

Scoping the landscape of financing Nature Based Solutions

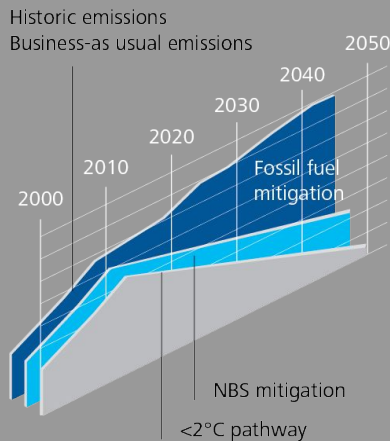
November 2019

Alexandra Frank, South Pole



We support governments and business to identify and implement nature-based solutions

Channelling finance to nature-based solutions



Nature-based solutions can help to cost-effectively meet Paris targets.

South Pole has helped mobilise billions in investment in carbon sink projects through carbon credits and renewable energy certificates and is building funds to scale up investment in cost-effective nature-based solutions.

Understanding climate risks and opportunities



100 countries have submitted domestic climate action targets under the Paris agreement that mention the use of different natural climate solutions.

South Pole helps clients to develop nature-based strategies by pinpointing potential disruptions to their supply chains and identifying risks and opportunities arising from changing physical and political climates.

Developing nature-based projects



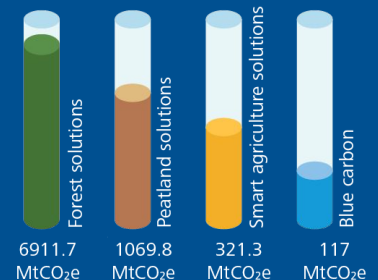
Forests offer about one half of the lowest-cost emissions reduction opportunities below \$10 per tCO₂e, while grassland and agriculture account for one quarter, and wetlands 19%.

South Pole has generated more than 37 million tonnes of verified emission reductions from forest projects – more than any other developer – and has extensive experience in wetland and coastal projects, winning “Best Project Developer” and “Best Project Developer – Forestry and Land Use” in Environmental Finance’s 2018 carbon market rankings.

Advancing sustainable global supply chains

Grassland and agriculture offer one quarter of the lowest-cost emissions reduction opportunities below \$10 per tCO₂e.

South Pole supports farmers and some of the world’s most renowned brands to become water stewards, to take climate action that reduces emissions and builds more resilient, higher-value supply chains for agricultural and other commodities.



These solutions could reduce emissions at a maximum cost of \$100 per tonne of CO₂ equivalent.

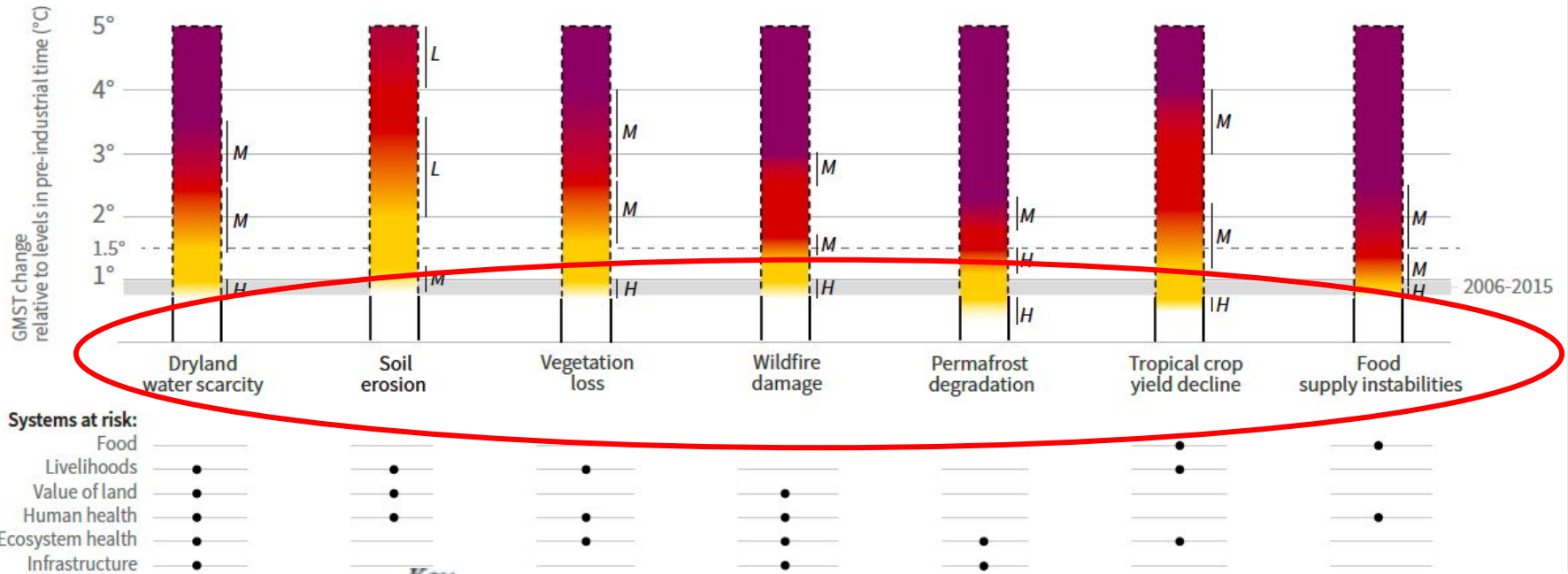
Why financing NBS?

Makira Forest Conservation, Madagascar: A staggering 1% of all of the Earth's biodiversity is found in the Makira Forests in Madagascar. This is currently under heavy threat from unsustainable land management and farming.

