



CMIA

Climate Markets  
& Investment  
Association

**Private sector observer reflections**

**Paris, 19<sup>th</sup> June 2017  
Carbon Fund meeting**

# Climate Market & Investment Association



CMIA's mission is to provide leadership to the private sector in the delivery of climate investment policy and market mechanisms.

Not for profit membership based trade association of diverse private sector companies and organisations involved and working in climate finance.



Common goal: to build a low carbon high resilient economy through various resources and tools

Accredited NGO to the COP as observers to the UNFCCC



## As Private Sector Observers, CMIA brings:

### **Members' expertise and networks across climate policy, markets, lending and MRV**

- Land-Use and Forestry Working Group (WG) is one of a number of WG's comprised of expert specialists

### **Our Private Sector Observer Roles allow us to articulate how private finance can be used for climate change actions, to share knowledge and build capacity. We are also the active private sector observer at:**

- Green Climate Fund
- Forest Investment Program of the Climate Investment Fund

### **Our Partnership Approach creates:**

- An extensive expert network much broader than current membership
- An ability to assist with the end-to-end process of design and operationalization of programs

### **Future plans for the year**

We will look to convene key stakeholders and produce thought leadership around: NDC financing, GCF development, climate-related financial instruments.



## Why do we need the private sector? What can it bring to the FCPF?

- **Sustainability of REDD+ programs:** the FCPF Carbon Fund finishes in 2025 and in many instances will only buy a portion of the emissions reductions available from REDD+ countries. These countries need to be in a position to seek private sector co-finance and to establish public-private partnerships.
- **Scaling up finance:** the financing gap for sustainable land use is estimated at \$250 billion/annum to meet a 2 degree target (New Climate Economy, 2015). ODA, private investments and strong public-private partnerships are needed to provide this finance.
- **Implementation of 'produce, protect' in tropical forest countries:**
  - Production: sustainable commodity production is central to reducing the drivers of deforestation whilst pursuing development objectives.
  - Protection: REDD+ governments are well-placed to implement policies to protect forests but often do not have the capacity required for on-the-ground implementation. The private sector will be well-placed to support this.



## Reflections on World Bank/FMT recommendations

- **The private sector note** recognises the importance of private sector engagement and we look forward to seeing continued momentum and commitment to this going forward.
- **Hosting joint Implementation Dialogues** with the TFA is a great initiative and we would be happy to support the FMT to make sure that valuable input is gained from across the private sector.
- **Increasing the number of observers** representing the private sector in Carbon Fund meetings is a recommendation we support, particularly to increase the emphasis on sustainable commodity production.
- **The proposed collaboration with the Commodities/Jurisdictional Approach initiative** would also really strengthen this work and we would encourage the FMT to pursue specific actions in relation to this, for example, integrating sustainable supply chain work into REDD+ country programmes and ensuring payment for protection.
- Going forward, we would also like to **work together on unlocking private sector finance** as this is key for securing the sustainability of the REDD+ programs funded by the FCPF.
- **The hiring of a dedicated person** responsible for this topic across the FCPF and BioCarbon fund is a very encouraging step and we look forward to working with them to establish a comprehensive strategy for private sector engagement.

## Further recommendations

### Sustainability of REDD+ programs:

- Work with REDD+ countries to structure programs that facilitate private sector investment. Next steps could include:
  - *Work with REDD+ countries to invest readiness money in a way that creates ongoing opportunities for investment.*
  - *Explore models for REDD+ programs to attract non-carbon based finance from private sector investors.*
  - *Consult impact investors on ERPA terms to understand what would restrict their ability to co-finance REDD+ programs.*

### Scaling up finance:

- Develop innovative financing approaches to incentivise the private sector. Next steps could include:
  - *Explore innovative mechanisms for blended finance through the Implementation Dialogues e.g. a bond backed by the Carbon Fund.*
- Link REDD+ countries with international private investors with the help of current and future FCPF Private Sector observers.
- Collaborate to build private sector demand for REDD+ credits, for example with the Carbon Pricing Leadership Coalition.

### Implementation of 'produce, protect' in tropical forest countries:

- Work with the private sector in bridging the gap between landscape-scale programmes and project-level investments through nesting, next steps could include:
  - *Create a directory of projects operating in the REDD+ jurisdictions to help with the identification of nesting opportunities.*
  - *Conduct a workshop with the DRC and REDD+ countries to share the experiences of working on nesting.*
  - *Design workable models for nesting through a session between project developers, donors & REDD+ countries.*



## Proposed next steps

1. Agree on a timeline to formalise a private sector engagement strategy
2. Establish an informal forum within the Carbon Fund for CF Participants, REDD+ countries and observers to come together and shape a plan of action on private sector engagement.
3. Convene a consultation with key parts of the private sector on the strategy developed.