

### Proposed contribution from IUCN for the UNSG's Climate Action Summit 2019

<b>Title:</b>	<b>Supporting bankable deals for climate mitigation and adaptation through investments in nature</b>
<b>A contribution to Workstream:</b>	<b>[Nature-based solutions]</b>
<b>Main objective/ thematic focus/ scope</b>	<ul style="list-style-type: none"> <li>- This initiative will use the set-up and significant progress made by the <a href="#">Blue Natural Capital Financing Facility (BNCFF)</a> and the (to be set-up) <a href="#">Conservation Financing Facility (CFF)</a>, as part of the efforts of the <a href="#">Coalition for Private Investment in Conservation (CPIC)</a>. The sustainable, long-term, management of terrestrial, coastal and marine ecosystems needs to be at the forefront of our endeavours to adapt and mitigate climate change. Only holistic approaches combining inclusive economic growth with ecosystem conservation have the potential to bring about this necessary paradigm shift in society. IUCN's conservation finance initiatives aim to break the well-known cycle of economic degradation associated with business activity by assisting investors to generate economic as well as positive social and environmental returns, enabled with capital and expertise.</li> </ul>
<b>Context/rationale</b>	<ul style="list-style-type: none"> <li>- The development of sound, investable natural capital projects with clear ecosystem service benefits, based on multiple income streams and appropriate risk-return profiles, is part of the transformational change we need to successfully mitigate and adapt to climate change, as well as to achieve the Sustainable Development Goals (SDGs).</li> <li>- Management, conservation and restoration of forests and wetlands constitute very substantial opportunities to reduce carbon emissions. They also present huge potential for maintaining and increasing the stock of biodiversity. Forest, wetland, as well as coastal and marine conservation can offer local communities and indigenous peoples the chance to participate in economic opportunities that, in addition to reducing poverty, can deliver the emission reductions and biodiversity benefits that will be necessary to keep the earth habitable.</li> <li>- Creating these economic opportunities requires the participation of the finance sector. Considerable prior investment is needed to create the governance structures, management agencies, market opportunities and financial vehicles to get investment to flow at the scale and across the wide range of participants that is required. The knowledge of how to manage natural resources in order to generate income streams to repay investors is unequally distributed at present. Not many people in areas where biodiversity is rich and emissions reductions potential significant are able to access resources and knowledge to build the kinds of deals that will attract the attention of investors.</li> </ul>
<b>Overview of the contribution</b>	<ul style="list-style-type: none"> <li>- The BNCFF and CFF are contributions aimed at reducing the access barrier to private finance for project developers. They both help bridge the funding gap in climate and conservation finance by preparing investment opportunities for the private sector. They support projects with high climate and conservation benefits and advances them to a stage at which for-profit investors start seeing them as an investment opportunity (i.e. bankability).</li> </ul>

	<ul style="list-style-type: none"> <li>- With a particular focus on climate change, sustainable fisheries and plastic-free oceans, the BNCFF is a tool that offers meaningful and lasting positive and transformative impacts. The BNCFF has started to develop a relevant pipeline and a first project was recently approved.</li> <li>- The CPIC's <i>Conservation Finance Facility (CFF)</i> combines 2 M USD of grant funding from The Rockefeller Foundation with 6 M USD of concessional finance from the Global Environment Facility. Grants will be awarded to project developers who come forward with proposals to deliver investment opportunities that will produce a return, and also a measurable impact on the conservation of biodiversity. Once these projects pass through the grant phase, where they will build business plans, convene project participants and agree natural resource management mechanisms, they can apply for loan or equity positions from the GEF resources.</li> <li>- The risk mitigation value of CFF and BNCFF is that deals will thereby be a more attractive investment proposition to institutional investors, in particular those who are looking for a range of social and environmental benefits from their capital as well as a return.</li> </ul>
<p><b>How the contribution leverages living natural systems as a solution to avert climate change?</b></p>	<ul style="list-style-type: none"> <li>- Nature-based solutions and ecosystem-centred sustainable business operations in terrestrial, coastal and marine ecosystem restoration and conservation contribute to climate change adaptation and mitigation aims, as well as encompassing sustainable resource management and use).</li> <li>- Conservation of terrestrial ecosystems, especially wetlands and forests, can provide as much as 30% of the total reduction in emissions necessary to deliver the Paris targets.</li> <li>- The <a href="#">restoration</a> of 350 million hectares of degraded and deforested lands in biomes around the world – in line with the Bonn Challenge—could sequester up to 1.7 gigatonnes of carbon dioxide equivalent annually. Mangroves, seagrasses and coral reefs play a significant role for climate adaptation. Coastal ecosystems provide a variety of adaptation benefits to society, including protection from storms and flooding. Studies show that damage is reduced by 40-60% while shoreline stabilization and erosion reduction, protection of freshwater reservoirs and agricultural land from saltwater intrusion are some of these benefits. In terms of climate change adaptation, the conservation of coastal ecosystems can have either a cost-saving element, or generate a cash flow and provide a clear revenue stream.</li> <li>- The potential of coastal wetlands, especially mangroves, seagrasses and saltmarshes, to act as a significant long-term carbon sink is well documented and exceeds most terrestrial forests on an area basis. The carbon storage potential of mangroves (ca. 1,000 tC/ha), for example, is five times higher than tropical upland forests due to the carbon rich sediments in these ecosystems. If disturbed, mangroves can contribute up to 10% of the global deforestation emissions, despite accounting for just 0.7% of tropical forest area. The conservative annual carbon sequestration rate of mangroves is around 174g C m<sup>-2</sup> year<sup>-1</sup> (that is 14% of the global carbon sequestration per year).</li> </ul>

