

Turning the Corner on Forests and Land Use

Climate and Forests 2030

AUTHOR

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Background

The Climate and Land Use Alliance (CLUA), with the support of Meridian Institute, is exploring the integration of climate and land use with justice, equity, health, and economic recovery through Climate and Forests 2030: Resources for Funders. This focus is intended to inspire innovation and investment in integrated work on forests, rights, and sustainable land use and will inform a new strategic plan for CLUA for the period 2021 to 2030.

To inform the thinking, CLUA commissioned a series of “thought pieces” to provide diverse inputs into developing a more integrated approach for forests and land use. These are meant to stimulate discussion and debate and are not intended to reflect the views of CLUA, its member foundations, or Meridian Institute. The views expressed in this paper are those of the author, and have been informed by commentary and input by a range of experts. The author would like to thank the six young leaders engaged in various aspects of the climate change and forest stabilization challenges who provided advice in the writing of this paper:

- **Vanessa Black** is a commercial director specializing in impact advertising and sustainability. She works with brands, NGOs and activists to craft purpose-driven story with measurable impact.
- **Kristina Kelhofer** is a consultant at Dalberg Advisors, where she supports philanthropic, private, and public sector organizations on equity and justice issues across and at the intersections of gender equality, climate action, and finance.
- **Jesse Morris** serves as General Partner at Human Ventures, an impact VC firm. Previously, Jesse co-founded and oversaw business development at Very, a start-up software company that helps businesses build custom technology solutions. He is an advocate on climate change and autism awareness and advises funders in these areas.
- **Gerard Ndayishimiye** is co-founder and CEO of the Rwanda Youth Initiative for Agricultural Transformation (RYIAT), which aims to increase food security, employment, sustainable agriculture, environmental awareness, and conservation in Rwanda.
- **Nqobizitha Ndlovu** is a climate innovation expert who works at the intersection of food, energy, water, public health, and conservation issues. Most of his work takes place in the hinterlands of East, Central, and Southern Africa.
- **Benje Williams** co-founded Understory, which works to protect and restore US forest landscapes as a natural climate solution. He co-founded and led Amal Academy, an education venture in Pakistan, and wrote a novel on climate change called *A Banyan Life*.

Introduction

Based on all the information and scientific analysis available, we face a “make or break” challenge over the coming decade. We will almost certainly lose the world’s tropical forests — large carbon sinks that slow the heating of the planet, homes for Indigenous Peoples and biodiversity, and sources of moderate weather and rainfall for many parts of the earth — unless, over this next decade, we organize and urgently mount a strong global effort that can command widespread public support to save them. If we do not succeed, we will almost certainly face large-scale climate disaster for the human adventure on this planet in the coming decades.

This critical initiative to protect and rebuild the planet’s forests must be designed as a broad-based, global plan to advance forest sustainability and fairness for the rural poor and Indigenous Peoples involved. Some say we need to “create a sense of crisis” around the deforestation threat to spur action. That formulation obscures the existing reality, which is the starting point of a new plan: a well-documented, existing crisis is already unfolding. The task is to explain and dramatize in compelling, accessible, and energizing terms the actions required to avoid that disaster.

This effort must employ “sticks” as well as “carrots.” It must invoke, forge, and apply new, forceful tools of national and international policy in the areas of lending and investment for clean and fair economic development, as well as financial regulation and international trade aimed at encouraging decarbonization. It must forcefully defend Indigenous Peoples and their rights. It must contain a bold media and news component to ramp up public interest and put those encouraging this disaster on the defensive. Beyond these measures, it will have to dare to propose, explore, and generate public debate about far-reaching, innovative measures that at first may seem “way out of the box.” A key element will be to mobilize and harness the energy of younger generations around the globe by appealing to their

strong interest in this issue; by designing opportunities for those who want to help build a safer, fairer planet; and by helping them build action coalitions and savings-and-investment opportunities that will help them avoid the disaster they see looming.

