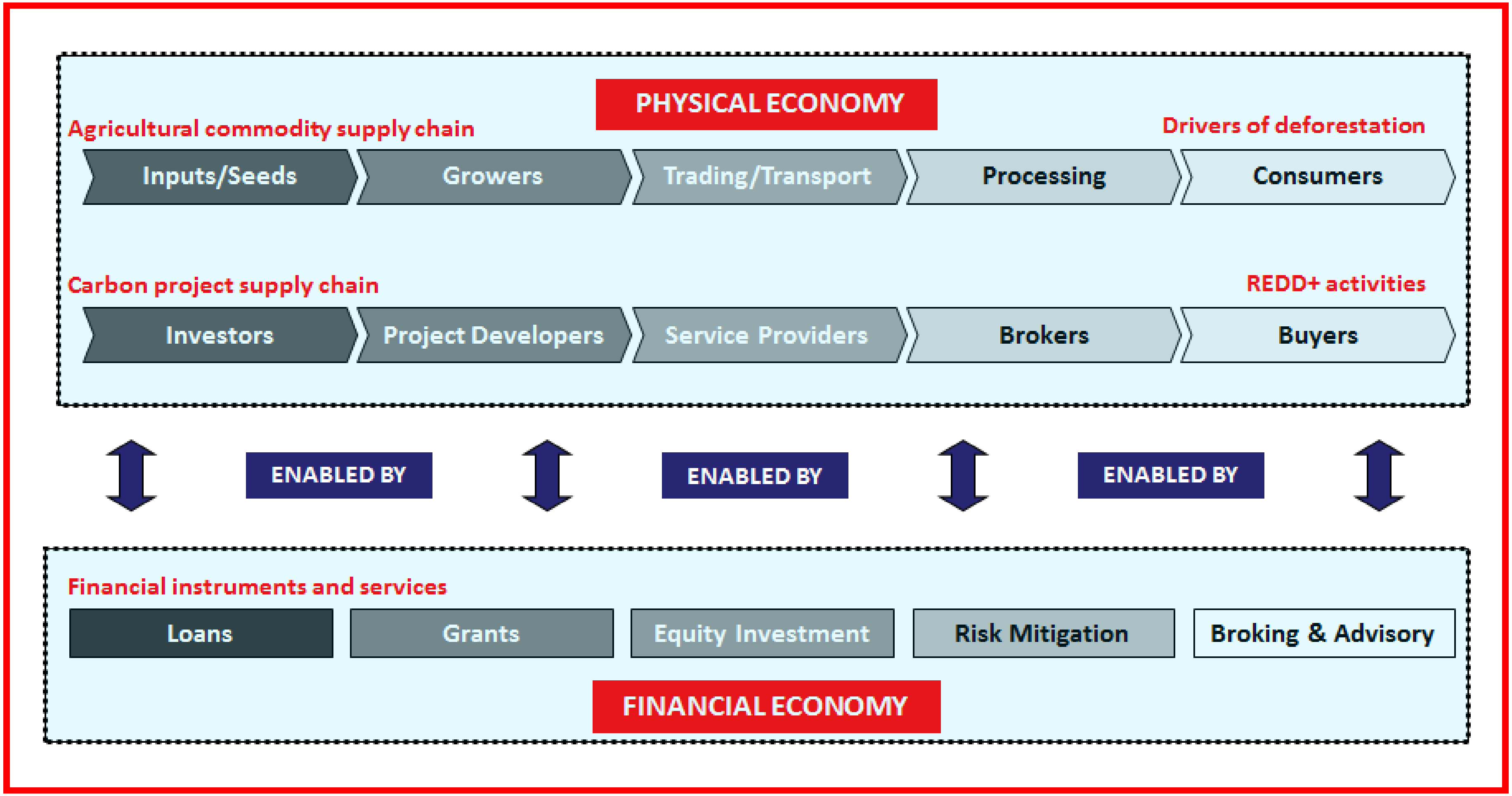
Investment

- The public sector can not deliver the funds required to deliver REDD+ on a global scale
- UNEP Green Economy suggests an average annual additional investment of US$40bn is required to halve global deforestation by 2030
- Globally, the FAO estimates $83 billion in net agricultural investment will be required annually in developing countries to deliver the necessary production increases just to deliver food security
- BUT- global bond markets about 10,000 times larger than REDD+ fast start funding

This is an opportunity…

…we need to work out how to channel this investment so that it delivers REDD+ and green growth outcomes

Investment: relationship between the physical and financial economies



Innovation

- One of the key attributes of the private sector is the development and deployment of new technologies and innovations
- These skills and capabilities will be needed to decouple growth from resource consumption and environmental degradation
  - i.e. innovation is needed to reduce the trade off between depleting natural assets and maximising their productivity
- The private sector is already innovating to try and solve this issue; it needs further support to do so at the scale and speed required:
  - CGF (TFA2020)
  - Round tables
  - VER projects
- A credible legal framework (esp. patent law) and protection of intellectual property rights will help incentivise innovation

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Implementation

- Innovation and investment require various forms of implementation to bring about results on the ground
- Ultimately, as the largest terrestrial land users, the private sector will be heavily involved in activities on the ground required to transition to a green economy

The Smallholder Acceleration and REDD+ Programme (SHARP) is a multi-stakeholder partnership which works with the private sector to support sustainable smallholder development in the agriculture sector

SHARP is unique in using the private sector—both producer and supply chain companies and financial organisations—as key agents of change in collaboration with other stakeholders and the smallholders themselves

SHARP aims to be a transformative initiative for smallholders, starting with oil palm and rubber and progressively applying to other agricultural sectors as well