



ART
Architecture for
REDD+ Transactions

Options for Private Sector Involvement in REDD+ under ART

December 2021

Webinar Logistics

- To ask questions:
 - Type questions into '**Chat**' box near bottom of your webinar pane.
 - Questions can be submitted at any time during the webinar.
- Webinar will be recorded and posted to: www.artredd.org
- Your presenters:
 - Christina Magerkurth
 - Pernille Holtedahl

The Context

- Natural climate solutions are critical to combatting climate change
- The delivery of natural climate solutions will require effort and ambition on scales not yet realized in the forestry sector

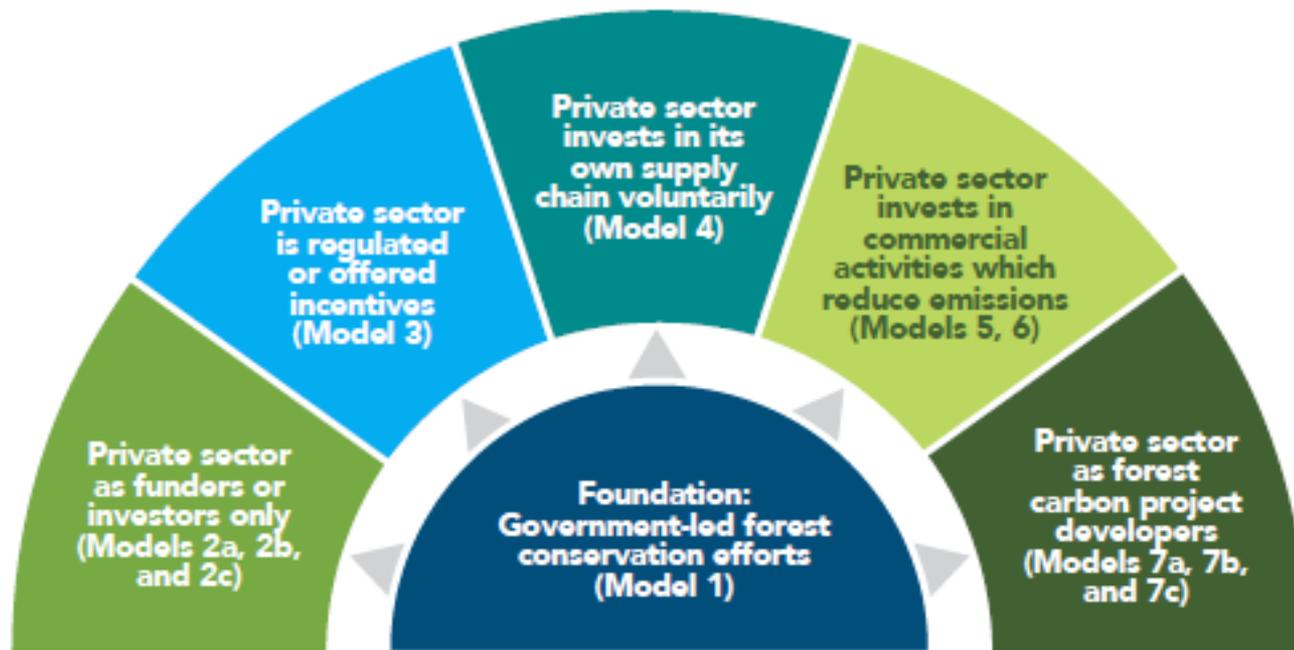


*'One million jurisdictional
REDD+ credits per year by
2025'*

The Context

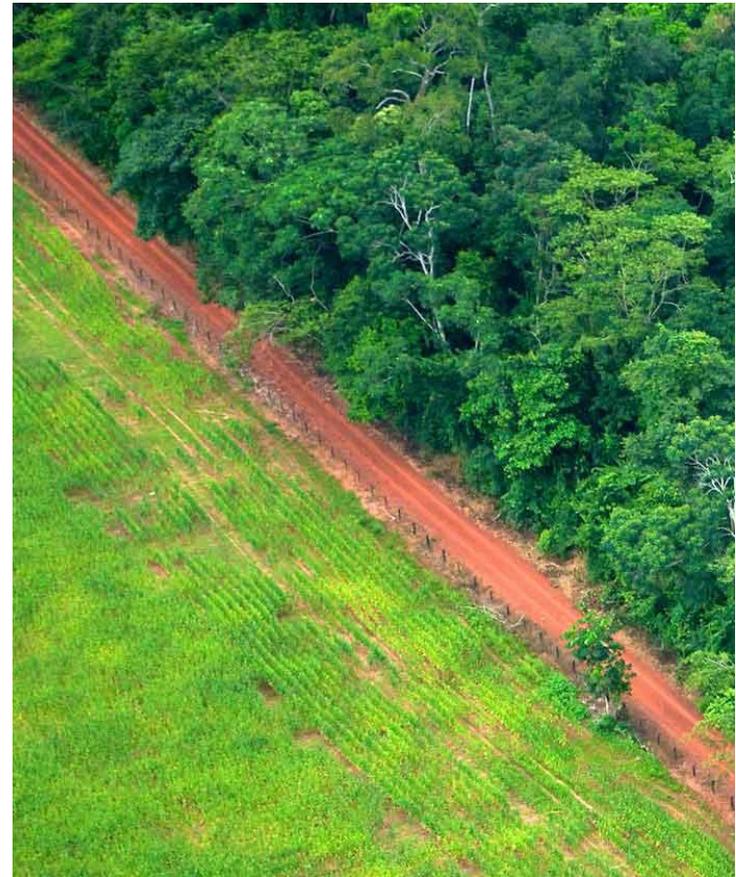
- As governments set ever more ambitious targets, how can they meet the goals most effectively?
 - REDD+ strategies must include all stakeholders – including the private sector
 - Active collaboration will improve chances of success and long-term sustainability of efforts
 - Collaboration has historically focused on REDD+ projects only but a range of models exists

