



Global
Landscapes
Forum



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG



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SUSTAINABLE FINANCE FOR NATURE-BASED SOLUTIONS

How to seize the full potential of carbon
markets and taxonomy regulations





Background

Nature-based solutions (NbS) are critical to confronting the multiple crises of present time – and cultivating the much-needed resilient landscapes of the future. How can we better support them to be rolled out with the urgency that's required?

2021, the 'Super Year for Nature', saw considerable energy and attention focused in this direction, for example through progress in the development of carbon markets; the launch of the [UN Decade on Ecosystem Restoration](#) and the initiation of the [FOLUR Impact Programme](#) on green commodities.

Now, the Luxembourg-GLF Finance for Nature platform – which seeks to mainstream sustainable investments for Nature-based Solutions (NbS) to environmental, social, and economic challenges – aims to build on that momentum by convening a digital forum of practitioners, policy makers, and scientists, to:

- help improve understanding of the opportunities for NbS investments emerging from recent developments in carbon finance and sustainable finance regulations;
- build dialogue to increase adoption of good practices and pave the way for informed use of the latest innovations; and
- boost policy processes in this arena.

Session 1:

Carbon finance for Nature-based Solutions – How can recent developments in carbon markets make a difference for sustainable land use?

 60 min

Context

Forests and sustainable land use represent a major opportunity in the fight against climate change. These arenas have historically been under-funded, with less than 3% of climate finance¹ being directed there in 2019. However, interest and investment, particularly through carbon finance, are on the rise: the Ecosystem Market Place found in 2021 that funding to conserve and increase carbon stored in forests had more than doubled globally in the past four years.²

Carbon markets continue to develop positively, and opportunities for sustainable land use funding are also on the rise. For instance, forestry offsets are eligible in China's 2021 National Emissions Trading Scheme, and the pilot phase of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which was launched in 2021, includes REDD+ mechanisms (efforts to reduce emissions from deforestation and forest degradation, and foster conservation, sustainable management of forests, and enhancement of forest carbon stocks) in its eligible projects.

Voluntary carbon market opportunities are also increasing as companies' net-zero commitments multiply. To regulate the voluntary market and promote transparent practices, the Taskforce on Scaling Voluntary Carbon Markets (TSVCM), a private sector initiative, developed a list of key recommendations in 2021.³

The 26th Conference of the Parties of the United Nations' Framework Convention on Climate Change (COP 26) also prompted several developments. The States agreed on the rules for the application of Article 6 of the Paris Agreement governing carbon markets, and also committed to promoting the financing of sustainable land use through the Glasgow Leaders' Declaration on Forests and Land Use.⁴

However, while forests increasingly benefit from carbon finance mechanisms, other land use sectors, such as agroecology, still struggle to attract such financing. Some initiatives are emerging that seek to show that sustainable agricultural practices can contribute to carbon storage, such as the [French '4p1000' project](#) launched in 2015, but more efforts are needed to capture the potential of carbon finance for multiple land uses and landscape projects.

Key questions

- Does the rise of carbon finance for forests undermine food-related and biodiversity land use issues?
- What are the prospects for carbon markets in sustainable land use sectors beyond forestry?
- What can we expect for financing sustainable land use under Article 6 of the Paris Agreement?
- What are the opportunities for the development of local carbon markets in the Global South?
- How can companies' net-zero commitments transform into opportunities for financing sustainable land use and resilient landscape projects?



Session 2:

Sustainable finance taxonomy for Nature-based Solutions – What should we expect from new and upcoming sustainable finance regulations for sustainable land use?

🕒 60 min

Context

The financing of sustainable land use practices is a major challenge to addressing climate change, deforestation, and biodiversity loss. However, private sector funding is still not sufficiently directed towards sustainable land use. Between 2016 and 2020, for instance, 160 billion dollars were invested by financial stakeholders (banks, management companies, etc.) in raw materials from deforestation risk zones such as West Africa, Southeast Asia, and Brazil.⁵

The challenge of disclosing information on the impacts of land management activities, and the establishment of taxonomies to distinguish between sustainable and unsustainable activities, is an essential step in redirecting investments towards sustainable land use.

Several taxonomy regulations are being developed around the world, as investors' interest in integrating sustainability issues into their investments grows. These include taxonomies developed by the European Union, China, and Southeast Asia. The European taxonomy remains one of the most comprehensive to date: it aims to provide a common language for activities considered 'green' in relation to six environmental objectives, including climate and biodiversity protection and restoration.

The taxonomy regulation has just come into force on 1 January 2022 for activities classified under the first two objectives of climate change adaptation and mitigation, and the first companies subject to an obligation will have to report on their 2021 activities. As such, forestry activities with a positive contribution to climate change are detailed in the nomenclature. However, the issue of agriculture is still under discussion. Furthermore, the nomenclature of activities with a positive contribution to the objective of protecting and restoring biodiversity and ecosystems has not yet been established, as it is still under development.

Key questions

- What are the challenges of developing and using a taxonomy to determine the positive and negative impacts of land use activities on biodiversity?
- What are the next steps for the EU taxonomy regulation to fully integrate sustainable land use and biodiversity?
- What are the potentials for developing taxonomy and disclosure regulations on sustainable land use in the Global South – for example in the African and South American contexts?
- On top of sustainable finance regulations, what mechanisms would ensure sustainable supply chains and avoid greenwashing risks?

Endnotes

- ¹ United Nations Environment Programme (2019). Financing sustainable land use for people and planet. <https://wedocs.unep.org/bitstream/handle/20.500.11822/31216/FSLU.pdf?sequence=1>
- ² Ecosystem Marketplace (2021). Green Growth Spurt: State of Forest Carbon Finance 2021 <https://www.ecosystemmarketplace.com/publications/state-of-forest-carbon-finance-2021/>
- ³ Taskforce on Scaling Voluntary Carbon Markets (2022). <https://www.iif.com/tsvcm>
- ⁴ Glasgow Leaders' Declaration on Forests and Land Use (2021). <https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>
- ⁵ Shifting finance towards sustainable land use: Aligning public incentives with the goals of the Paris Agreement (2021). <https://climatefocus.com/sites/default/files/Shifting%2BFinance%2BMain%2BReport.pdf>



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Global Landscapes Forum

The Global Landscapes Forum (GLF) is the world's largest knowledge-led platform on integrated land use, dedicated to achieving the Sustainable Development Goals and Paris Climate Agreement. The Forum takes a holistic approach to create sustainable landscapes that are productive, prosperous, equitable and resilient and considers five cohesive themes of food and livelihoods, landscape restoration, rights, finance and measuring progress. It is led by the Center for International Forestry Research (CIFOR), in collaboration with its co-founders UNEP and the World Bank and Charter Members.

Charter Members: CIAT, CIFOR, CIRAD, Climate Focus, Conservation International, Crop Trust, Ecoagriculture Partners, The European Forest Institute, Evergreen Agriculture, FAO, FSC, GEF, GIZ, ICIMOD, IFOAM - Organics International, The International Livestock Research Institute, INBAR, IPMG, IUFRO, Rainforest Alliance, Rare, Rights and Resources Initiative, SAN, TMG-Think Tank for Sustainability, UNEP, Wageningen Centre for Development Innovation part of Wageningen Research, World Farmer Organization, World Agroforestry, World Bank Group, World Resources Institute, WWF International, Youth in Landscapes Initiative (YIL).

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