<p><b>How might the contribution support both climate, mitigation and adaptation as well as other important co-benefits and social, economic and environmental outcomes in coming years including: Reduction in carbon emission and carbon capture (Gtonnes); Increasing climate resilience; Social impact (job increase; poverty reduction, etc.) Net economic impact (total in US\$; how was it achieved?); Impact on realization of the 2030 Agenda for Sustainable Development; Just transition; Food security; Minimising species extinction and ecological losses and fostering an increase of biodiversity.</b></p>	<ul style="list-style-type: none"> <li>- The BNCF and CFF support local developers in building investable deals that provide nature-based solutions and ecosystem-centred sustainable business operations to link terrestrial, coastal and marine ecosystem restoration and conservation to climate change adaptation and mitigation aims, as well as encompassing sustainable resource management and use). These funds will favour projects that invest in forests, wetlands, and coastal and marine ecosystems, because: <ul style="list-style-type: none"> <li>• Globally, <b>1.6 billion people</b> (nearly 25% of the world’s population) rely on forests for their livelihoods, many of whom are the world’s poorest.</li> <li>• Forests provide <b>US\$ 75–100 billion per year in goods and services</b> such as clean water and healthy soils</li> <li>• Forests are home to <b>80% of the world’s terrestrial biodiversity</b>.</li> <li>• Half of the world’s population lives within 100 km of the coast and 10 % live within a few meters in elevation of mean sea level. One hundred million people world-wide live close to mangroves, which provide a variety of services to those people in the form of fisheries, forest products, clean water and protection from erosion, extreme weather events and tsunamis. The number of people living within 100 km of the coast is expected to rise by 325 million by 2025, making the coastal zone an even more congested area in urgent need of sustainable and comprehensive solutions which integrate natural capital and economic development.</li> </ul> </li> </ul>
<p><b>Which countries and organisations are involved in the contribution?</b></p>	<ul style="list-style-type: none"> <li>- IUCN is leading the management of the BNCF and CFF; with resources from the Government of Luxembourg, the Rockefeller Foundation and the Global Environmental Facility.</li> <li>- Partners span from NGOs to foundations to impact investors. IUCN is closely cooperating inter alia with R20 (an NGO focused on renewable energy finance), Althelia Ecosphere (a private sector impact investor), the Meloy Fund (an NGO owned impact investor), and Conservation Ventures (an NGO owned impact investor)</li> </ul>
<p><b>How have stakeholders (e.g., indigenous peoples, local communities, and youth) been consulted in developing the contribution?</b></p>	<ul style="list-style-type: none"> <li>- Stakeholders are actively engaged in the set-up of appropriate projects. Before any project is approved, the developer has to clearly show how communities have been engaged, and if risk mitigation efforts are needed, how this will be supported in the long term.</li> <li>- For the development of both funds, the conservation and finance community was consulted, to ensure they fill a well-identified gap in the “value-chain” and speaks to the needs of the finance sector, without compromising on positive climate, conservation and livelihood impacts.</li> </ul>

