

# *Ending deforestation*

REDD + CGF =  
Ø deforestation

November 2014



7.5%

'Full implementation of the CGF resolution would lead to a reduction of up to 7.5% of total anthropogenic carbon emissions by 2020'

## *The time is ripe...*

Deforestation and forest degradation account for around 15% of total GHG emissions<sup>1</sup>, as well as having globally significant impacts on biodiversity, ecosystem services and livelihoods. Around half of deforestation and degradation is driven by four key commodities: soy, cattle products, palm oil and pulp & paper – major ingredients in the supply chains of Consumer Goods Forum (CGF) companies.

The CGF and the REDD+ (Reducing Emissions from Deforestation and Degradation) community have a shared goal to reduce deforestation and degradation. This was formalised in

September 2014 when more than 130 governments, businesses, civil society and indigenous peoples' organisations endorsed the New York Declaration on Forests, pledging to halve forest loss by 2020, and strive to end it a decade later in 2030. This goal is highly ambitious and will require both the CGF and REDD+ community to work together as effectively as possible to fully leverage each other's resources. Beyond the direct impact this has on the global carbon budget, it would have a catalytic impact on demonstrating to other industries how the private and public sector can work together to cut carbon emissions.

### *Critical questions for CGF companies where the REDD+ community can help*

- Can we trace key deforestation driver commodities through the supply chain and do we have the right data?
- How can we support our producers to achieve certification against sustainability standards?
- How do we engage with national and local governments and communities to address deforestation in our supply chain?
- How do we involve our trade finance banks in providing funding that promotes sustainable commodity production?

<sup>1</sup> WWF, (2013) Deforestation (Website). Available online: <http://www.worldwildlife.org/threats/deforestation> (last accessed 7th October 2014)



# Commitment is growing

For businesses, this builds on a commitment made in 2010 by the CGF, a coalition of 400 companies with combined revenues of US\$ 3 trillion. The CGF aimed for Zero Net Deforestation by 2020 from the four key deforestation commodities<sup>2</sup>. The companies making this commitment represent the majority of the consumption of these commodities; therefore successful implementation of this commitment could lead to a reduction of up to 7.5% of total anthropogenic emissions<sup>3</sup>.

## *The CGF Resolution on deforestation<sup>4</sup>*

In November 2010, the Board of The Consumer Goods Forum pledged to 'mobilise resources within our respective businesses to help achieve zero net deforestation by 2020...both by individual company initiatives and by working collectively in partnership with governments and NGOs...to create funding mechanisms and other practical schemes that will incentivise and assist forested countries to conserve their natural assets and enable them to achieve the goal of zero net deforestation, whilst at the same time meeting their goals for economic development.'

The CGF committed to 'specific, time bound and cost effective action plans for the different challenges in sourcing commodities like palm oil, soya, beef, paper and pulp in a sustainable fashion'.

This year there has been a rapid increase in commodity-specific commitments for Zero Net Deforestation, particularly for palm oil. Between January-September 2014 corporates accounting for 60% of the global palm oil trade made commitments

to eliminate deforestation from their production<sup>5</sup>. These commitments can have a great impact on GHG emissions in G20 economies, as outlined in the Indonesia case study below.

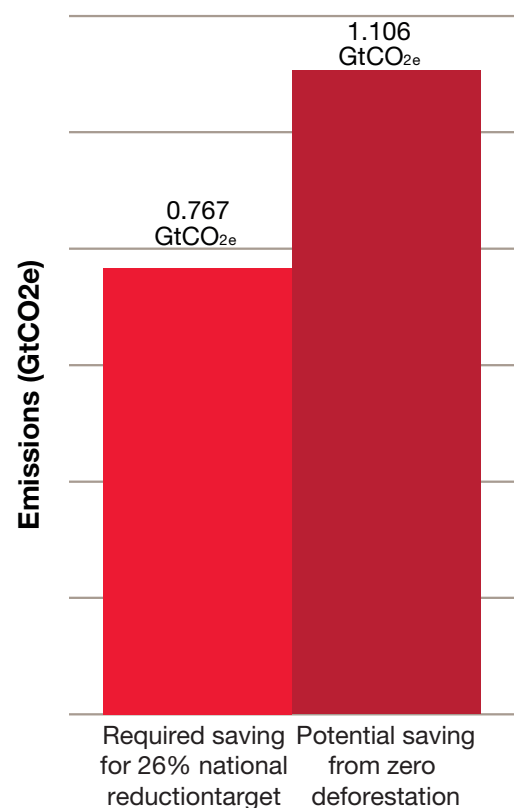
## *Case study- Indonesia*

As a key rainforest nation Indonesia is crucial to achieving Zero Net Deforestation. In pursuing this objective, Indonesia could achieve gross forest-based GHG emission reductions of at least 75% against business as usual by 2020, making a huge contribution to its domestic and global emission-reduction efforts (WWF, 2009)\*.

