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MATO GROSSO, MISSING CARROTS AND CORPORATE DEFORESTATION PLEDGES

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Mato Grosso, Missing Carrots and Corporate Deforestation Pledges One of the biggest announcements at the Paris Climate Summit will be made by Pedro Taques, the Governor of Mato Grosso. He will describe how his giant Brazilian state, once infamous as a global leader in tropical forest destruction, will nearly end deforestation by 2030, keeping 4 billion tons of CO_2 stored in Amazon and Cerrado trees out of the atmosphere as it lifts smallholders out of poverty and increases food production. The Mato Grosso strategy is a work in progress and provides an extraordinary opportunity for businesses to translate their pledges to eliminate deforestation from their supply chains into regional solutions. To understand Mato Grosso's remarkable journey, let's go back thirteen years, when the State and its Governor at that time, Blairo Maggi, were becoming international icons of Amazon forest destruction. During my first conversation with Blairo Maggi, he talked about the need to expand agricultural production to feed the surging demand for better diets in Brazil, China and other emerging economies. Mato Grosso was uniquely positioned to expand soy production to plug the global soy gap created by escalating imports of the protein-rich bean by China and other nations. Maggi's company—Grupo Amaggi—was at the vanguard of this Mato Grosso revolution, producing, trading and transporting soy. As deforestation rates rose to record levels, Maggi's vision expanded to include an ambitious environmental agenda. He became convinced that it was possible to increase agricultural production without clearing more forests. In 2007, he announced his plan to slow deforestation during an event we hosted at the annual UN climate summit in Bali, Indonesia. Two years later, in Copenhagen, he committed to reduce deforestation 89% below its historical average by 2020. The state reached this target in 2012, although forest clearing has notched up slightly since then. Mato Grosso's remarkable decline in deforestation since 2005 was achieved largely through a command-and-control strategy for controlling the forest frontier by improving law enforcement and expanding the network of protected areas and indigenous territories. Voluntary agreements restricted market access of soy and beef producers engaged in deforestation (the Soy Moratorium and Cattle Agreement). The intensification of beef production and a period of low profitability of soy production contributed to the slowdown by diminishing the demand for newly cleared land. (See our analysis of Amazon deforestation in Science.) A key element was missing from these interventions: carrots! The decline in deforestation in Mato Grosso and the Brazilian Amazon generally was achieved by instilling fear in the region's farmers—fear that forest clearing would be punished through exclusion from markets, exclusion from public agricultural credit programs, fines or imprisonment. Positive incentives

to the farmers and local governments who were slowing deforestation have yet to materialize at scale. The recently reported 16% increase in Amazon deforestation, led by Mato Grosso, could be a sign that the command-and-control strategy is weakening. This is the historical context of Governor Taques' strategy. It builds upon previous successes as it prepares to establish the long-awaited positive incentives for farmers and local governments who are opting for sustainable land use. The strategy was crafted in two months, led by the state environment agency (SEMA) with strong participation of other key state agencies and the powerful farmers' federation (FAMATO) and soy growers association (APROSOJA). A coalition of non-governmental organizations and businesses joined forces to support the strategy process. The strategy seeks to weave together and implement the State's REDD+ law, its smallholder support program, and its plan for bringing private properties into compliance with the Forest Code, as it designs innovate financial mechanisms for delivering the long-awaited carrots. EII's Mato Grosso team, Joao Shimada and Oswaldo Carvalho, and I have been thrilled to be part of this process, which has brought together numerous initiatives that were previously disconnected. The event to launch Mato Grosso's strategy in Paris on December 7th and other dialogues in the coming few months provide an excellent opportunity for businesses, investors and donors to support Mato Grosso society as it completes and implements its "produce, conserve, include" strategy. Formal commitments of support have already begun. The Norwegian Food and Feed Industries' Soy Commitments, launched October 21, include a pledge to support regional transitions to sustainability, beyond the soy farms that supply them. They specifically commit to support the Mato Grosso strategy. Many other companies that have pledged to remove deforestation from their supply chains have also realized that partnerships with local governments and farmer organizations can help them move beyond "corporate risk management" (in which they distance themselves from the problem) to solve deforestation and other sustainability challenges across entire jurisdictions—states, provinces and nations. Deforestation will decline globally if it becomes a broadly-shared priority within jurisdictions around the world, if integrated incentive systems are in place for driving land use decisions in the right direction, if monitoring deforestation and other trends is easy and reliable, and if effective multi-sector governance structures are implementing and adjusting the strategy. These are the pillars of what we call "territorial performance systems" for achieving durable solutions to tropical deforestation and other dimensions of sustainable development.

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