There is nothing of that scale and reach in practice or even on the drawing boards now. This paper will try to sketch out the scope, the resources, and many of the key dimensions and components needed for such a decade-long initiative. Footnotes will indicate sources for more information about key subjects.¹

The Global Financial System

We need to intensify and accelerate efforts to restructure as many parts of the global financial system as possible so that they incentivize decarbonization of the global economy, with a specific and clear-cut focus on:

1. achieving zero deforestation (ZD) and ZD supply chains;
2. incentivizing well-managed reforestation; and,
3. disincentivizing — explicitly assigning higher financial risk and cost to —high-carbon emission activities and investments, including deforestation, both illegal and legal.

This discussion is currently being led by Europe. The new US national administration is joining this effort, and it can be extended to include participation and support from progressive state and municipal governments² and large public pension funds in the US, and from progressive governments and sovereign wealth funds in other parts of the world.³ The momentum, financial impact, and political force of this effort can be increased by cooperating with voluntary organizations such as CERES and organizations working on business disclosure of climate risk, as well as through forward-looking voluntary alliances of official regulators such as the

¹ Since it is limited in scope and length, this paper will not attempt to set forth the quantitative, human rights, climate science, or other dimensions of the problems to be addressed.

² For example, in the US the insurance industry is largely regulated by state governments.

³ Norway has been a pioneer in the climate and deforestation crisis through government policy, development aid, and via its sovereign wealth fund. The German and UK development aid agencies have an alliance with Norway to intervene on forest and land use issues which could be expanded to include other countries and funds.

Network for Greening the Financial System (NGFS). One of the roles of an enlarged and more powerful alliance of climate and land use donors of all types can be to work with financial institutions to make sure their new policies and tools have as one central and explicit objective: the creation of a strong system of incentives and measures for stabilizing the world's forests and associated land use and agricultural practices. Some examples follow.

Carbon Border Adjustment Mechanisms

Europe is leading an effort to explore the feasibility of a Carbon Border Adjustment Mechanism (CBAM). Such a policy would charge more for high-carbon imported goods by imposing tariffs based on the extent of embedded carbon and supply chain-connected emissions of the goods being exported.⁴ When this idea was first surfaced publicly, it seemed so far outside the realm of possibility that it triggered many cries that the idea was unrealistic. Yet, as I write this essay, the idea is still alive and is being explored and developed.

Expanded Concessional Lending for Economic Decarbonization in the Global South

Discussion is underway on the possibility of sharply expanding the lending capacity of the Multilateral Development Banks (MDBs) to expand investment in decarbonization in Europe and the Global South. Those concerned about the role of tropical forests and land use in minimizing carbon emissions should engage in those discussions, focusing particularly on the following aspects:

1. The availability of large-scale MDB lending to protect and rebuild forests with accompanying monitoring and enforcement procedures.
2. MDB lending for sustainable, low-carbon and regenerative agriculture in areas in and near large-scale forests. (See sub-section on "Funding Intermediaries" below)

Development of a Disciplined Global System for Issuing, Trading, and Monitoring the Quality of Carbon Credits

There is no widely accepted official system of standards and procedures for issuing, trading, and monitoring the quality of voluntary carbon credits. Carbon credits will be particularly important in the fight to stabilize the planet's forests and nearby agricultural lands. As part of this work, consideration should be given to the establishment of a secondary market for qualified carbon credits to be operated by an institution of the global financial system or a designated arm of the leading central banks, and/or to the creation of an insurance or posted bond scheme that provides guarantees for appropriately verified carbon credits.⁵

A more daring dimension of the carbon credit system to explore would be the awarding of carbon credits to parties who have "earned" them either by preventing existing or imminent deforestation, or reporting illegal deforestation to a designated national or international body as a first step consistent with national laws to establish financial incentives for reporting or preventing illegal deforestation.

Development of a System for Rating the Health and Resilience of Soil

There is presently no widely-accepted, independent system for rating the health and resilience of agricultural soil. Transitioning agricultural practice to be consistent with soil sustainability, healthy carbon storage, biodiversity, and erosion resistance requires such a system. Presently, most investments in agricultural enterprises and development are made with virtually no information about how the soil in question interacts with intensive chemical additives, whether it can store carbon effectively, etc. To incentivize agriculture that is climate-friendly, resilient, and sustainable requires such a rating system.⁶

⁴ For an explanation of how a European CBAM might work, see a summary published by the Boston Consulting Group in June 2020: www.bcg.com/publications/2020/how-an-eu-carbon-border-tax-could-jolt-world-trade

⁵ Cf. Task Force on Scaling of Voluntary Carbon Markets at www.iif.com/tsvcm

⁶ See, for example, the work of two new start-up companies: one, called Greenback and based in France, is developing an independent, science-based system that rates soil across three dimensions: a Biodiversity Index, a Carbon Index, and an Integrity Index (measures pollution and erosion); a second, called Sensegrass and based in the US, will use real-time sensors buried in the soil to generate information on the health of the soil.