Indonesia is seeking to reduce its overall emissions by 26% by 2020 below a business as usual figure of 2.95GtCO<sub>2e</sub>, of which forest-based emissions account for 50-60%. Taking the most conservative estimate, reducing forest-based emissions by 75% would, on its own, be sufficient to reach its own 26% target, and bring it to within touching distance of its more ambitious target of 41% (ICTSD, 2011).

This in turn would contribute significantly to global efforts to reduce emissions: a 26% saving in Indonesia would constitute up to 5% of what is needed globally in order to stay within the 2 degrees warming target (ICTSD, 2011).

## *Potential carbon emissions reductions from the Zero Net Deforestation commitment in Indonesia*



\*Assumes zero net deforestation = zero net GHG emissions

### **Sources:**

WWF (2009). Zero Net Deforestation by 2020 – A WWF Briefing paper [Online] Available at: <[http://wwf.panda.org/what\\_we\\_do/how\\_we\\_work/conservation/forests/zeronetdeforestation/](http://wwf.panda.org/what_we_do/how_we_work/conservation/forests/zeronetdeforestation/)> [Accessed 9th October 2014]

ICTSD, 2011. Safeguarding the world's forests: Indonesia's promising future. BioRes, [online] Available at: <<http://www.ictsd.org/sites/default/files/review/bioresreview/biores5-2.pdf>> [Accessed 9th October 2014]

2 The Consumer Goods Forum (2013). Sustainability Activation Toolkit. Available online: <http://www.theconsumergoodsforum.com/download-sustainability-activation-toolkit> (last accessed 7th October 2014)

3 Based on the assumption that zero net deforestation = zero net GHG emissions

4 Ibid

5 Climate and Land Use Alliance (2014). Disrupting the Global Commodity Business.

# But challenges lie ahead

*The scale of commitments is encouraging, but meeting them will not be easy. At least six significant challenges need to be overcome:*

## Resourcing the measurement and monitoring of progress

Measurement and monitoring is critical in order to track performance against commitments. Companies without prior experience might find it difficult to design and implement these systems without external resources and expertise.

## Understanding, agreeing and enforcing supplier contracts

Commitments need to be transformed into practicable contracts with suppliers. These should be time-bound and include safeguards to prevent negative impacts on smallholders. Legal and procurement teams need to be involved and trained to enable this.

## Developing producer capacity and willingness to become certified

Producers may prefer to sell to other buyers which don't require certification. Those that are willing to become certified may need to incur costs, gain familiarity with certification processes and technical language, dedicate staff time, and navigate regulatory challenges and land tenure issues. There needs to be a clear economic benefit for producers to do this.

## Achieving supply chain traceability

Tracing the supply chain from the field to the product is necessary to identify whether or not purchased commodities are causing deforestation. Palm oil traceability is particularly challenging, where oil from different plantations, mills and countries are mixed together during production<sup>6</sup>.

## Accessing and analysing deforestation data

Once traceability is achieved the next challenge is to gather data to establish whether the commodity was produced on recently deforested land or will likely cause deforestation in the future. This requires qualified and experienced personnel to visit production sites regularly, with the appropriate technology to collect and analyse the data.

