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NEW RESEARCH ON UNLOCKING TROPICAL FORESTS AS A CLIMATE CHANGE SOLUTION

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Summary:

- A global assessment of 39 jurisdictions encompassing 28% of the world's tropical forests and other new studies by EII and partners point to important opportunities to sharpen efforts to unlock tropical forests as a major climate change solution
- Tropical forest governments need help to achieve their deforestation pledges, and are not getting it fast enough; companies could deliver some of that help through strategic partnerships, especially if environmental advocacy strategies evolve to favor these partnerships. These governments also need a mechanism for registering and disseminating their commitments and for finding potential partners.
- Climate finance is reaching most jurisdictions, but not at the speed or scale that is needed. Tropical forest governments need help making their jurisdictions easier to do business in and more bankable; they are beginning to develop innovative ways to use verified emissions reductions, to create industries and institutions for low-carbon development, and to establish efficient, transparent mechanisms for companies to deliver finance for technical assistance to farmers.
- Partnerships between indigenous peoples and subnational governments have emerged as a promising new approach for both improving representation of forest communities in subnational governance and delivering greater support, unlocking climate finance in the process.

Introduction Never before in history has there been as much international attention and finance focused on the goal of solving tropical deforestation. The reason is quite simple. Tropical forests could be critical [1] to avoiding extremely dangerous impacts of climate change. To unlock this potential, we must translate international announcements into actions on the ground. New strategies and commitments have inspired hope and driven important progress and innovations to slow tropical deforestation and speed its recovery following clearing, fire or logging. In half of the jurisdictions we studied, deforestation of primary forests is declining. But forests—broadly defined—are still falling fast [2]. We must do better. In this article, I distill some of the main implications of our new research into three main challenges and opportunities to overcome these challenges. Most of these studies will be released in San Francisco during the Annual Meeting of the Governors' Climate and Forests Task Force September 11th and the Global Climate Action Summit. They include the forthcoming "State of

Jurisdictional Sustainability: Synthesis for Practitioners and Policymakers" study, a global assessment of 39 tropical forest "jurisdictions" (see map), led by EII in partnership with CIFOR and the GCF Secretariat [3], as well as other publications listed below.

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The 39 jurisdictions assessed in the new EII-CIFOR-GCF global assessment of jurisdictional sustainability include 28% of the world's tropical forests. All are striving to tackle tropical deforestation. GCF Task Force (35 jurisdictions) are in green; other jurisdictions are in purple.

Challenge 1: Corporate deforestation pledges abound but few companies are partnering with tropical forest governments that have made pledges to slow deforestation The last decade has seen hundreds of commitments by companies, governments, and non-governmental organizations to do their part to slow deforestation. The most conspicuous pledges have been those by large corporations that have committed to remove deforestation from their supplies of commodities whose production can drive deforestation. Of the 473 companies committed to removing deforestation from their supply chains of major agricultural commodities, 155 have made specific commitments to achieve that goal by 2020 and 49 (10%) companies have report 75% or greater progress toward achieving their goals (see Table below).

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Table. Pledges and progress made by jurisdictions and companies committed to slow tropical deforestation. Source: State of Jurisdictional Sustainability: Preview of a Global Assessment and State of Jurisdictional Sustainability: Synthesis for Practitioners and Policymakers (forthcoming September 10, 2018). Data on company commitments from Supply Change (supply-change.org, Forest Trends)

Less conspicuous are the pledges by 35 tropical forest governments to slow deforestation 80% by 2020, *if* they line up sufficient finance and market partnerships. These pledges are particularly important because they come from the governments who have their hands on most of the levers that can be pulled or adjusted to slow deforestation across nearly one third of the world's remaining tropical forests. The conditionality of these pledges, however, is crucial: many governments in tropical forest regions simply do not have sufficient capacity—human resources, institutional capacity, in some cases legal authority—to tackle deforestation alone. They need help. The apparent convergence between marketplace and producer region ambitions has led to surprisingly few partnerships. Only four governments that signed the Rio Branco Declaration in 2014 have established formal contracted partnerships with companies that buy commodities from their jurisdictions. Far more companies have established "soft" partnerships with tropical forest governments through regional coalitions. The companies that have chosen to partner with governments—Unilever, Mars, Carrefour, Marks&Spencer,

