

Submitted to: The Green Climate Fund (GCF)
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IETA RESPONSE TO GREEN CLIMATE FUND (GCF) DRAFT SECTORAL GUIDE CONSULTATION

The [International Emissions Trading Association \(IETA\)](#) appreciates this opportunity to share input on the **Green Climate Fund (GCF) Draft Sectoral Guides (“the Draft”)**. IETA is encouraged to see more activity to support and formalise investment in forests, land use and ecosystems. It is clear that natural climate solutions (NCS) will play a critical role in meeting Paris Agreement targets to “holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels”. Our comments provide high level input on the GCF draft sectoral guides on Forests & land use (FLU) and Ecosystems & ecosystem services (EES), and detailed comments on specific sections of the guides.

IETA represents a broad and diverse group of stakeholders, with over 160 members worldwide – including many multi-national companies in a variety of sectors, offsets developers and standards, banks, assurance providers, and law firms. Our members collectively have vast and broad experience in the carbon and climate space, including in climate finance and natural climate solutions. We thank the GCF and contributors for their hard work on establishing these draft sectoral guides. In the same way that the GCF drafted these two (FLU & EES) guides jointly, we have prepared our response to these guides jointly, recognising the synergies and overlap in these two result areas.

Our comments are presented in two sections, see a brief overview of both sections below:

1. **IETA’s High-Level Comments:** The Role of Markets in Accelerating Natural Climate Solutions (NCS)
2. **IETA’s Comments on Specific Sections of the Draft Sectoral Guides**
 - a. Paradigm Shifting Pathways
 - b. Barriers and Enablers to Achieving Paradigm Shifting Pathways
 - c. Role of GCF in Paradigm Shifting Pathways
 - d. GCF Investment Criteria & Figure ES-1
 - e. FLU: Three Paradigm Shifting Pathways in the FLU Sector
 - f. EES: Two Paradigm Shifting Pathways in the EES Sector
 - g. GCF Portfolio and Financing Structures

1. HIGH-LEVEL COMMENTS: ROLE OF MARKETS IN ACCELERATING NCS

A fundamental driver of large-scale deforestation is the lack of economic incentives to provide positive economic value for standing forests and other natural carbon sinks. The value of ecosystem services offered by forests is often not fully realised, but instead externalised and dispersed. Deforestation can therefore be accelerated by a small number of actors who can immediately realise gains from commodity-driven activities, such as lumber, agriculture and mining.

Carbon finance can support efforts to reduce deforestation by involving local communities, governments, companies, and other stakeholders. For example, finance can go to private and public landowners who agree to forgo activities that degrade forests, i.e., farmers who shift to deforestation-free production; government agencies to enforce laws that safeguard forests; or up-front investments in new tools and techniques that allow third parties to monitor and verify ongoing forest system health. In this type of multi-stakeholder initiative, with all stakeholders working in concert, farmers and other actors are provided with the resources, incentives, and policies they need to increase productivity while reducing deforestation. Proponents may also focus on site-specific activities, working with actors who rely on forests for their livelihoods in a way that serves to incentivize activities that reduce deforestation in a targeted and smaller-scale manner.

To access market-based finance for reducing deforestation, these projects or programs can be developed by governments or a range of other stakeholders on the ground, including private entities. **We urge the GCF to recognise the critical role of markets in achieving the goals outlined in the draft sectoral guides on Forests & land use and Ecosystems & ecosystem services.**

IETA encourages the GCF to review some of the recent relevant materials produce by IETA that describe the role of the private sector, through carbon markets, to invest in natural landscapes and ecosystems: 1) a factsheet, [Natural Climate Solutions: Harnessing Nature to Mitigate Climate Change](#) that describes the role of private sector climate finance and carbon markets in leveraging the role of nature to mitigate climate change; and 2) a paper, [Investing in Natural Climate Solutions: The Importance of Reducing Deforestation](#), that describes the urgent need to prevent deforestation through climate finance and investments, in addition to funding projects that “remove” carbon through reforestation and forest management.

2. COMMENTS ON PROPOSAL SECTIONS

In this section, IETA provides high-level comments on specific sections of the draft sectoral guides.

2A. PARADIGM SHIFTING PATHWAYS

FLU: IETA strongly agrees with the paradigm shifting pathways outlined in lines 69-92 of the draft sectoral guide on Forests & land use. Specifically, in lines 75-78 where “protection” is identified as being more efficient and effective than rebuilding standing forests, and lines 86-89 that prioritise protecting and restoring lands with large stocks of “irrecoverable carbon”.