## Engaging with national/local governments and communities

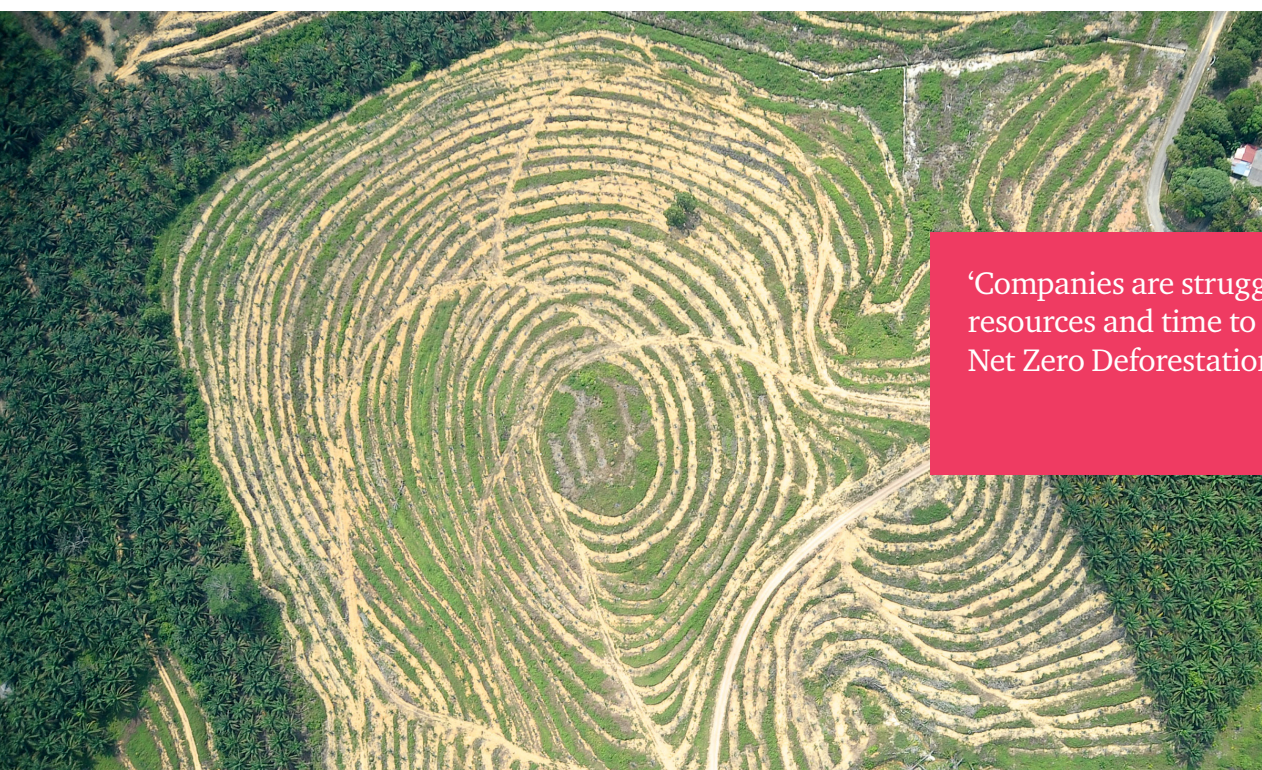
Time and effort needs to be dedicated to deal with potential local regulations and counteracting incentives in place (e.g. tax breaks, subsidies for land development), or planning processes that make it difficult for producers to meet certification standards, time. Engaging with local communities to understand their culture and constraints is also essential to successful working relationships.



<sup>6</sup> Unilever, (2014). Our Targets. Available online: <http://www.unilever.com/sustainable-living-2014/reducing-environmental-impact/sustainable-sourcing/sustainable-palm-oil/our-targets/> (last accessed 8th October 2014).

<sup>7</sup> Climate and Land Use Alliance (2014). Disrupting the Global Commodity Business.

<sup>8</sup> 'REDD+ and Sustainable Commodities Dialogue, co-organised by Code REDD, Rainforest Alliance and PwC, 22nd October 2014.'



'Companies are struggling to find the resources and time to fully mobilise their Net Zero Deforestation commitment'<sup>8</sup>



# REDD+ offers a helping hand

Reducing Emissions from Deforestation and Degradation (REDD+) is an international mechanism which attempts to create financial value for the carbon stored in forests. This is achieved by offering incentives for developing countries to reduce emissions from forested lands and invest in low-carbon

pathways to sustainable development<sup>9</sup>. The REDD+ community offers a huge network of organisations and individuals which have the expertise and resources to design and implement programmes to reduce deforestation and degradation. Whilst there are individual examples of the CGF and

REDD+ community working together, there has not yet been systematic collaboration on a large scale. This is despite the fact that 100% of CGF and REDD+ organisations recently surveyed by PwC and Code REDD thought that the two communities should be working closer than they are now<sup>8</sup>.