Models for Private Sector Involvement

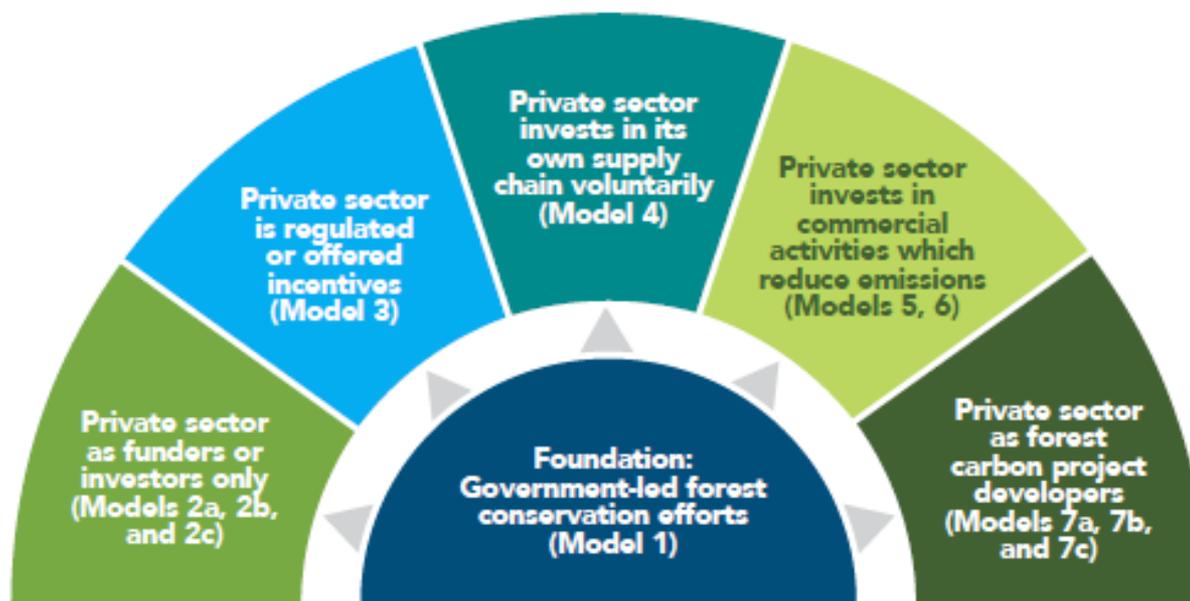


Model 1: Government-led forest conservation and restoration efforts

- Foundational model
- Traditional approach to conservation
- Can be successful but enforcement is often a challenge
 - Resources for protection efforts
 - High alternative land use values



Turning the Dial



Model 2: Private Sector Funds REDD+

- Government designs and implements REDD+ activities, the private sector funds or invests
 - Model 2a – Private Sector funds governments through credit purchases
 - Model 2b: Creation of a REDD+ Company
 - Model 2c: REDD+ Bonds

Model 2: Integration with ART

- Model 2a – Generate credits and receive revenues after verification
- Models 2b and 2c – Upfront financing is received by the government and carbon revenues provide return to investors



Model 3: Regulation and Incentives of private enterprise

- Government regulates or incentivizes companies to reduce deforestation/forest degradation
 - E.g. Brazil Forest Code, Gabon mandate on FSC certification, subsidized credit lines



Model 3: Integration with ART

- Governments can monitor the emission reductions and removals achieved as a result of these policies at the jurisdictional level
- Reductions and removals can be transformed into REDD+ credits or payment-for-performance revenues
- Payments can be applied to cover the costs of incentives and enforcement efforts or to fund new activities.