Non-Financial Efforts

This next section summarizes a range of initiatives not directly connected with the global financial system that could make important contributions to stabilizing the world's tropical forests and associated land use and agriculture.

Consumer Climate Campaign in the Voluntary Sector

A powerful force in the drive to stabilize the planet's forests would be a grassroots campaign among consumers to boycott retailers whose supply chains or business practices were shown to be responsible for deforestation.

Potential components of such a voluntary sector campaign would include:

- Independently and rigorously documented information on existing business entities and practices which lead to deforestation.
- Digital communication facilities, particularly across younger generations, to allow coordination around information, strategy, and campaign targets.
- A structure that encourages businesses to voluntarily join a zero-deforestation program and posts information that would allow outside organizations to verify compliance with such standards.
- An early, high-level effort to reach out to senior Chinese and Indian business leaders asking them to join such an alliance.

Funding Intermediaries in Forest Protection, Sustainable Harvesting, Reforestation, and Sustainable Agriculture in Tropical Forest Zones

There are young and promising new private enterprises trying to gain a foothold in these areas. But they face big problems, ranging from corruption and in some cases violence to challenges with accessing markets, adopting modern technologies and business practices, and securing early financing

on practical terms. What is needed in these areas is a set of multi-purpose entities ("intermediaries") that stand between these new companies and the more established world of finance, markets, technology, and modern business practices. The work of these intermediaries is to advise, invest in, and help market and grow these new companies; to facilitate offtake agreements with larger buyers; and to do "whatever else it takes" to create this new field of sustainable business enterprises.

To attract capital on the scale needed, many of these intermediaries will have to use blended finance to leverage in private sector capital.⁷ The foundation world is well positioned to help create and support these intermediaries. The MDBs will be called upon to lend to and through them. If we look at the origin and growth of large, successful, long-term breakthrough strategies that needed to engage the participation of the private sector, such as the development of the community development movement which helped to rebuild low-income communities in American central cities, or the global effort to facilitate development and commercial viability of an AIDS vaccine, we find that intermediaries of the kind described here played a critical role.

Create a Mass Timber Industry to Decarbonize Built Space

A special group of intermediaries should be created to support a mass timber industry to help decarbonize the building and construction sector, which through its direct and indirect activities is responsible globally for roughly one quarter of all carbon emissions, and for which to date no practical plan for large-scale carbon emissions reduction has been put forward. Reforested and sustainable timber plantations can sequester significant amounts of carbon, begin to displace high-carbon materials such as concrete and steel in new construction, and support new approaches to retrofits in order to reduce energy expenditure and carbon emissions in existing buildings. Concessional and MDB lending will be needed, and governments should become involved to require early participation from sectors that depend heavily on public sector direction and financing (e.g., health, education, criminal justice, public transportation).

⁷ For examples of two proposed new financial intermediaries that will use blended finance to leverage private sector capital, cf. *MetaGreen* and *Octobre* proposals.

Other Imaginative, Powerful Initiatives

A coalition large and active enough to mount an effort in the national, international, and voluntary sector policy space would also be able to fund and launch a series of smaller, innovative initiatives which could have large effects over the course of the decade. Examples include:

