



Policy “Carrots and Sticks” Can Spur Private Sector Action on Climate and Forests

26 July 2016 | WASHINGTON, D.C. | The untapped power of the private sector is the biggest missing link in mobilizing finance to protect forests and realizing the ambitious climate goals of the Paris Agreement, according to a [new analysis](#) from Forest Trends, a non-profit organization that tracks global forest developments.

In December 2015, 197 countries approved the Paris Agreement, a historic global agreement that enshrined forests in the new international climate agenda. In doing so, governments expanded the opportunities for forests to play a key part in our global response to climate change.

One promising opportunity to utilize forests for climate action is through a UN program known as Reducing Emissions from Deforestation and forest Degradation, or REDD+. While Forest Trends’ research shows that until now, governments have provided the majority of finance for REDD+ activities, it is clear that the private sector needs to increase its participation if we are to achieve the ultimate goal of stopping deforestation.

The comprehensive analysis, [“The Implications of the Paris Climate Agreement for Private Sector Roles in REDD+,”](#) concludes that in addition to opportunities for the private sector to dramatically increase funding levels for forest protection, business leadership can also better align corporate and government policies to achieve the goals of the Paris Agreement. To facilitate that leadership, it is critical that national governments create a broad range of policies and incentives that spur the private sector to act, either voluntarily or in order to comply with domestic law.

“Governments need to use both ‘carrots’ and ‘sticks,’ incentives and obligations, as a way to create the right policy framework to attract private sector investment in forest protection,” said **Gustavo Silva-Chávez**, report co-author and REDD+ program manager at Forest Trends.

There are three important “lessons” from decades of implementing international climate change agreements:

1. There will be on-going limits on public finance;
2. Governments need the active engagement of the private sector in order to meet and raise ambitious mitigation targets and to provide private finance flows far greater than those from public sources; and
3. Achieving national goals for the forest and land sector often requires implementation of policy and programs at the jurisdictional level.

Recognizing those lessons, the authors of the new paper outline three recommendations to bring governments and the private sector together to achieve the goals of the Paris Agreement:

1. Urge governments and the private sector to actively collaborate in assessing the implications of the Paris Agreement in the development and implementation of strategies to achieve their national climate targets (or NDCs, Nationally Determined Contributions in “UN speak”).
2. Use private sector experience with, and interest in, carbon markets to inform government positions in upcoming UN negotiations.
3. Develop public-private partnerships that create and enhance the enabling conditions necessary to attract private sector capital.

“As governments around the world set in motion the policies and activities needed to meet their climate change targets under the Paris Agreement, more and more businesses, from farmers to investment firms, will need to pay attention to the associated risks and opportunities,” said co-author **Peter Graham**. “Reducing deforestation and

improving forest management are perfect examples of where there is immediate opportunity for governments and companies to collaborate to reduce a major source of emissions while also limiting risks to sustainable business.”

For more information, read the [full paper](#) and visit <http://reddx.forest-trends.org/>.

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Forest Trends is a Washington, D.C.-based non-profit organization whose mission is to conserve forests and other ecosystems through the creation and wide adoption of a broad range of environmental finance, markets and other payment and incentive mechanisms. Learn more at Forest-Trends.org or follow our latest work on [Facebook](#) and [Twitter](#).