

**ITTO Side Event on REDD-plus:  
Environmental Services and Private Sector Participation**

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**The Role of the Private Sector in  
Implementing REDD+**

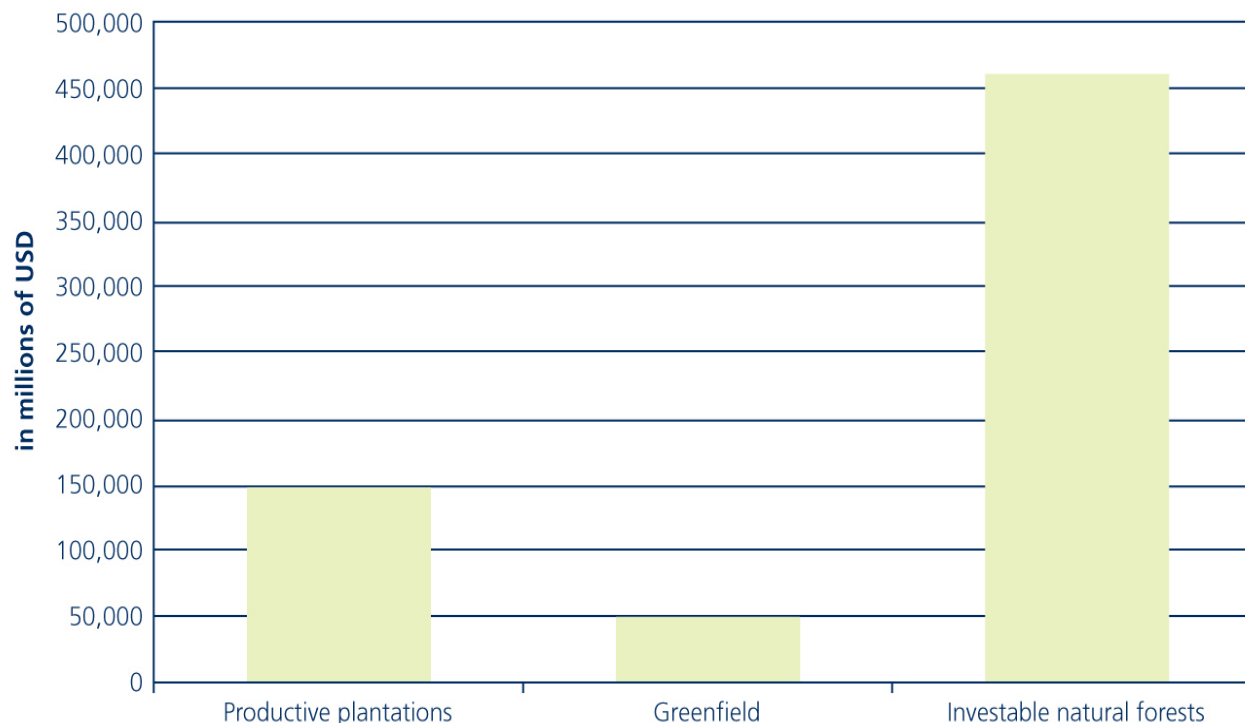
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# Global Forest Investment Potential

The value of the global investable forestry universe has been estimated at USD 660 billion<sup>1</sup>.

## Estimates of the global investable forestry universe



Timberland Investment Management Organizations have invested USD 70-80 billion of which 70% in the USA but the emerging market share has been growing rapidly.<sup>2</sup>

Main drivers have been attractive risk-return combination and more recently by wood energy and climate change

Source: Indufor

*Source 1: Indufor's calculation is based on FRA 2005 figures and Indufor estimates of areas of productive plantations, greenfield plantation potential and investable natural forests in the most important forest/plantation countries.*

*Source 2: Dasos Capital. 2010. Current and Emerging Timberland Investment Market Prospects.*

# REDD+ Phases and the Private Sector

## 1. REDD+ Readiness (Phase 1)

- organization and management of the REDD+ process
- consultations and stakeholder engagement
- development of national REDD+ strategy and preparation of action plans
- design of policies and measures
- elaboration of reference scenario/level
- design and testing of monitoring system
- initial training and other capacity building activities
- piloting of demonstration activities

## 2. Implementation of REDD+ national strategy (Phase 2)

- policy, legal and institutional reforms in the forest and related sectors
- land tenure reform
- land-use planning and zoning
- national forest inventory
- strengthening of enforcement
- capacity building for implementation of REDD+
- technology transfer
- targeted programs to address drivers of deforestation and forest degradation
- implementation of demonstration activities
- development of the performance-based payment system

## 3. Implementation of performance-based payment systems (Phase 3)

- administration of the payment system
- implementation of results-based forestry actions by actors
- implementation of other low carbon activities to reduce pressure on forests
- monitoring and verification of implementation and outcomes

## Sources of External REDD+ Financing

Programmes	Phase 1	Phase 2	Phase 3
Bilateral programmes			
FCPF			
UN-REDD			
FIP			
GEF			
REDDDES			
CBFF			
Amazon Fund			
Private sector			
Philanthropy			

- In REDD+ Phase 2 the private sector has been active in piloting and demonstration activities.
- The private sector's role will be critical for REDD+ Phase 3 due to the large size of funding needs which cannot be met from other sources.
- Transformative investments in the supply of forest products towards low-carbon development can only be made by the private sector.