to name a few—are essential early movers in what could become an important new dimension of tropical forest solutions. There are many factors that contribute to the small number of corporate-government partnerships, including corporate concern that a shift to jurisdictional sourcing of the commodities that they buy from tropical forest regions will expose them to attacks from advocacy NGOs. Most jurisdictions include some “black-listed” producers or processors, presenting risks to jurisdictional sourcing. ***Opportunity 1: Create a global enabling environment for corporate-governmental partnerships to prosper, proliferate and help solve tropical deforestation*** Important networks of tropical forest governments have been created to support “bottom up”, government-led strategies to slow deforestation and achieve low-emission development, including, most prominently, the Governors’ Climate and Forests Task Force (the GCF), the “Sustainable Districts Platform” in Indonesia (*Lingkar Temu Kabupaten Lestari--LTKL*), the “Green Counties” program (*Programa Municípios Verdes*) of Pará State, Brazil, the “Sustainable Counties” program (*Programa Municípios Sustentáveis*) of Mato Grosso, Brazil, and others. These networks provide opportunities for learning, innovation exchange, and collective action, supporting the largely invisible work of dedicated career civil servants in tropical forest regions. Beyond the essential work of these governmental networks, a global “green jurisdiction” registry is needed that allows tropical forest governments or multi-stakeholder groups anywhere in the world—beginning with current network members—to register their formal commitment to slow tropical deforestation and/or speed forest recovery, to disseminate the types of partnerships they are seeking to implement these commitments, and to provide core information about their policies, commodities, and programs. Such a registry is under development at the Earth Innovation Institute, building on the GCFImpact.org online jurisdictional information system. Some tropical forest jurisdictions, such as the State of Acre in the Brazilian Amazon, have developed individualized performance platforms with a focus on opportunities for business partnerships in low-carbon industries, the pppacre.org, which could become an important new trend. Draft guidance for establishing effective corporate-government tropical forest partnerships to this end has been provided by the Steering Committee of the “Balikpapan Challenge” group on agricultural production and tropical deforestation, based upon surveys of GCF government representatives. A global system for supporting green jurisdictions should include all jurisdictions that have embarked upon the journey, not just front runners; it should lead to mutually beneficial partnerships, and it should be consistent with, and supportive of, the producer region’s public policies and programs. For corporate-government partnerships to flourish [4] and proliferate, it will be crucial for advocacy NGOs that currently target corporate performance in implementing zero deforestation commitments to find ways to recognize and support promising new partnerships between companies and aspiring jurisdictions. ***Challenge 2: Climate finance is flowing, but slowly and with many restrictions*** Tropical forest jurisdictions that are achieving large-scale reductions in tropical deforestation and associated carbon emissions, and others that aspire to do so, have had a difficult time translating these successes into compensation, new low-carbon business ventures, or other

benefits for their regions. Regulated market mechanisms for financing jurisdiction-wide declines in emissions from tropical deforestation have not yet been finalized, missing an opportunity to recognize and reward tropical forest governments that are successfully combating tropical deforestation. California is ready to launch its tropical forest offsets program, and on September 6th announced its draft "California Standard for Tropical Forests", just one step short of launching the first regulated market for tropical forest emissions reductions. California has established a high bar of rigor and transparency for both verifying emissions reductions and guaranteeing that the rights and livelihoods of indigenous people other forest communities are respected. This new California development could encourage other new carbon markets, such as those under development in China, the International Civil Aviation Organization and elsewhere, to follow suit. As the world waits for a robust carbon pricing mechanism, climate finance for tropical forests has been a lifeline to many jurisdictions, lending credibility and political cover to bold political decisions to solve tropical deforestation; it has also provided critical financing for activities on the ground. Climate finance is still quite limited in scale ($2.3 billion have been disbursed or committed to the 39 jurisdictions) and flows slowly, usually through complex national government channels. ***Opportunity 2: Make tropical forest jurisdictions more bankable and business-friendly while putting verified emissions reductions to work*** Most of the world's tropical forest regions are challenging places to do business and risky places to make investments, and the 39 jurisdictions we studied are no exception. It is difficult and expensive to establish the rule of law across vast, unruly tropical forest frontiers. Rules and regulations are often complex and bureaucratic in their implementation, infrastructure is precarious, and economic elites often control and guard access to forests and their wealth, sometimes with force. There is tremendous scope, therefore, to improve the ease of doing business and lower risks to potential financial investors. The State of Acre, for example, has supported innovative new low-carbon protein industries, local processing of non-timber forest products (e.g. condoms fabricated from native rubber), and has supported the state's producer owned cooperative, COOPERACRE, as analyzed in our forthcoming study of Acre's low-carbon industries and institutions (go here for Acre's jurisdictional sustainability profile). The State of Mato Grosso has accumulated more than 700 million tons of CO_2eq in verified emissions reductions, recognized by the national REDD strategy, that could be used to offer carbon-neutral commodities to its major soy markets or to create a forest fund, energizing its Produce, Conserve, Include Strategy. In Caquetá, Colombia, the Ministry of Agriculture has launched its first sustainable production finance credit line through FINAGRO. In Central Kalimantan, Indonesia, an "agricultural facility" has been created that can receive funding from partner companies and deliver it to smallholder farmers through technical assistance, part of an RSPO experiment in "jurisdictional certification" [5]. ***Challenge 3: Indigenous peoples and other forest communities are still struggling to achieve formal recognition of their rights and support for their livelihoods*** Considerable progress has been made in the last ten years in some countries to formally recognizing the territorial rights of indigenous peoples and other forest communities. There is