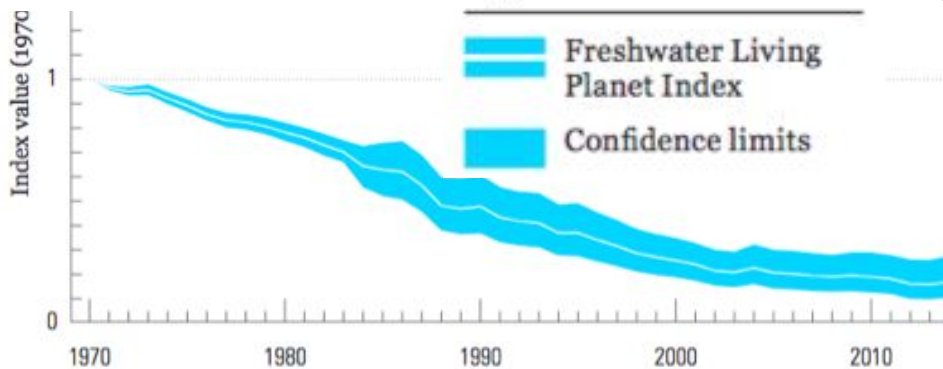


Our climate and water crisis is happening now!

Risks to humans and ecosystems from changes in land-based processes



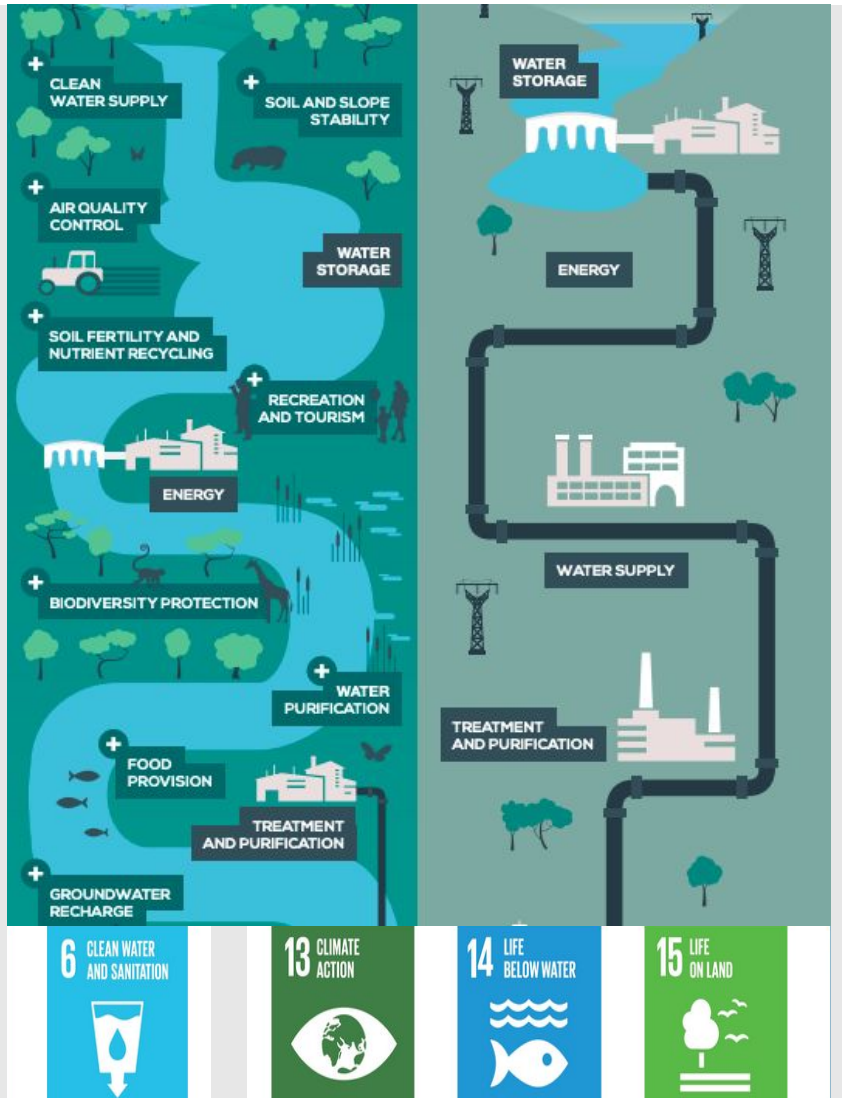
Source: *Climate Change and Land: IPCC special report, 2019*