EES: IETA generally supports the paradigm shifting pathways outlined in the draft sectoral guides on Ecosystems & ecosystem services.

2B. BARRIERS AND ENABLERS TO ACHIEVING PARADIGM SHIFTING PATHWAYS

IETA generally agrees with the barriers to achieving paradigm shifting pathways outlined in the draft sectoral guides (lines 95-99 in FLU, lines 101-115 in EES), including the economic, political, scientific, and regulatory barriers.

IETA strongly agrees with the enablers to paradigm shifting pathways outlined in the draft sectoral guides, specifically lines 100-110 in the FLU guide that describe the financial instruments to address barriers, innovative instruments such as blending and de-risking, capacity building/access to funding, and establishing legitimacy and transparency.

2C. ROLE OF GCF IN PARADIGM SHIFTING PATHWAYS

IETA recognises the important role that the Green Climate Fund (GCF) plays in “transformational planning and programming”, “catalysing climate innovation”, “mobilisation of finance at scale”, “coalitions and knowledge to scale up success”, and strongly supports this four-pronged approach to drive implementation of the paradigm shifting pathways as outlined in the draft sectoral guides.

FLU: Specifically, in the FLU guide, IETA supports lines 135-146 in the section on catalysing climate innovation, lines 149-157 on mobilisation of finance at scale, and lines 160-169 in coalitions and knowledge to scale up success.

EES: Specifically, in the EES guide, IETA supports lines 134-142, encompassing the entire paragraph on transformational planning and programming. IETA strongly supports lines 147-149 that recognise the role of markets in recognising and valuing ecosystem services as a natural capital asset. IETA supports lines 158-172, encompassing the entire section on mobilisation of finance at scale, and is particularly encouraged to see the inclusion of de-risking instruments, and opportunities to engage the private sector. As an accredited private sector observer of the GCF, and private sector observer to other significant green and climate funds, including the World Bank’s Forest Carbon Partnership Facility (FCPF), IETA would welcome further opportunities to support the GCF in engaging with the private sector on natural climate solutions (NCS) among other areas, within IETA’s expertise.

2D. GCF INVESTMENT CRITERIA & FIGURE ES-1

IETA generally supports the GCF investment criteria, and the possible actions for each FLU and EES pathway following the four pillars of the GCF strategic plan, as outlined in the sectoral guides (lines 178-191 in FLU Guide, lines 195-205 in EES Guide).

2E. FLU: THREE PARADIGM SHIFTING PATHWAYS IN THE FLU SECTOR

Again, IETA strongly agrees with the three paradigm shifting pathways in the FLU sector identified by the draft sectoral guide, protection, restoration and sustainable management (lines 479-481).

Lines 484-489: IETA strongly agrees with the vision outlined for the pathway for protecting natural forests and landscapes.

Line 493 (Table 2): IETA strongly agrees with the selected barriers identified in Table 2, and is pleased to see this extensive list of barriers recognised by the GCF, including the recognition of uncertainties around the future of REDD+.

Line 496 (Table 3): IETA agrees with the possible actions to support paradigm shifts for protecting forest ecosystems identified in Table 3. Specifically, we support the identification of strengthening land tenure, legal capacity, and systems for remote deforestation detection and real-time enforcement as part of the transformational planning and programming. We strongly support the possible actions outlined in the section on catalysing climate innovation, including piloting various fora and programs for monitoring and evaluation systems, testing alternative policies and markets, using new technology (remote sensing, AI, drones) to enhance detection of and response to illegal deforestation, and piloting new financial incentives and mechanisms for rewarding maintenance of forest carbon stocks. In the section on mobilisation of investment at scale, we also support the possible actions that are outlined, with particular appreciation for the recognition of markets, including for REDD+ results-based finance. In order to mobilize finance at scale, it is important to clearly state the role of the voluntary and regulated carbon markets to leverage additional private investments for REDD+ and for achieving the Paris Agreement goals. These private investments from the carbon markets are additional and do not compete with non-market mechanisms such as REDD+ RBP initiatives. Finally, we generally support the possible actions outlined in the section on expansion and replication of knowledge.

Lines 499-501: IETA generally supports the vision outlined for the pathway for restoring degraded forests and other landscapes.

Line 504 (Table 4): IETA generally agrees with the selected barriers identified in Table 4, and is pleased to see this extensive list of barriers recognised by the GCF, including the lack of access for the private sector to preserve and expand forested areas.

