Engaging the Private Sector to finance LEDS: The AFOLU perspective

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Basic premise

- Private sector must be engaged in AFOLU LEDS
- Must be a commercial reason for private sector to engage – can be commercial risk or opportunity
- The bigger the commercial reason, the bigger the potential engagement
A little history...

- Historical recognition that governments cannot cover the costs of mitigation and need to engage the private sector
- Carbon market attempt #1: Voluntary market
  - Shows can work in principle, but not at scale
- Carbon market attempt #2: CDM
  - Limited to afforestation and reforestation, complex rules discouraged PS investment, excluded from EU market = market failure
- Market mechanism hope #3: REDD+
  - ...
50% reduction in deforestation estimated to cost $15 - $35 billion per year

Expected to come from a combination of public and private sources, including market and non-market

- ~$9+ billion public funding pledged to date (total, not per year)

Significant gaps remain – particularly for results-based payments as unclear how they will be filled

Private sector is a core stakeholder in AFOLU emissions. Key driver and therefore need to be engaged in the solution

Some results based payment mechanisms that could engage the private sector, BUT
Opposition to REDD+ and market mechanisms

- Fear of government expropriation, loss of tenure, loss of biodiversity, private sector takeover, North/South equity

Supply will also exceed demand...

NO to CO₂lonialism!

A little history cont...
More recent developments

- Market mechanisms and results based payment has a role, but not a dominant role
- More recent interest in commodity companies and sustainable supply chain commitments
  - Not premised on carbon markets – premise is long term corporate sustainability and responsibility
  - Tropical Forest Alliance 2020
  - Cocoa & Forests Initiative
- Moving away from CSR / PR to addressing long term risk to core business
AFOLU Perspective

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- Must be a commercial reason for private sector to engage – can be commercial risk or opportunity
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- **HOW?**
  - Policy – create incentives to do good
  - Policy – increase costs of doing bad
  - Policy – long term certainty is good, uncertainty is bad
  - Some business see long term commercial interests; partnerships and policy environment will affect impact
Contact us!

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