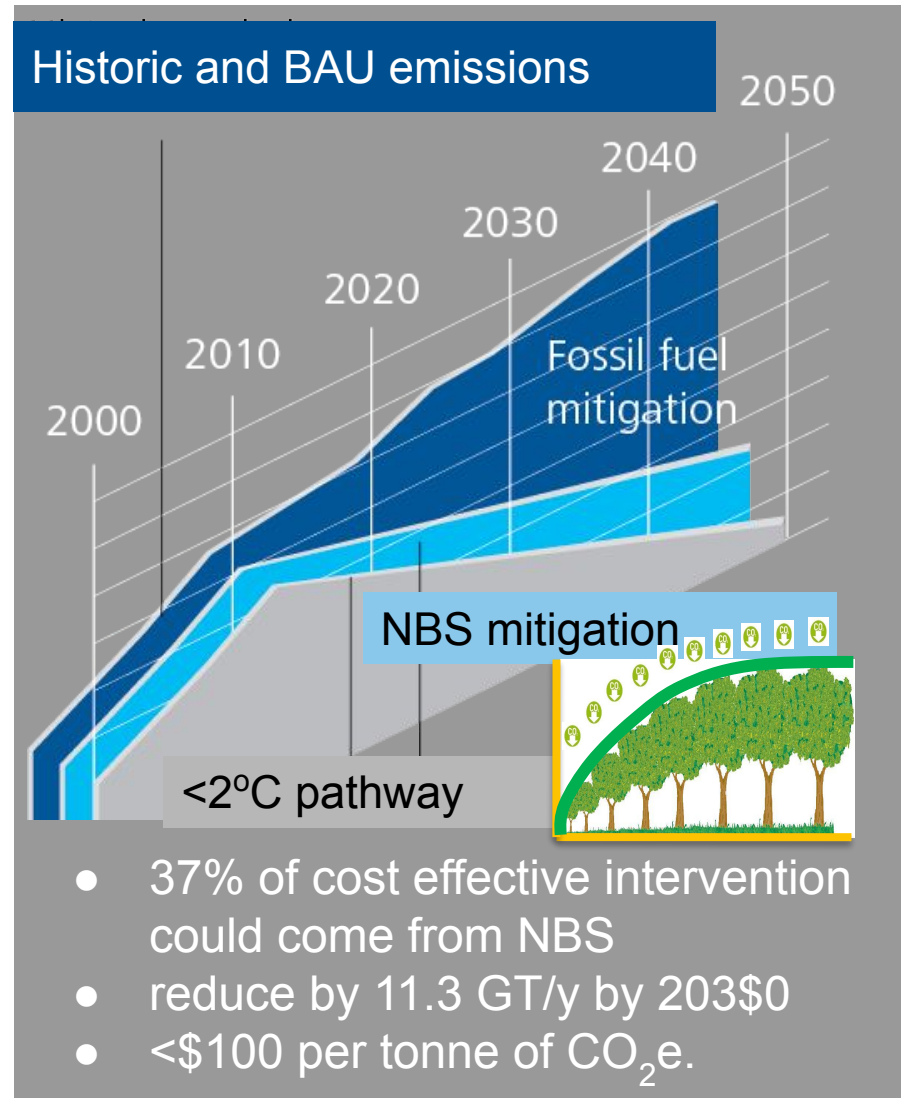
Freshwater ecosystems are in worse condition than any other group:

83% ↓

Adaptation and mitigation through NBS

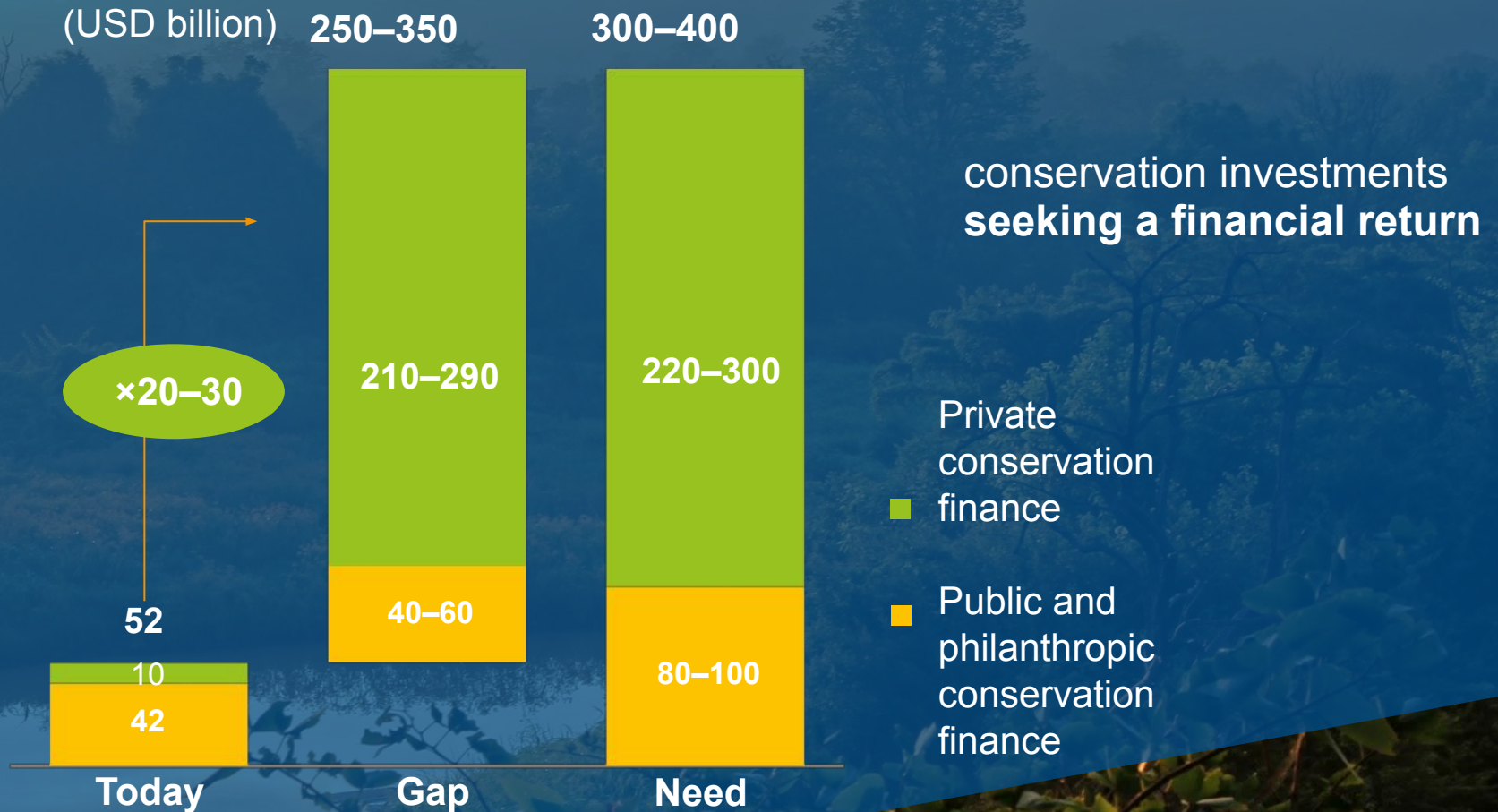


IUCN Infographic: going with the flow

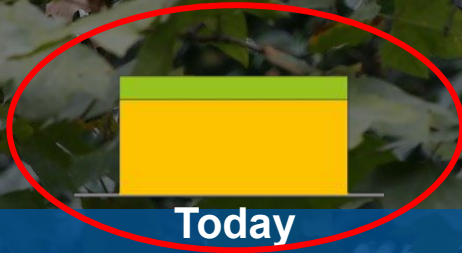


Source: Bronson W. Griscom et al. 2017 (TNC commissioned)

How much is needed each year to preserve and restore ecosystems?







