

Finance for Forests Shows Promise for Countries to Reach Climate Goals, Needs to Grow

Washington, DC | 20 December 2017 | Many of the 195 countries who signed the historical Paris Agreement in 2015 look to forests as tools for achieving their climate goals because of forests' potential to absorb carbon from the atmosphere. Policies that stop deforestation and encourage replanting practices could contribute [over one-third of the total emissions reductions](#) countries need to achieve by 2030. But to play their part successfully, forests need to be more valuable standing than cleared.

Putting a price on the carbon stored within forests is an important step in this context and key to financing sustainable forests. Forest Trends' Ecosystem Marketplace recently released [the latest report in a series](#) that looks at how much money goes towards carbon storage in forests through carbon offsets. The report examines where such finance currently goes (which countries, which types of projects), and why – providing details around what facilitates forest carbon transactions, and identifying supply and demand trends. For 2016, the report found that:

- **More governments are beginning to finance forests** by including forest carbon in their compliance markets or by encouraging citizens to protect forests by creating domestic voluntary markets. In 2016, we tracked seven markets in development that have indicated they will include forest carbon, and 18 voluntary or compliance forest carbon markets already in operation. As more countries seek to meet their climate goals through the creation of carbon markets, these operational and upcoming markets can provide a template for including forest carbon.
- In voluntary markets, where participants purchase offsets for public relations or personal reasons, **retirement volumes were the second-highest ever.** “Retired” offsets represent emissions reductions permanently removed from trading and greenhouse gases that were effectively offset. **They are indicative of the actual market demand.**
- Many buyers are attracted to forest carbon offsets because **they provide benefits other than maintaining forests,** such as improving access to clean water and preserving habitat of endangered species. These benefits mattered to the buyers of almost all (92%) offsets sold in 2016.
- **Public finance for tropical forests has the potential to dramatically increase in 2018.** In 2017 the Green Climate Fund pledged \$500M to pay Reducing Emissions from Deforestation and Forest Degradation (REDD+) programs and the World Bank's Forest Carbon Partnership Facility pledged up to \$686M to pay for country REDD+ programs. However, these payments are contingent on more REDD+ programs becoming operational.

“Despite commendable progress towards protecting forests, carbon finance is still dwarfed by investments in the drivers of deforestation, like infrastructure development and agriculture,” says Kelley Hamrick, Senior Associate at Forest Trends' Ecosystem Marketplace and lead author of the report. “To bring forest carbon finance to scale, more carbon pricing systems need to include forest and land-use carbon and forest conservation, and restoration needs to occur at larger scales. For the latter, REDD+ programs are particularly effective because they have potential to halt deforestation across entire jurisdictions or countries, and many are almost operational. The groundwork has been laid, now it is time to forge ahead.”

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To learn more, download the [full report](#) and visit www.forest-trends.org.

Ecosystem Marketplace, an initiative of the non-profit organization Forest Trends, is a leading global source of information on environmental finance, markets and payments for ecosystem services. As a web-based service, Ecosystem Marketplace publishes newsletters, breaking news, original feature articles and annual reports about market-based approaches to valuing and financing ecosystem services. We believe that transparency is a hallmark of robust markets and that by providing accessible and trustworthy information on prices, regulation, science, and other market-relevant issues, we can contribute to market growth, catalyze new thinking, and spur the development of new markets and the policies and infrastructure needed to support them.

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