Regional Forum on Developing and Financing Low Emission Development Strategies for the Agriculture, Forestry and Other Land Use Sector:

MOVING FROM PROMISE TO PRACTICE

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How Should Forest Conservation by Financed?

- There are many different ways. Ken Shono in his presentation, indicated there were 53 potential ways to finance mangrove conservation.

Forest Financing Needs Government

- Governments to establish the enabling environment that set certainty and transparency in which private sector can confidently invest in.

- **Adam Grant from New Forests** provided the example of the Malua BioFund – a partnership with the State of Sabah where New Forests has invested $3 million of their own funds.

  - Revenue to be generated through sale of 100m² square of forest land for $10.

  - But no purchase of ‘biodiversity credits’ as the government has not established an enabling environment in which investments can be made with certainty.

- **Adam Grant** provided an opposing example of the Californian Carbon Market where the enabling environment has been set. Here demand is outstripping supply as private sector has confidence and incentive to purchase and invest.
Ms Jeeranee from CP outlined CP’s investment in mangrove conservation in Thailand.

Again the key take home message was the necessity of partnerships and clarity in intent between CP, the government and communities (partnering with TGO to consider carbon abatement potential).

For CP, investment is focused on CSR objectives – however strong regulatory environment was important to the success of this project.
- **Ken Shono** outlined work on ‘Income for Coastal Communities and Mangroves’.

- **Challenges included:**
  - Low price of Carbon
  - High/prohibitive prices for small scale producers to entering into any voluntary agreement to sell abatement credits.

- But Ken provide the successful example of the IUCN/SNV ‘Mangroves for Markets’ project.
  - Farmers conserve 50% of mangrove canopy cover and in return have their shrimp product certified through the NatureLand certification scheme.
  - The company buying the shrimp product also offers a 10% premium for the certified products.
  - A strong legal and institutional regulatory environment has been established for this successful forest conservation approach to work.

- **Challenges:** the company is struggling to pass on the 10% premium paid to the consumers
Gabriel Eickhoff provided an excellent look into the state of the voluntary carbon markets.

- The VCM, contrary to what is discussed, is a functioning, stable market with significant transactions occurring.
- However there is a very unfortunate, and distinct, separation between VCM projects and donor investments in REDD+.
- A much greater effort is needed to bring these two ‘approaches’ together so that the donor investments learn more about market mechanisms, and the VCM projects benefit from the institutional and regulatory setting that the donor projects are supporting.
- But for both approaches, private sector must be better engaged.

Private sector must be IN REDD+ and not simply engaged WITH REDD+

- At the moment, private sector simply on periphery - but not a key player. Emphasis on farmers and not agric commodity producers.
Gabe’s concluding comments:

- What is the commodity?
- Who is producing the commodity?
- What is the regulatory environment in which the market is working and commodity is being produced?
- What are the incentives for government and business to participate?
- Where will the credits end up?