Today's avenues for financing NBS: Order of magnitudes and focus

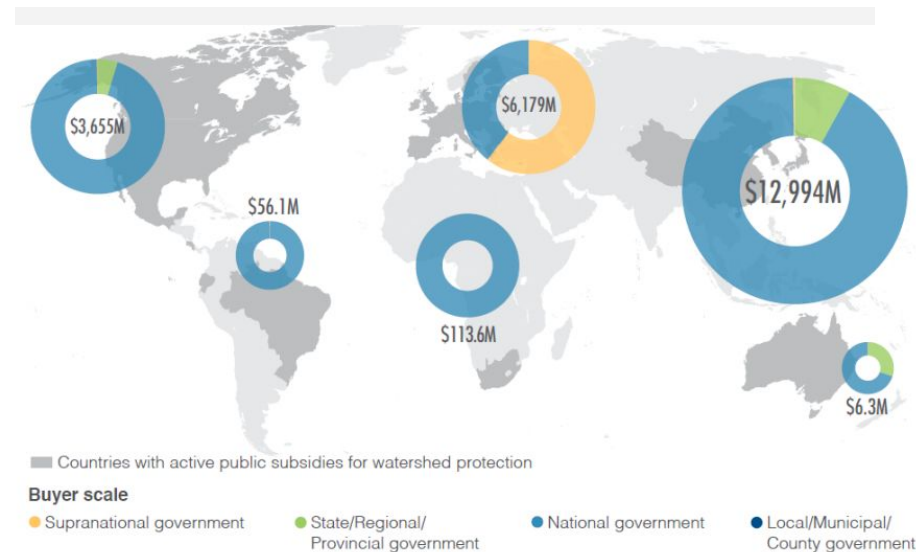
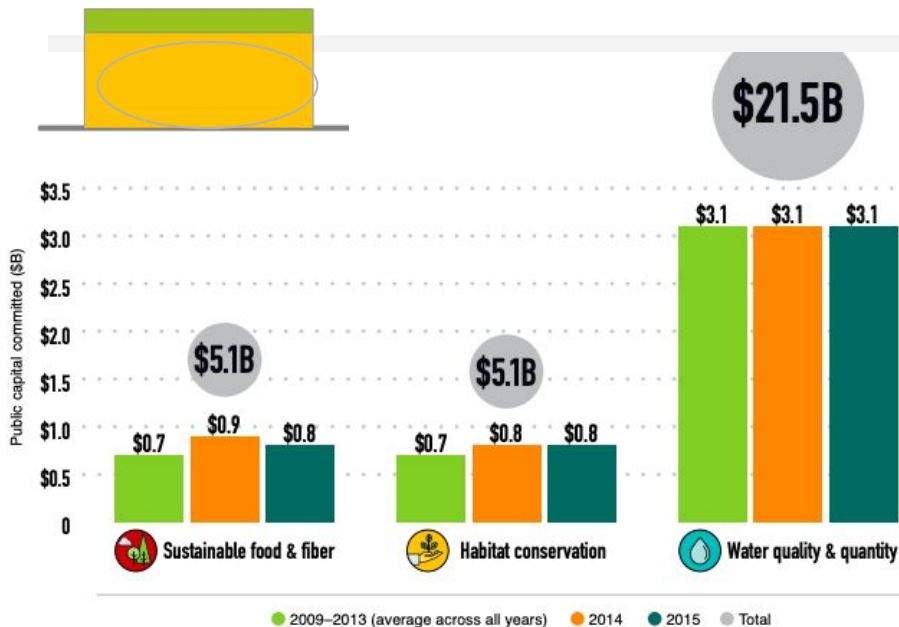


Mamize Clean Cookstoves, China:, this project improves community health and reduces land clearing for wood, protecting Giant Panda habitat.

Avenues for financing NBS

Avenues Mechanisms Fundors	Public and philanthropic	Impact and conservation finance	Corporate investment and sustainable procurement	Results-based finance
	Grants	Equity and loans	Funds and sustainable agriculture	Payment for ecosystem services
				