- Indigenous Peoples play a central role in protecting and managing the forests we are trying to help save. There should be **Indigenous Peoples Fellowships** adapted from the Ashoka, Acumen, and Echoing Green Fellowship models to harness the knowledge, legitimacy, access to new media, and energy of young people with leadership potential living in the world's forests.
- Through **traditional news media and social media**, dramatize the corrupt and violent forces attacking tropical forests, illustrate the work being done to save forests, and demonstrate concretely how individual action in the campaign to save forests can make a difference.
- Develop a simple **homeowner's kit** to help individual families make the transition to sustainable timber and more active energy management in their homes.
- Finance and establish accelerators **for start-up businesses** in the area of sustainable forests, clean supply chains, and sustainable agricultural production in forest zones. A small investment of \$2-3 million per accelerator could subsequently generate 8-10 new profitable businesses annually in these areas. A global system of 10 accelerators in these and related areas could generate the creation of 80-100 new profitable businesses per year. A regular flow of new, profitable companies led by bold emerging entrepreneurs could dramatically expand and accelerate the impact of the private sector in creating a strong, profit-making sustainable forest sector in the global economy.⁸

Risks and Uncertainties

Some of the sovereign nations that are home to our most critical forest areas have little interest in, and some actually oppose, the kind of bold, sweeping measures that are required to protect and rebuild those areas. How do we secure the cooperation of those nations?

The scope, incentives, and (if necessary) the financial and political pressure generated by the program must be attractive/strong enough to persuade them that their own self-interest requires them to join the program, rather than resist it. That is why many of the measures described in this essay represent "sticks" as well as "carrots." The G-20, whose membership includes key countries such as Brazil and Indonesia,⁹ will be a vital forum in which these issues must be engaged.

One example of a promising approach to put pressure on governments that are facilitating deforestation and exploitative invasion of Indigenous lands is to commission a rigorously documented report on the ties of these governments and some of their officials with organized crime. The work of the Organized Crime and Corruption Reporting Project has shown that illegal deforestation and supply chains are deeply intertwined with global organized crime. Documenting this information as the basis for economic and legal sanctions can be a source of new and powerful pressure against those refusing to work toward forest stabilization.

Initiatives to protect and rebuild forests in the Amazon, Southeast Asia, and sub-Saharan Africa must include well thought-out and innovative campaigns supported by the global community to secure effective support from the countries that host these critical tropical forests. Trade rules will inevitably be an important area of new requirements and regulation.

⁸ Disclosure: the author is presently engaged as an adviser in an effort to create such a private sector program for start-ups with impact.

⁹ Brazil and Indonesia together account for more than half of forest-related carbon emissions.

The rough amounts and types of philanthropic funding discussed in this section may seem large at first glance. Yet, they are not large, either in comparison with the size and critical nature of the challenge, or in comparison with the financial resources of the global philanthropic and development assistance sectors.

Intersection with Equity and Justice Issues

This essay recommends a large, new program of concessional lending, vigorous defense of Indigenous Peoples, and the creation and funding of intermediaries to help nurture the new organizations and practices that will be required as we make the transition to a world of stable, sustainable forests and land use. An integral and fundamental element of these programs must be what is generally known as a Just Transition from the present world of the “3 e’s” — extraction, externalities, and exploitation of rural, poor, and Indigenous groups — to a framework that is fair in terms of economic opportunity in addition to being sustainable.

Organizational Considerations for Foundations and Governmental Donors in the Climate/Forest/Land Use Space

The rough amounts and types of philanthropic and public sector funding discussed in this section may seem large at first glance. Yet, they are not large, either in comparison with the size and critical nature of the challenge, or in comparison with the financial resources of the global philanthropic and development assistance sectors.¹⁰

The estimates in this section come to roughly \$200-275 million/year in grants, and the estimate for concessional capital comes to about \$3.2 billion over five years. The presumed sources of this money are the global philanthropic sector, development assistance donors, and the MDBs.

Note that the figures in the following table cannot be added or combined, as the amounts shown represent different categories of funding.

Rough Estimate of Funds from the Philanthropic Sector and Donor Agencies Required to Launch a Major Global Stabilization Campaign in the Forest and Land Use Area (continued on page 6)

ACTIVITY	ESTIMATE
Economy decarbonization	Reaching \$2 trillion/year in MDB and DFI lending Amount devoted to forest and land use: ~1/4 (\$500 billion/year)
Analysis and advocacy to support donor agency, MDB, CBAM, and NGFS discussions	\$500,000/year from private philanthropy

¹⁰ Nor are they large when compared with the largest philanthropic effort to date combining both grant funds and concessional capital, which is the investment in inner-city community development in the US. Funding in grants from the philanthropic sector for the national community development movement, which took off in the late 1980s, is estimated to have exceeded \$100 million/year and the flow of concessional capital from foundations over three decades, catalyzed in part by the legislated Low-Income Tax Credit, is estimated to exceed \$30 billion in capital.