- Each of the major multilateral and bilateral REDD+ donors has a focus on engaging with the private sector.
- The World Bank's \$310 million Biocarbon Fund Initiative for Sustainable Forest Landscapes has the objective of partnering with private companies to help 'forest-proof' the sourcing of commodities and redirect market forces towards more sustainable land management practices<sup>11</sup>.

REDD+ donors have pledged \$8.7 billion to date<sup>10</sup>

- REDD+ has been responsible for either establishing new government agencies or designating responsibility to existing agencies for addressing deforestation.
- These agencies can provide a gateway for CGF companies to discuss plans with national and local government and build support with these stakeholders.
- REDD+ programmes are already working with local government to help address deforestation from commodities at a provincial and district level.

46 national governments are supported by UN-REDD<sup>13,14</sup> & the Forest Carbon Partnership Facility to design and implement plans to reduce deforestation

- Methodologies have been developed at both a project level and jurisdictional level to measure and verify forest carbon emissions.
- There are initiatives building the capacity of organisations and agencies within REDD+ countries to implement Measurement, Reporting and Verification (MRV) systems.
- MRV systems can be used by CGF companies to monitor reductions in carbon emissions resulting from their reducing deforestation efforts.

Kalimantan Palm Oil plantations produced 20 million tCO<sub>2</sub>e between 1990-2010<sup>12</sup>



- CGF companies do not always have networks, capacity and expertise to the field level with producers and communities. In the past seven years NGOs and Civil Society Organisations (CSOs) have been supported with REDD+ resources in these areas, and can help implement field-level projects effectively.
- Approaches by local NGOs and CSOs (e.g. Free, Prior and Informed Consent (FPIC) help address social and livelihoods issues relating to forest conservation at a community level.
- International NGOs can advise on implementing companies' Zero Net Deforestation commitments at a global level<sup>13</sup>.

NGO projects prevented 76 million tCO<sub>2</sub> from entering the atmosphere in 2013<sup>15</sup>

- Banks provide capital loans to plantation projects and also fund trade between producers, buyers and intermediaries. Leading banks have policies in place to ensure they only finance legal and sustainable commodity production.
- Banks provide trade finance solutions that require producers and buyers to evidence that commodities are from sustainable sources.
- The Banking and Environment Initiative can support the development of the REDD+ market, by working as intermediaries between sellers and buyers of credits and providing liquidity, risk management and transaction settlement to the market.

Letters of credit account for approximately 15-20% of international palm oil shipments<sup>16</sup>.

9 UNEP (2014). Climate Change REDD+. Available online: <http://www.unep.org/climatechange/reddplus/Introduction/tabid/29525/Default.aspx> (last accessed 8th October 2014)

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14 FCPF (2014). FCPF Dashboard. Available online: [https://www.forestcarbonpartnership.org/sites/fcp/files/2014/March/FCPF%20Readiness%20Progress\\_CF9\\_APRIL3.pdf](https://www.forestcarbonpartnership.org/sites/fcp/files/2014/March/FCPF%20Readiness%20Progress_CF9_APRIL3.pdf)







15 Forest Trends (2014). Sharing the Stage: State of voluntary carbon markets. Available online: [http://www.forest-trends.org/documents/files/doc\\_4501.pdf](http://www.forest-trends.org/documents/files/doc_4501.pdf)