Focus of public and philanthropic finance



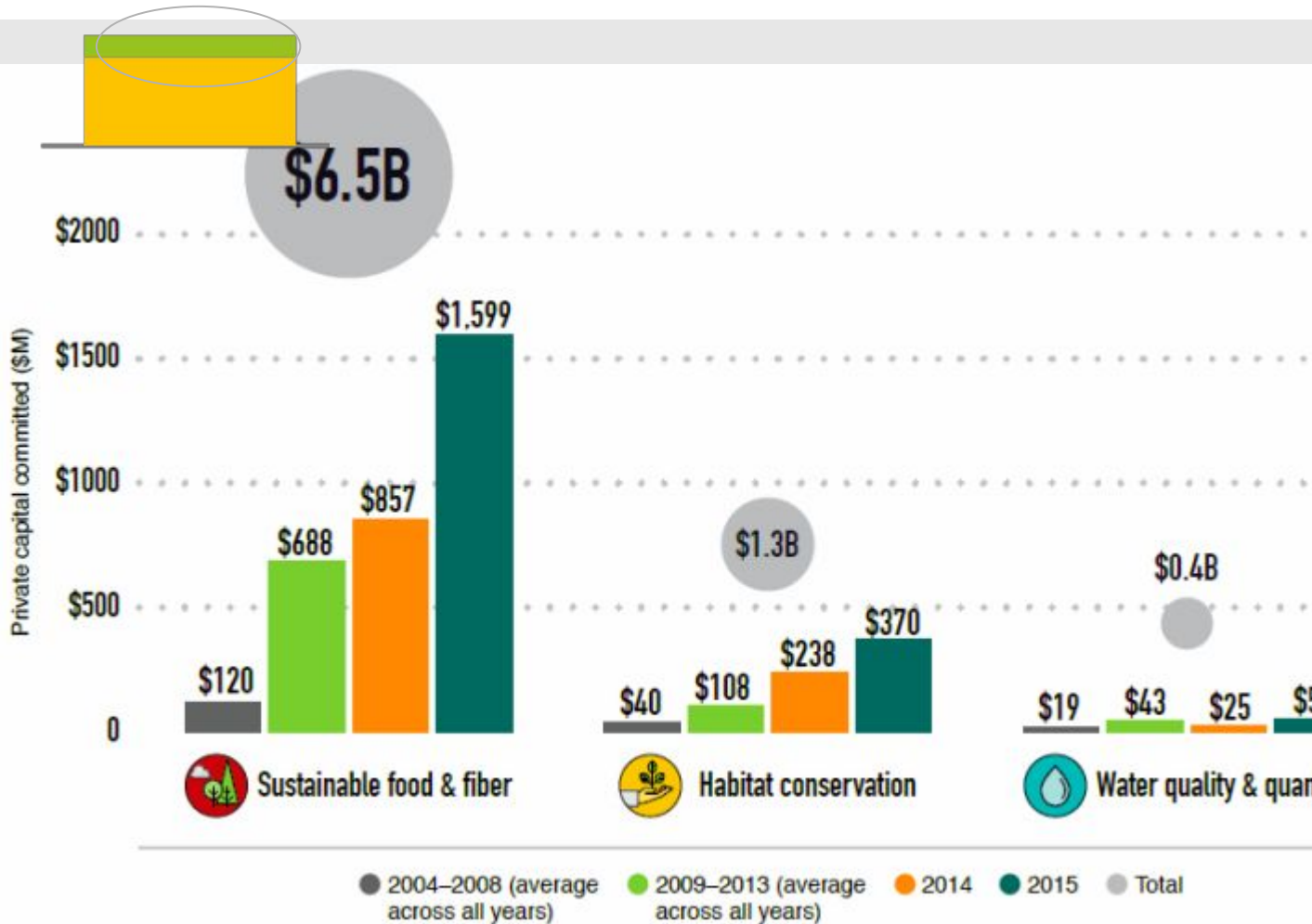
70% of public conservation funding (conservation investments seeking a financial return) went to water projects: sewer treatment and wastewater infrastructure.

National subsidy payments: \$23.7B in 2015 from governments to landholders to protect and restore water-critical landscapes

Source: Forest Trends' Ecosystem Marketplace. State of Private Investment in Conservation., 2016

Source: Forest Trends' Ecosystem Marketplace. State of Watershed investment, 2016

Focus of private conservation finance



80% of private conservation finance to three sectors:

1. forestry
2. agriculture
3. fisheries

5% of climate finance supports adaptation: Mainly from public sources



LANDSCAPE OF CLIMATE FINANCE IN 2017/2018

Global climate finance flows along their life cycle in 2017/2018. Values are average of two years' data, in USD billions.

SOURCES AND INTERMEDIARIES

Which type of organizations are sources or intermediaries of capital for climate finance?

INSTRUMENTS

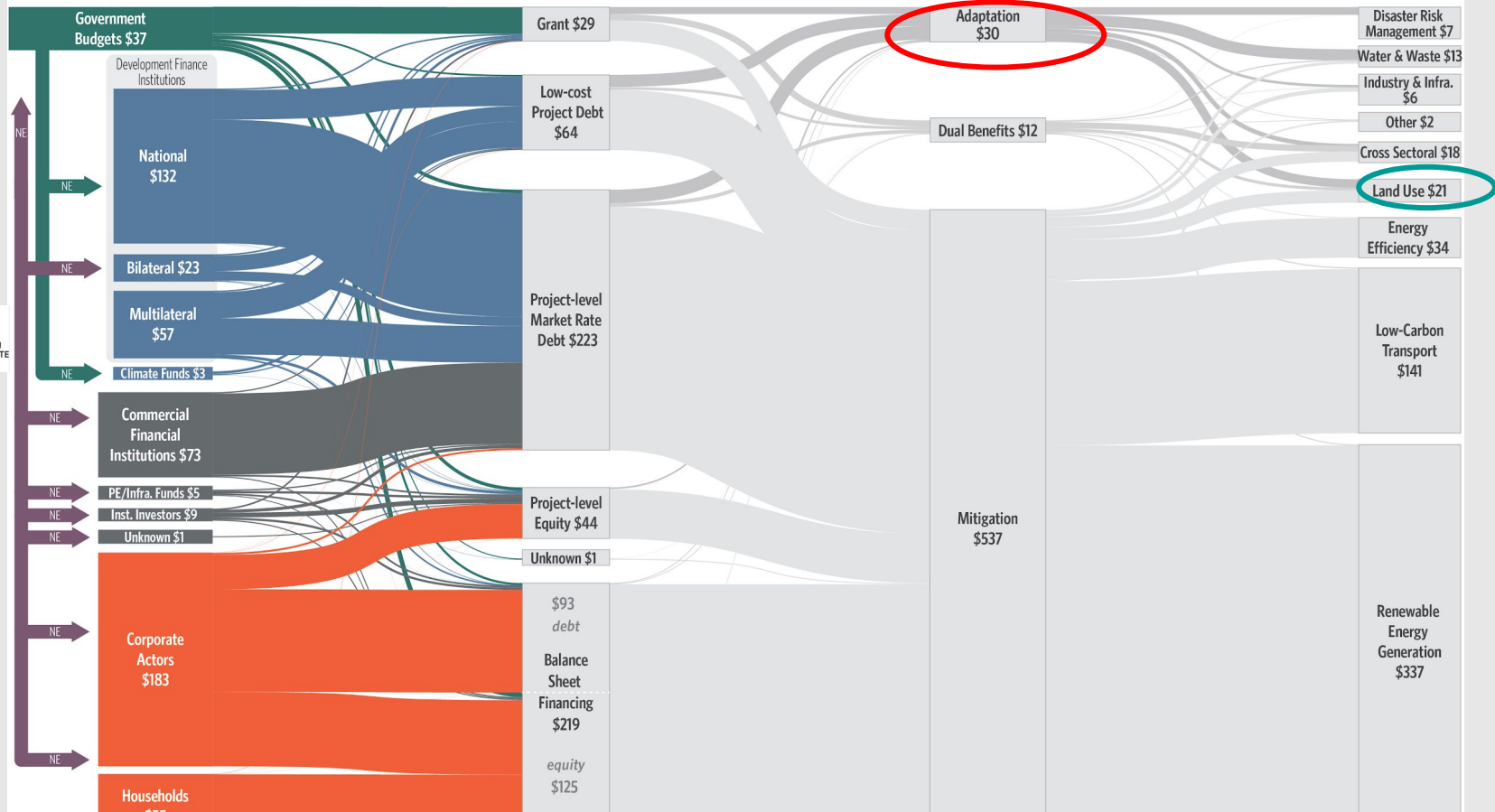
What mix of financial instruments are used?