still a long ways to go, however. One of the challenges is to provide the necessary support to these communities for continuing and improving their forest-maintaining livelihoods. Indigenous peoples are often the “responsibility” of national government agencies, with varying levels of effectiveness in defending the interests of forest-based communities. ***Opportunity 3: Subnational government partnerships with indigenous peoples and local communities*** Subnational governments are often strategically positioned to partner with the indigenous peoples and other forest-based communities in their jurisdictions. In response to this opportunity, the Governors’ Climate and Forests Task Force established the “GCF Working Group on Indigenous Peoples and Local Communities”, which will release its “Guiding Principles for Collaboration and Partnership between Sub-national Governments, Indigenous Peoples and Local Communities” on September 11th. This Working Group is already fostering a rich exchange of lessons and innovations in how to make these partnerships successful. One of the early movers in this realm is the Government of Acre State, Brazil, that has been developing its government partnership with indigenous peoples across several administrations, as documented in the new study to be launched September 11th. **New publications:** Balikpapan Jurisdictional Framework for Tropical Forest Partnerships. 2018. Initiative of the Governors’ Climate and Forests Task Force, Balikpapan Challenge, Global Steering Committee, Agricultural Production and Tropical Deforestation, coordinated by the GCF Secretariat and Earth Innovation Institute. DiGiano, M. et al. 2018. The Twenty-year-old Partnership between Indigenous Peoples and the Government of Acre, Brazil. Earth Innovation Institute, San Francisco, CA, USA. GCF. 2018. Guiding Principles for Collaboration and Partnership between Sub-national Governments, Indigenous Peoples and Local Communities. Mendoza, E., M. de los Rios Leal, et al. 2018. Building a low-carbon economy in the Amazon: Acre’s industrial and institutional innovation. Earth Innovation Institute, San Francisco, CA. Stickler, C.M., et al. 2018. The State of Jurisdictional Sustainability. San Francisco, CA: Earth Innovation Institute/Bogor, Indonesia: Center for International Forestry Research/Boulder, CO: GCF Task Force. Watts, J. and S. Irawan. 2018 (in press). Oil palm in Indonesia. Leveraging Agricultural Value Chains to Enhance Tropical Tree Cover and Slow Deforestation (LEAVES). World Bank. ***** [1] Griscom, B.W., Adams, J., Ellis, P.W., Houghton, R. A., Lomax, G., Miteva, D.A., Schlesinger, W.H., Shoch, D., Siikamäki, J.V., Smith, P. and Woodbury, P., 2017. Natural climate solutions. Proceedings of the National Academy of Sciences, 114(44), pp.11645-11650. [2] In 2017, tree cover loss in the tropics totaled 15.8 million hectares. The technique used to make this estimate includes the loss of secondary forests, tree plantation harvests, and tree losses from forest fire. The area of forest loss in 2017 was second only to 2016, the worst year on record (Global Forest Watch. 2018. World Resources Institute. Accessed on Sept. 5, 2018. www.globalforestwatch.org. Also see: https://www.wri.org/blog/2018/06/2017-was-second-worst-year-record-tropical-tree-cover-loss). Alternative definitions of deforestation that exclude tree losses from managed forests, fire, and other natural causes result in lower overall estimates of annual deforestation rates. [3] EII: Earth Innovation Institute; CIFOR: Center for International Forestry Research; GCF: Governors’ Climate and Forests Task Force. [4] Some companies have reported that

potential attacks from NGOs are an important barrier to engaging in jurisdictional sourcing partnerships with tropical forest governments, since most governmental jurisdictions include black-listed producers or processors. [5] Forthcoming World Bank study by Silvia Irawan and John Watts, INOBU & EII.