Model 4: Voluntary commitments and supply chain investments

- Increasing corporate commitments to eliminate supply chain deforestation present opportunities
- Collaboration between government and private sector could improve the effectiveness and transparency of the model

Model 4: Integration with ART

- Government monitors, reports and verifies results across the jurisdiction including social and environmental benefits
- Verified results lend credibility to claims of meaningful changes in supply chain



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Model 5: Private sector investments in commercial activities which preserve or restore forest cover

- Development of sustainable economic activities reduces pressure on forests
- Successful forest enterprises protect the forest while creating economic opportunities



Model 5: Integration with ART

- Government conducts all monitoring, reporting and verification
- Revenues from carbon credits can be used as agreed with the private sector entities to:
 - promote and attract forest enterprises,
 - build infrastructure or
 - otherwise support the private sector partners and forest communities



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Model 6: Private sector investments in carbon reduction projects which are paid based on performance or practice

- Private sector implements REDD+ activities
- Compensated based on implementation goals, emission reductions and removals, or ecosystem services created



Model 6: Integration with ART

- Government conducts all monitoring, reporting and verification
- Revenues from carbon credits are used to pay private sector based on agreed upon metrics



Model 7: Private Sector as carbon offset project developers

- Model 7a: Domestic offset program
- Models 7b and 7c
 - International sale of offsets
 - Fully nested under a centralized hybrid model - paid in credits (7b) or revenue (7c)



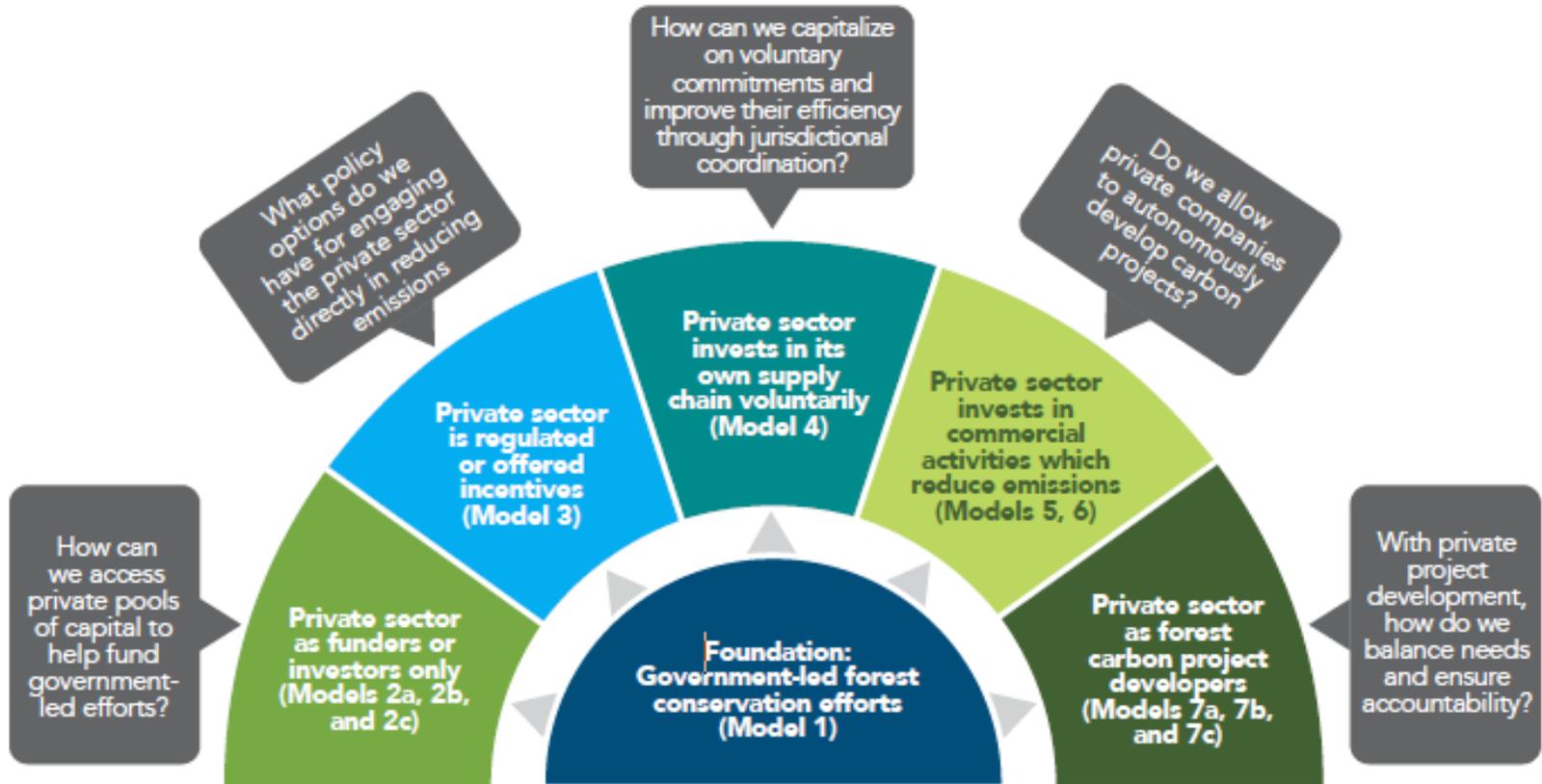
Model 7a, 7b and 7c: Integration with ART

- Multiple pathways possible for nesting under ART
 - Fully nested and only TREES credits are issued
 - Fully nested and project credits are issued under a different GHG Program
 - Not nested
- Subject to TREES ownership and Safeguards requirements



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Conclusion





Thank you

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