USES

What types of activities are financed?

SECTORS

What is the finance used for?



Global climate finance flows along their life cycle in 2017 and 2018. Values are average of two years' data, in USD billions

Source: CPI, Global Landscape of Climate Finance 2019

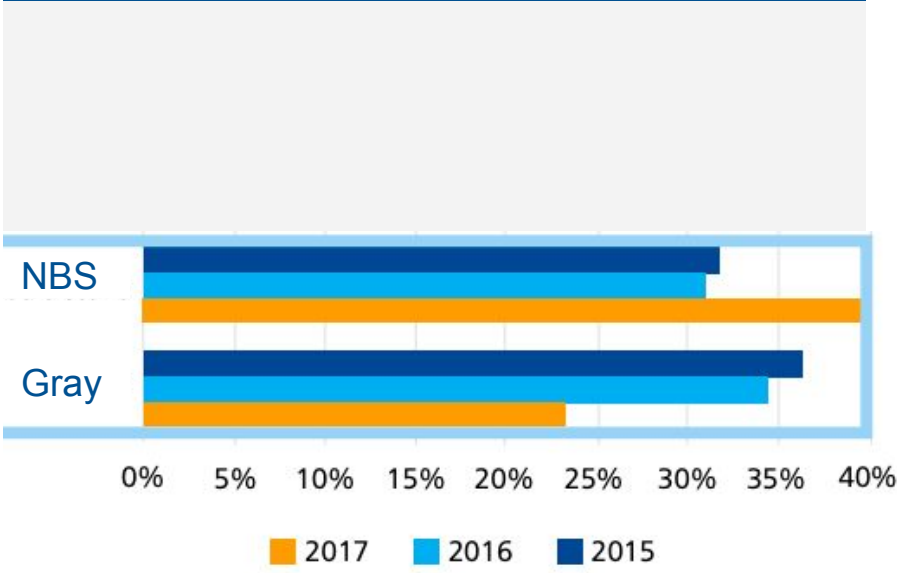
KEY

- PUBLIC MONEY
- PUBLIC FINANCIAL INTERMEDIARIES
- PRIVATE FINANCIAL INTERMEDIARIES
- PRIVATE MONEY
- FINANCE FOR INVESTORS & LEADERS
- NE: NOT ESTIMATED

Focus of corporate funding and sustainable procurement



NBS most popular corporate water risk response (50 companies, >700 risk responses)



Corporate NBS funds for supply chain resilience, climate targets and access to markets