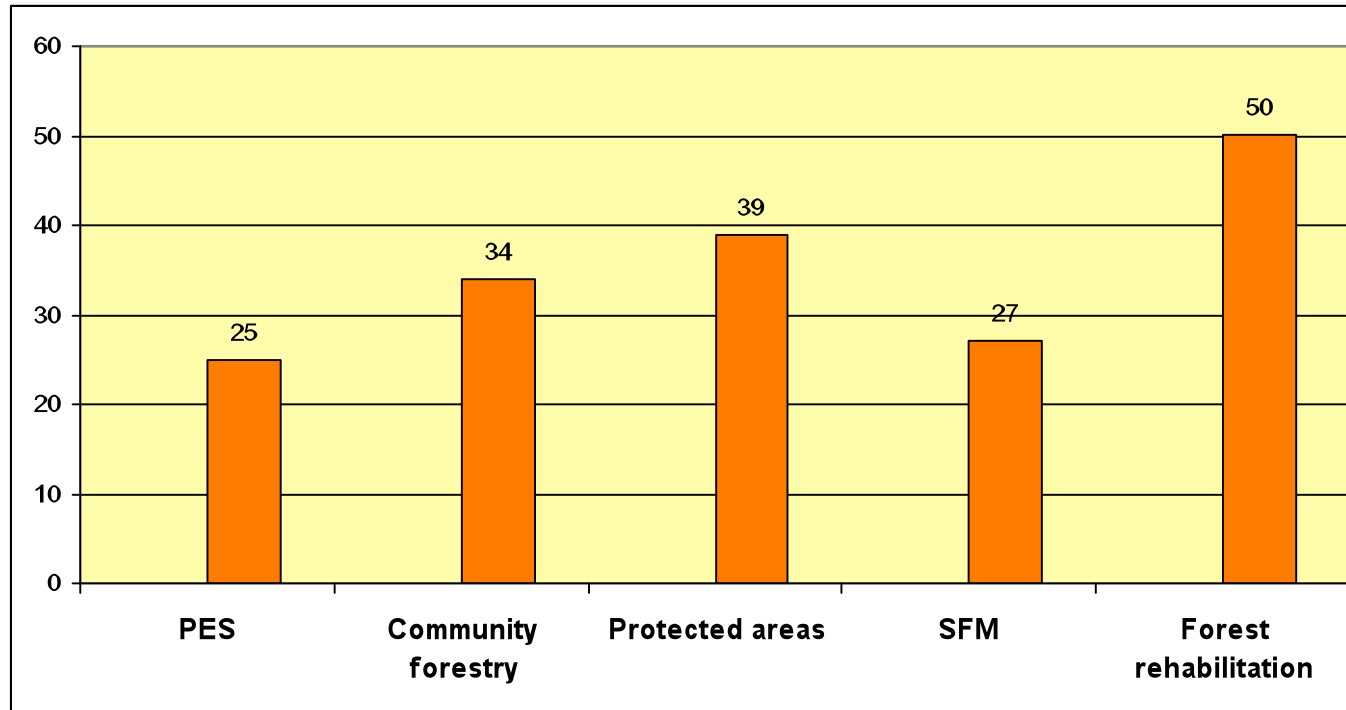
## Funding Sources of REDD+ Demonstration Activities

Country	Public	Private	NGO	Mixed	Total
Number of projects					
Cambodia				1	1
Indonesia	4	2	2	1	9
Cameroon	1				1
Madagascar	2			1	3
Brazil		2	1	2	5
Costa Rica	1			1	2
Ecuador	2				2
El Salvador				1	1
Guatemala		1		1	2
Honduras	1				1
Mexico	1			1	2
Panama				1	1
Peru	2				2
<b>Total</b>	<b>14</b>	<b>5</b>	<b>3</b>	<b>10</b>	<b>32</b>

Source: Elaborated based on Wertz-Kanounnikoff & Kongphan-apirak (2009)

