



Climate Finance to Protect Global Forests Approaches US\$1 Billion a Year

Governments and businesses commit record US\$888 million in 2015 to keep forests standing – and storing CO₂

27 October 2016 | Washington, D.C. | Governments and companies around the world committed a record US\$888 million (M) in new funding last year to bolster the planet's first line of defense against climate change – forests and other carbon-absorbing landscapes – according to a new report from Forest Trends' Ecosystem Marketplace, [View from the Understory: State of Forest Carbon Finance 2016](#). This funding will remove the equivalent of 87.9 million tonnes of CO₂ (MtCO₂e) from the atmosphere, roughly equal to the annual emissions of Chile.

The new findings come a week before the historic Paris Agreement enters into force just 11 months after it was adopted, ahead of even the most optimistic schedules. The timing is especially appropriate since the landmark document endorses forest protection as a critical tool to mitigate climate change. It sends a strong political message in favor of financing activities that keep greenhouse gases locked in forests and other natural "carbon sinks," particularly through a UN program known as REDD+ (Reducing Emissions from Deforestation and Forest Degradation), as well as other efforts like tree planting, sustainable agriculture and agroforestry, and improved forest management.

Across all years, Ecosystem Marketplace has tracked a collective \$6.0 billion (B) in climate finance, much of it on the voluntary market, committed to these forest protection activities by governments, multilateral institutions, companies, and individuals since it began publishing its report series in 2009.

Other key findings include:

- \$173M in new forest finance committed in 2015 flowed through carbon markets; this included the international voluntary market (\$88M in new payments) as well as compliance markets in places like California (\$63M) and New Zealand (\$10M). The Australian government contracted \$588M in offsets through its semi-market Emissions Reduction Fund.
- In addition to transactions on the world's carbon markets, climate-conscious governments and multilateral institutions kicked in \$126M in non-market payments that were contingent upon demonstrated results, including emissions reductions – an approach known as "payments for performance."
- Demand on the voluntary market fell to its lowest level tracked since 2009, as buyers contracted 18.2 MtCO₂e at a value of \$88.4M, while the average price fell to \$4.9/tonne. Prices on compliance markets in California and Australia averaged \$9.7/tonne.
- Aside from reducing greenhouse gas emissions, voluntary forest carbon projects employed almost 8,000 people, protected habitat for 376 endangered species, contributed to water security and climate resilience, and helped to clarify land tenure, among other environmental and social "co-benefits."
- Offsets sold in 2015 varied widely in terms of location, project type, and additional social and environmental "co-benefits" they generated, but one thing they all had in common was rigorous third-party verification: Over 99% of offsets came with independent assurance that they delivered emissions reductions as advertised.

The new report underscores that finance for forests remains far short of where it needs to be. Deforestation contributes 3 billion tonnes of CO₂ emissions (BtCO₂e) each year, almost 8% of the annual carbon budget that the Paris Agreement allocates for the entire world in 2030 – a daunting number in the face of a growing global population and rapidly developing economies. Protecting forests, on the other hand, not only removes those emissions, but opens the door to natural carbon sequestration at a huge scale.

Ecosystem Marketplace released *View from the Understory* at the Washington, DC offices of Baker & McKenzie during a public launch event, "Forests and Finance: Advancing from Paris toward Marrakesh and Beyond." Drawing from the report's

findings, a panel of experts on REDD+, carbon markets, international climate negotiations, and the emerging field of private sector impact investing exchanged perspectives on where funding for forest protection stands at the moment the Paris Agreement enters into force – and where it's heading at the upcoming COP22 climate talks in Marrakesh and beyond. They explored promising developments outside of Paris and Marrakesh, as well, including the aviation sector's recent decision to use carbon offsets to help meet its target of capping net CO₂ emissions from international air travel at 2020-levels. The panel also considered what policies and other enabling conditions must fall into place in order to attract large-scale private sector investment in forests protection and sustainable land use.

To learn more, download the [full report](#).

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Ecosystem Marketplace, an initiative of the non-profit organization Forest Trends, is the 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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