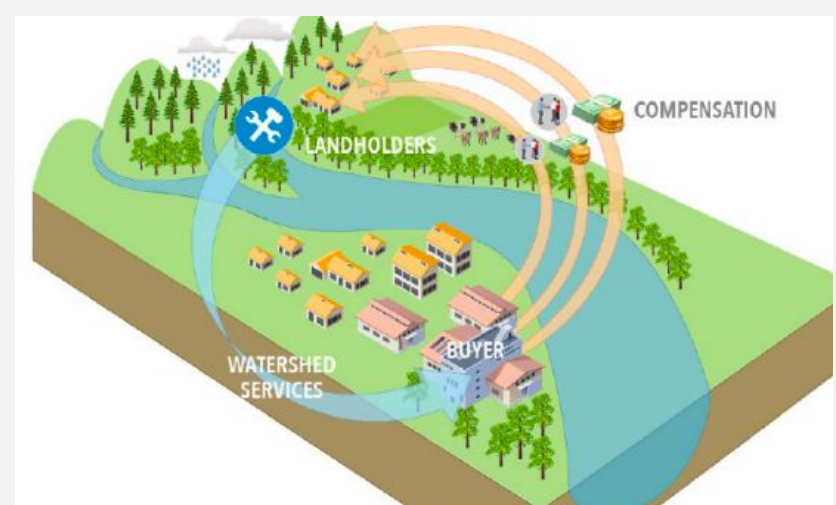


Est. corporate NBS funding \$500M/y
 Est. 1% of organic market into NBS \$1B/y

Source: South Pole and CDP: Nature to the rescue, 2018

Market size of results based finance for NBS

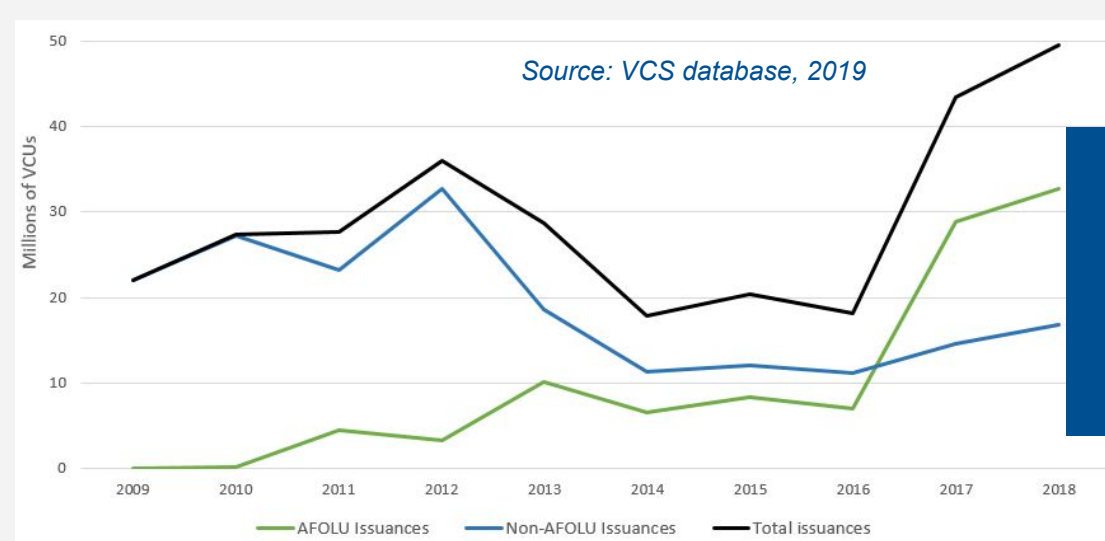
Payment for ecosystem services (PES) and carbon finance



PES: Water users spent \$657M in 2015

Driven by China, US, LatAm

Source: Forest Trends' Ecosystem Marketplace. State of Watershed investment, 2016



Source: VCS database, 2019

NBS drive carbon market

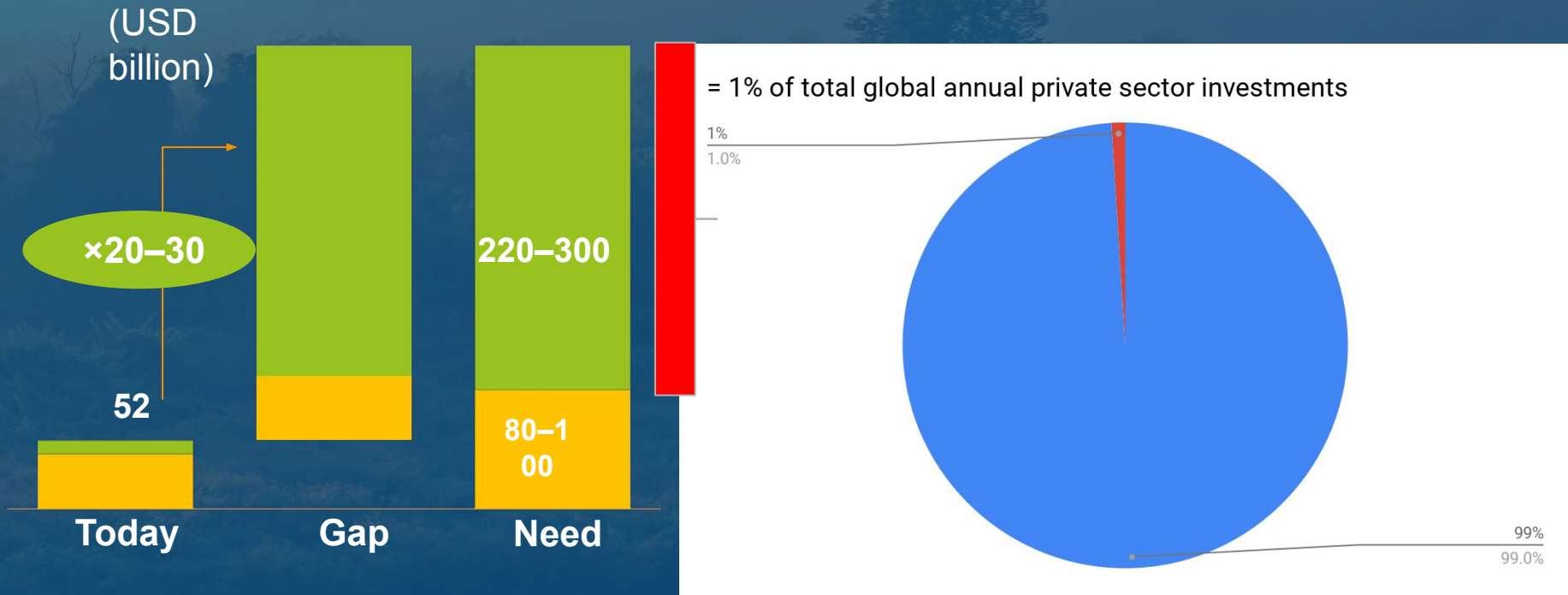
Estimated \$200M in 2018

How to close the gap?