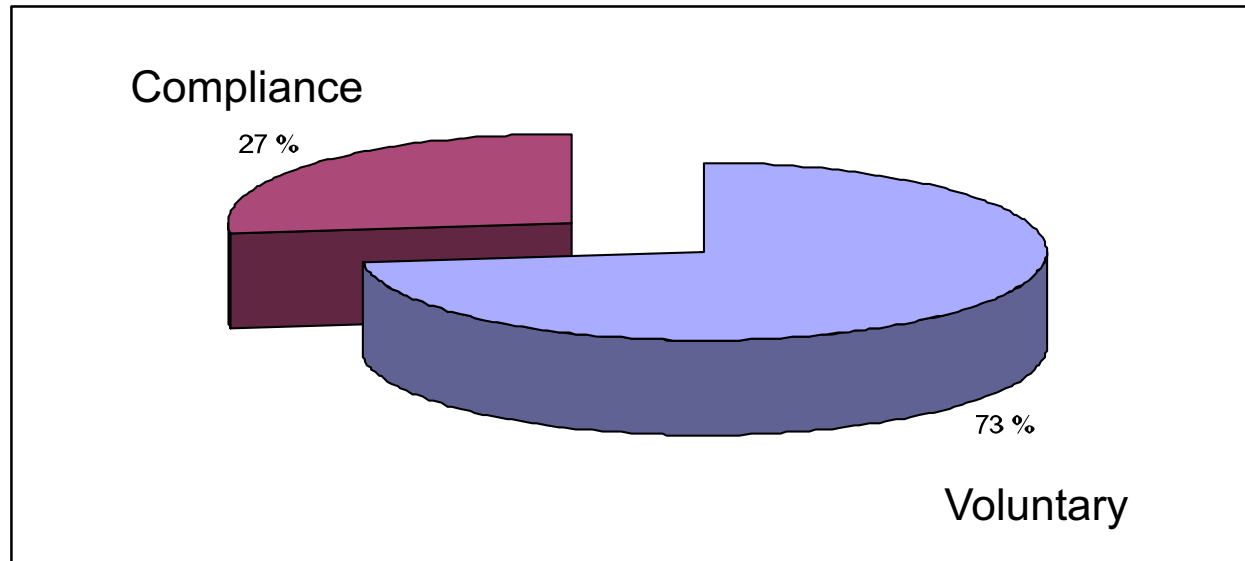
→ About a half of demonstration activities include private sector funding but often financing has been agreed upon only for the initial period.

# Objectives of REDD+ Demonstration Activities



- ⇒ Forest rehabilitation through afforestation/reforestation has been the main objective in demonstration activities.
- ⇒ There is also an emphasis on biodiversity (protected areas) and social co-benefits
- ⇒ Low frequency of PES-type schemes could indicate lack of preparedness to implement performance-based carbon payments
- ⇒ Low frequency of SFM activities may indicate lack of clarity on appropriate activities

# Global Forest Carbon Market



- A total of 226 projects in 40 countries covering 2.1 mill. ha, mostly in North America and Latin America.
- Volume 20.8 mill.t.CO<sub>2</sub> comprising different types of carbon assets.
- The total value USD 149.2 mill. was mainly generated in the primary markets, mostly (66%) during the last three years.
- The market is still limited but the accumulating experience is highly valuable for future mainstreaming. Due to present uncertainties, many potential investors have adopted "wait and see" approach. There is a need for more support during the transition period.

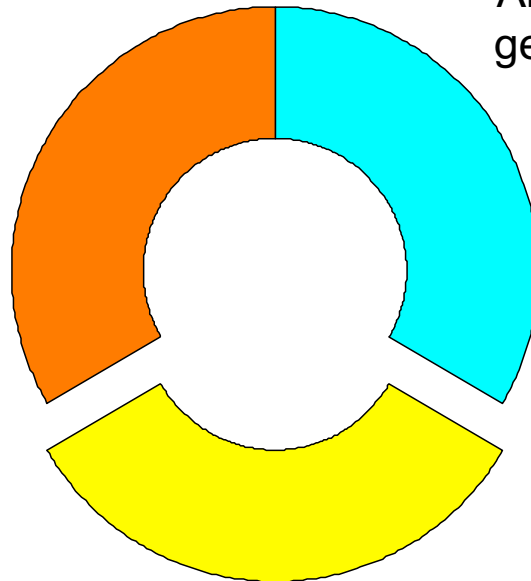
# Private Sector Opportunities in REDD+

## Investment in emissions reductions in forests

- Carbon sink maintenance and enhancement through SFM (protection, RIL, silviculture, restoration, etc.)
- Creation of new carbon pools through afforestation/reforestation

## Investment in activities for emissions reductions to reduce pressure on forests

- Agricultural productivity; agroforestry
- Efficiency in processing and fuelwood utilization
- Alternative income and employment generation activities



## Purchasing of REDD+ offsets

- Compliance market
- Voluntary market



# Roles of Partnership Participants for REDD+



Government is needed for enabling conditions

Private sector provides “hard” financing, technology, access to markets and management capacity.

Participation of forest communities, indigenous peoples and smallholders is necessary.

Donors provide “soft” financing and technical assistance.

International organizations, NGOs and other intermediaries provide interface and facilitation.

**Each case is a different: the partners and their roles vary accordingly.**

## Concluding Remarks

- **Public funding** is necessary but slow, politically complex and insufficient but it can be effective in leveraging private investment in REDD+
- Unlocking the huge **potential** of private sector participation in REDD+ requires clarity and predictability about the REDD+ mechanism and **enabling investment environment**
- Full participation of the private sector should be ensured in the **national REDD+ processes** from the beginning
- **Partnerships** will be the key for success of the private sector participation and they need to be tailored for local conditions
- There is a need to create better **interfaces** between private sector investors and field-level opportunities with the assistance of intermediaries (incl. international organizations, NGOs, etc.)

**Thank You for the attention !**

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