<p><b>Where the contribution can be put into action?</b></p>	<ul style="list-style-type: none"> <li>- This effort is globally relevant. Investments will be directed where they can generate risk-adjusted rates of return and contribute significant conservation impact. The BNCFF itself focuses on the support of coastal developing countries The CFF focuses on all countries eligible for GEF funding (middle income and less developed countries).</li> </ul>
<p><b>How the contribution will be delivered? How will different stakeholders be engaged in its implementation? What are the potential transformational impacts?</b></p>	<ul style="list-style-type: none"> <li>- Both funds contribute through providing grant-supported technical assistance and funding to project developers that combine business with environmental protection activities. Technical Assistance includes business knowhow/skills (finance &amp; accounting, marketing, legal) and IUCN conservation expertise. Concessional finance is provided through the CFF to undertake crucial investments into business (operating or capital expenditures) and/or conservation.</li> <li>- Strong stakeholder engagement is a key assessment criterion for screening projects for fund support eligibility. Although business undertakings are involved, conservation outcomes are both important for eligibility and reporting of impacts.</li> <li>- The Coalition for Private Investment in Conservation (CPIC) is building a portfolio of investable deals that deliver both financial returns and conservation impact. Working groups in CPIC focus on thematic areas that have proven ability to deliver these two crucial components, but have not yet attained the scale necessary to have substantial impact. These thematic areas include sustainable agriculture, forest landscape conservation and restoration, green infrastructure for water, coastal zone resilience and coastal zone fisheries. All the working groups are building investable deals through peer input and collaboration, and are also building investable models (“blueprints”) for each thematic area that can be taken by new deal developers and used to shorten the development process. The set of resulting deals then can approach the scale needed by institutional investors to engage with this emerging asset class.</li> <li>- This approach is designed to be scalable. Not only are the blueprints for each thematic working group of CPIC designed to be used by many project developers, thus facilitating replication, the BNCFF and CFF are structures that are specifically adapted to accommodate further contributions to the grant and concessional finance components, the fund managers can apply the same selection criteria and management standards to a growing set of investable deals.</li> </ul>
<p><b>Is this initiative contributing to other CAS workstream (industry transition; energy transition; climate finance and carbon pricing; infrastructure, cities and local action; resilience and adaptation; youth and citizen mobilization; social and</b></p>	<ul style="list-style-type: none"> <li>- The BCNFF is not restricted to conservation initiatives. It will also contribute to climate finance, its angle with renewable energy and plastic is supporting industry and energy transition; resilience and adaptation are key components of any NC project. The current project pipeline has a strong focus on local action, with high involvement of different stakeholders, especially women and youth.</li> </ul>

<b>political drivers; mitigation strategy)?</b>	
<b>Examples of experiences to date: how does this contribution build upon this experience? How does the contribution link with different ongoing initiatives?</b>	<ul style="list-style-type: none"> <li>- The IUCN funds start with a bottom up approach. The grant support goes to project developers on the ground with the idea to scale and replicate them and thereby cause transformational impact at higher levels.</li> <li>- Through screening &gt; 40 projects, the BNCFF has identified common weaknesses that are hurdles for sustainable projects to become financially independent. At the same time, the BNCFF has also learned first-hand what support private sector project developers need to integrate conservation into business design.</li> <li>- The BNCFF complements other initiatives that aim at attracting private capital to reach many of the SDGs. Among them are UN Environment`s Tropical Landscape Financing Facility, UNIDO`s Private Financing Advisory Network, European Investment Bank`s Natural Capital Financing Facility, or IUCN`s Coalition for Private Investment in Conservation.</li> </ul>
<b>Mechanisms for funding (with specific emphasis on potential for partnerships).</b>	<ul style="list-style-type: none"> <li>- Both funds have a transparent application process that invites submission from a wide range of project developers. Both the BNCFF and CFF have grant components, while the CFF also has a concessional finance component.</li> </ul>
<b>Means of stewardship, metrics for monitoring.</b>	<p>Projects selected for financing will be chosen for the impact on biodiversity that they will deliver. This will be assessed by use of the Post-2020 Science-based Targets metrics, for which the species component is currently under development by IUCN.</p> <ul style="list-style-type: none"> <li>- Each BNCFF supported project will have its unique indicators, yet the Positive Impacts Framework for Blue natural Capital projects is the platform and metrics for monitoring. <a href="https://bluenaturalcapital.org/our-approach/positive-impacts/">https://bluenaturalcapital.org/our-approach/positive-impacts/</a></li> </ul>
<b>Communication strategy.</b>	<ul style="list-style-type: none"> <li>- Identifying investable deals is of great media interest. The first BNCFF project has been promoted through various channels, including facebook and twitter. The BNCFF also has a dedicated website <a href="http://www.bluenaturalcapital.org">www.bluenaturalcapital.org</a></li> <li>- At the end of each year, the BNCFF will provide an update/newsletter reporting on its activities, including the projects which have received funding from the BNCFF.</li> </ul>
<b>Contact details of proponents (indicating the degree of commitment among the countries and organizations that are named).</b>	<ul style="list-style-type: none"> <li>- The IUCN contacts for this initiative are: Dorothee Herr <a href="mailto:dorothee.herr@iucn.org">dorothee.herr@iucn.org</a> and Frank Hawkins <a href="mailto:frank.hawkins@iucn.org">frank.hawkins@iucn.org</a></li> </ul>