Makira Forest Conservation, Madagascar



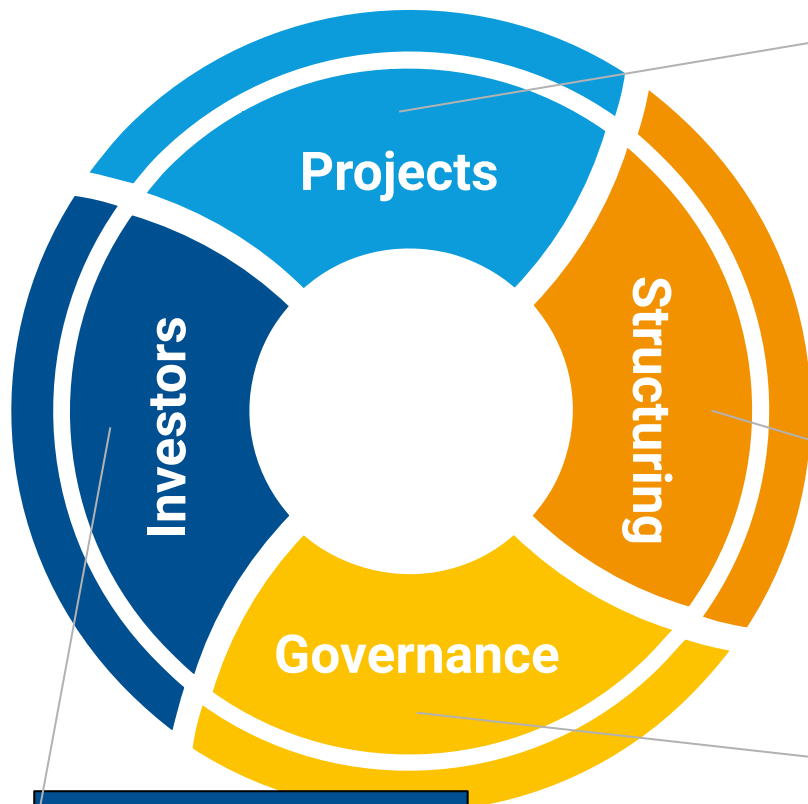
How to close the gap?



- Private
- Public and philanthropic



What is instrumental for scalable NBS finance?



Projects

- Scalable, replicable
- Accountable counterparts
- Bankable NBS
- Science based impact verification
- Watershed/landscape integration

Structuring and blended finance

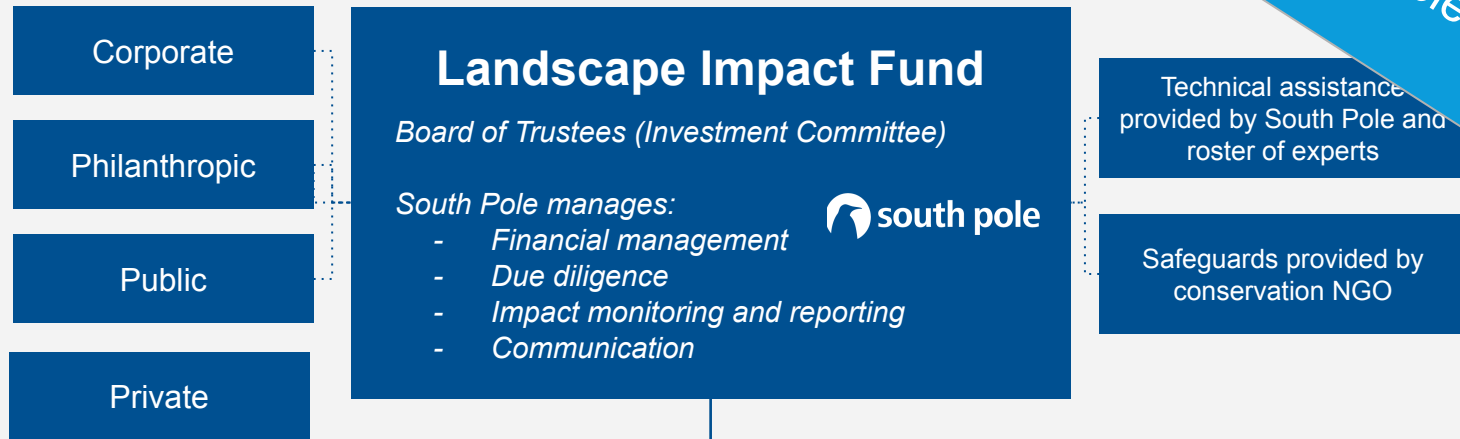
- Speaking the investor language
- Understand interests of funders
- Forward contracts, offtake agreements, guarantees etc.

Transparency

Avenues



NBS Financing vehicle: We bring together climate leaders to channel blended finance to NBS



Roundtable 2



Supply chain action



Climate impact funding



Project and landscape design

CPIC: we manage the conservation financing network

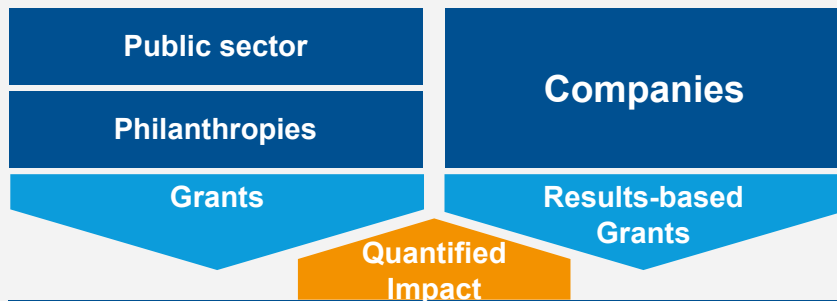


Thank you



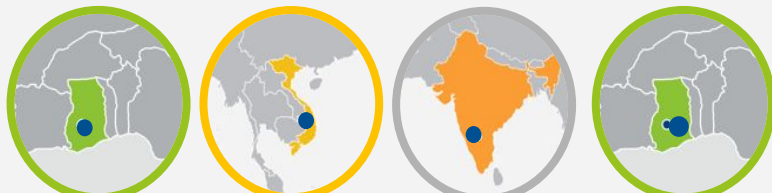
Return seeking capital and bankable NBS

Landscape Fund



Landscape Impact Fund

managed by south pole



Coalition for Private Investment for conservation

managed by south pole



Working Groups



Opportunity: Blending finance for global scale of NBS and co-finance to enable achieving your climate targets

What are Nature based solutions (NBS)?

IUCN defines NBS as *actions*

- *to protect, manage, restore natural or modified ecosystems*
- *that address societal challenges,*
- *providing human well-being and biodiversity benefits.*

South Pole and CDP provide quantitative 3 year evidence: NBS are becoming the preferred approach among companies for addressing water-related risks at catchment level.