(continued from page 5)

ACTIVITY	ESTIMATE
Growing the mass timber/sustainable built space industry	Initial investment over next 5 years of \$500 million from the private sector in each of following seven geographies: US, EU, India, China, Amazon Basin, Indonesia, and sub-Saharan Africa —totaling \$3.5 billion Support for the mass timber sector through \$100 million in concessional finance and \$15-25 million in grant funds in each of the seven geographic zones over same period
Consumer climate campaign	\$10-15 million/year in start-up grant funds from the philanthropic sector
Intermediaries investing in sustainable forest and land use	\$1 billion per year in investment over five years in each Latin America, India, China, rest of Asia, and sub-Saharan Africa, for a total of \$25 billion. As much as 10% or more will have to be in concessional finance in order to de-risk and leverage the balance at market rates from the private sector Intermediaries will need to be supported by \$10-15 million/year in operating grants in each geographic zone
Soil rating and monitoring systems	\$5-10 million investment from the private sector; roughly \$2 million in one-time grants to reach seed capital stage
Voluntary carbon credit reform	\$1 million grant in 2021 to fund early design work
Forest and land use impact start-ups	Market-rate venture capital investment, up to \$500 million over five years from the private sector and MDBs; \$20-30 million in one-time grants to launch a network of 10 forest and land use impact start-up accelerators

What is the largest, most consequential corner that must be turned to get on the path to climate and forest stability?

Answer: large-scale investment throughout the new decade reaching a level of roughly \$2 trillion per year in new low-carbon infrastructure, sustainable economic recovery, protection and restoration of forests, and decarbonization of the energy, agricultural, transportation, and built space sectors. As much as one quarter of this amount, or about \$500 billion/year, may be needed in the forest sector.

What do the philanthropic donors who understand this need to do? They should draft a comprehensive but flexible strategic plan with the MDBs, the International Monetary Fund (IMF), and others; start

implementing an investment program, including the protection of Indigenous Peoples, once a plan is agreed to; and themselves invest in the blended finance vehicles that will be required.¹¹

If Not Now, When? If Not Us, Who?

Several of the proposals put forward in this essay will involve designing new organizational initiatives and/or building new alliances larger in scale than present efforts and involving the use of carefully-designed disincentives against deforestation.

We are talking, therefore, about a big reset — not a

¹¹ An early example of such an investment vehicle that warrants study is the AP EGO fund created by the IFC and Amundi.

mild fine-tuning of present programs — and one that must uplift and be shaped by the leaders of younger generations. The challenge we face is large in scope and critically urgent, and it will determine the kind of world the next generation will occupy. Meeting this challenge is the work we are called upon to shoulder together.

The disappearance of our forests is at the center of the emerging climate disaster that threatens the human race. Of the major sectors involved in the climate challenge, the forest and land use sector has the smallest number of effective NGOs; the forest sector is crippled by the most severe underfunding as a proportion of its share of carbon emissions; the forest sector faces a series of entrenched and powerful deforesters, including independent sovereign nations, organized crime, and large national and multinational corporations; and it is sharply handicapped by a sketchy and incomplete information system, although impressive progress is being made in this area.

The opportunity and the need for bold, carefully thought-out, and large-scale action to protect and rebuild the world's forests and nearby agriculture areas is clear. The leaders who advised in the preparation of this essay — who represent younger generations than myself — confirm that there are many members of the next generation ready to support and work hard for bold, large-scale action to save our forests.

Foundations and donors looking at this field face a moment of deep reflection and careful preparation. It is important that the energy and insight of this review and the parallel recruitment efforts underway aim big, think creatively, and build platforms and agendas that can earn and harness powerful, well-organized support. It is the hour to step from reflection to disciplined action. The donors exploring this challenge have the collective capacity, resources, and power to move us decisively on the path forward. That is our job as we begin this critical decade.

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