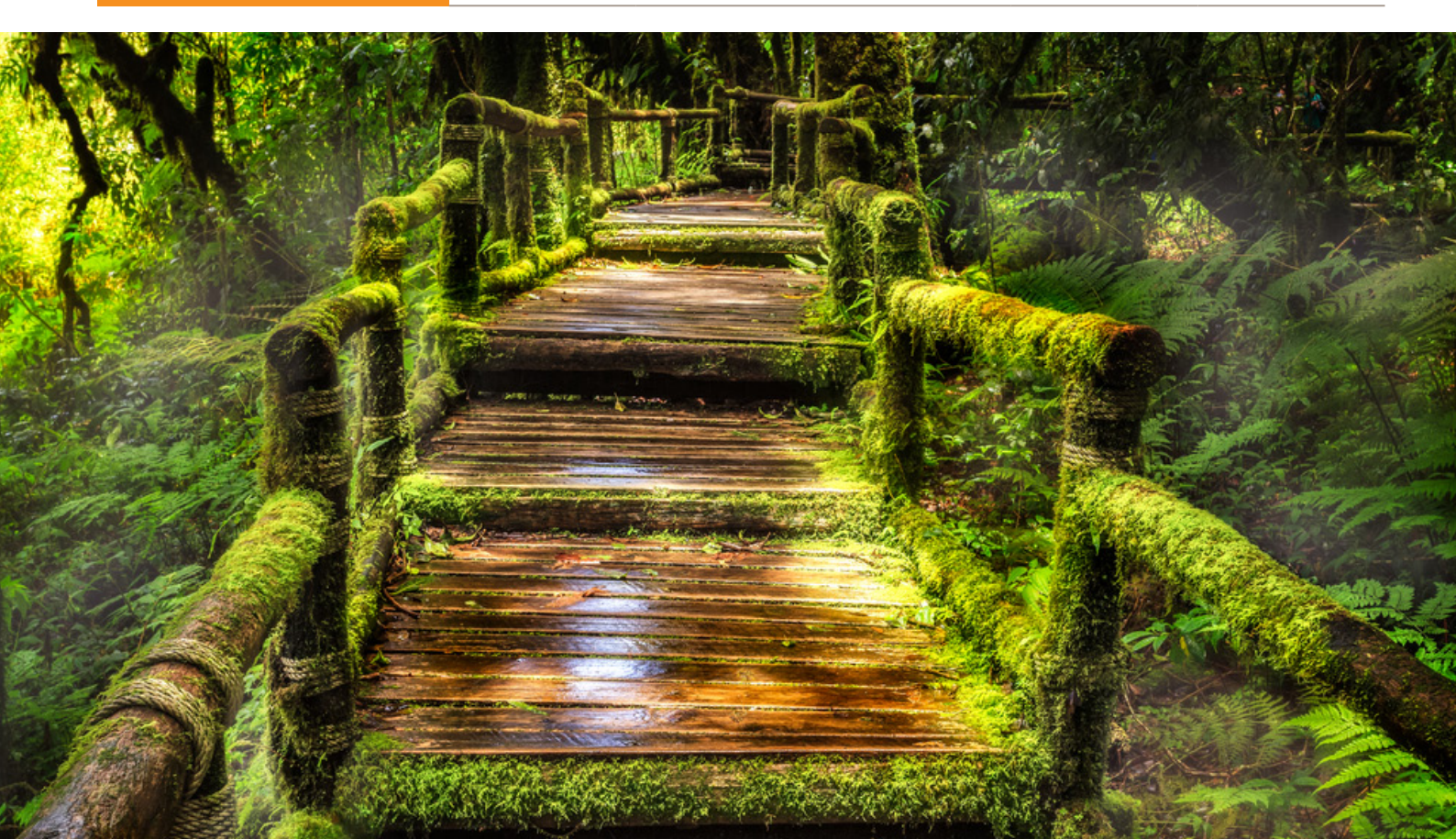
16 CPSL (2014). The BEI's Sustainable Shipment LC: A financing innovation to incentivise sustainable commodity trade.

# REDD+ offers a helping hand (Cont.)

## The support available for each of the six major challenges...

The matrix below summarises where the REDD+ community can help in addressing the six challenges associated with the CGF zero net deforestation commitment.

Support from REDD+	Donors	Governments	MRV Specialists	NGOs and CSOs	Financial Services
CGF Challenges					
 Achieving supply chain traceability	✓	●	●	✓	●
 Accessing and analysing deforestation data	✓	✓	●	✓	●
 Engaging with national/local governments and communities	✓	✓	●	✓	✓
 Developing producer capacity and willingness to become certified	✓	●	●	✓	✓
 Understanding, agreeing and enforcing supplier contracts	✓	●	●	●	✓
 Resourcing the measurement and monitoring of progress	✓	●	✓	✓	✓





# *The Road to Paris...*



REDD+ could play a key role in increasing pre-2020 ambition for national carbon emissions reductions as part of the expected Paris 2015 global climate deal, and in future climate change agreements<sup>17</sup>. However, there is no need to delay action until then, and the CGF community can play a vital role in demonstrating the private sector's contribution to achieving REDD+ outcomes already. Companies making the most progress now would also have an advantage over slower movers if a binding climate agreement which includes REDD+ comes into force.

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**[www.pwc.co.uk/sustainability-climate-change](http://www.pwc.co.uk/sustainability-climate-change)**

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