Line 506 (Table 5): IETA strongly supports the possible actions to support paradigm shifts for restoration of forests and degraded lands. IETA supports many of the similar points that are identified in table 3 (line 496), including improving monitoring, piloting and testing new methods and schemes. IETA strongly supports the specific mention of enhancing carbon markets for reforestation projects, and notes that carbon markets can also be used to support the protection, conservation, and sustainable management of forests and other landscapes (grasslands, peatlands, wetlands...).

Line 516 (Table 6): IETA strongly supports the selected barriers to paradigm shift in sustainable management of productive landscapes, and is pleased to see this extensive list of barriers recognised by the GCF.

Line 518 (Table 7): Again, IETA supports the possible actions to support paradigm shift for sustainable management, according to outcome.

2F. EES: TWO PARADIGM SHIFTING PATHWAYS IN THE EES SECTOR

Line 631-637: IETA strongly supports the recognition of the “key aspects of ecological sustainability related to climate benefits is the ability of the landscape to store and/or sequester carbon and provide ecosystem services for adaptation” and appreciates that carbon gains should not be achieved at the expense of other

ecosystem functions. We strongly believe that carbon gains and other ecosystem and societal functions can and should be complementary. Many emissions reduction projects, particularly related to nature (forest and land use, ecosystems and ecosystem services) can deliver substantial environmental and social co-benefits associated with biodiversity, watershed protection, Indigenous engagement, rural economic diversification, and more.

Line 640 (Table 3): IETA generally supports the selected barriers to paradigm shift in terrestrial and freshwater ecosystems management, in particular the sections on “high upfront costs and elevated investment risk” and “weak or non-existent land tenure”.

Line 642 (Table 4): IETA strongly supports the possible actions to support paradigm shifts for ecosystem-based management of terrestrial and freshwater ecosystems. IETA supports many of the similar points that are identified in the FLU draft, outlined in the section above, including improving monitoring, piloting and testing new methods and schemes. IETA strongly supports the reference to various ways to incentivise investments from private sector, but encourages recognition that markets are one of the most efficient and effective ways to attract private sector investment.

Line 645: IETA generally supports the vision for the pathway, ecosystem-based management of coastal and marine ecosystems, outlined in the draft sectoral guide.

Line 652 (Table 5): IETA generally supports the selected barriers to paradigm shift in coastal zone and marine ecosystems management.

Line 654 (Table 6): IETA strongly supports the possible actions to support paradigm shifts for ecosystem-based coastal zone and marine ecosystems. IETA supports many of the similar points that are identified in the FLU draft (outlined in the section above), and in the above EES table (Line 642, Table 5) including improving monitoring, piloting and testing new methods and schemes.

2G. GCF PORTFOLIO AND FINANCING STRUCTURES

IETA acknowledges and strongly supports that the role for the GCF in financing projects and programs in the EES and FLU areas is de-risking (line 893 EES guide, line 723 FLU guide).

IETA supports the financial instruments outlined in Table 8 in both guides (line 906 EES guide, line 728 FLU guide), but urges the GCF to specifically identify and recognise carbon markets as financial instruments in the FLU and EES result areas. As a part of their role de-risking, and as a part of the paradigm shifting pathways identified in both guides (including piloting programs for monitoring and evaluation systems, testing alternative policies and markets, using new technology, and piloting new financial incentives and mechanisms for rewarding maintenance of nature and ecosystems) the GCF has a clear role to play in supporting some of the early action that can help harness the full power of markets that will both leverage the significant financing available in the private sector, and efficiently protect, restore and manage natural landscapes and ecosystems. Specifically, IETA encourages the GCF to ensure that some of the enabling actions identified in the guides including piloting programs for monitoring and evaluation, using new



technologies, and other activities that will help local communities participate in carbon markets should be more explicitly identified in these guides as a critical piece of ensuring the FLU and EES result areas contribute to meeting climate and biodiversity goals.

CONCLUSION

Once again, we appreciate this opportunity to record our comments on the GCF Draft Sectoral Guides. IETA looks forward to continued engagement with the GCF, as further action related to natural climate solutions, climate finance, and further investment criteria decisions are made and taken. As an accredited private sector observer of the GCF, IETA welcomes further opportunities to support the GCF in engaging with the private sector on natural climate solutions (NCS), among other areas within IETA's expertise.

If you have questions, or require further information, please contact IETA Senior Policy Associate & NCS Lead, Ellen Lourie, at lourie@ieta.org.