Tell Green Climate Fund Board Members to say NO to REDD+ funding requests and IFC subsidies for REDD+ speculators

More than one hundred international, national and local organisations signed this open letter to members of the Green Climate Fund Board. The Board will be meeting from 12 to 14 November 2019, and will decide on a number of funding requests related to REDD+ (Reducing Emissions from Deforestation and Degradation), the controversial approach that has dominated international forest climate policy for more than a decade. Among these proposals is a funding request from the International Finance Corporation (IFC) for a "Multi-Country Forest Bonds Programme" which would subsidize the trade of carbon offsets from private sector REDD+ projects, the most controversial type of REDD+.

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Open Letter to Members of the Green Climate Fund Board

At its 24th meeting from 12 to 14 November 2019, the Board of the Green Climate Fund (GCF) will have to decide on a number of funding requests related to REDD+, the controversial approach that has dominated international forest climate policy for more than a decade.

Members of the Board must reject these requests for REDD+ funding. In particular, they must refrain from approving the outright climate-damaging IFC funding request for subsidizing a carbon market for private sector REDD+ project credits for which there is neither demand nor justification.

Notwithstanding the shrinking circle of REDD+ supporters who tenaciously reject the evidence, recognition among practitioners and activists for social and environmental justice has been growing that the experiment has failed. REDD+ is designed in such a way that it will continue to fail where it has failed for the past 15 years: In addressing the drivers of large-scale forest destruction. The consequence is hence more, not less (emissions from) deforestation.

To make matters worse, wherever REDD+ initiatives have been implemented on the ground, they have inflamed tensions and created divisions within and between communities affected by these REDD+ measures. While peasant farming and indigenous peoples' forest use are being restricted, demonized and wrongly blamed for deforestation, those responsible for destroying forests have been rewarded.

The Green Climate Fund must refrain from financing an approach that has failed to present proof of concept for over a decade.

We are particularly appalled by the International Finance Corporation's (IFC) request to the GCF for its "Multi-Country Forest Bonds Programme". Elsewhere, the initiative has been described as "quantitative easing for sub-prime REDD carbon credits". There is no convincing justification for spending scarce GCF funds on a programme designed to subsidize a carbon market for private sector REDD+ project credits for which there is no demand. There is furthermore no evidence that such a trade in REDD+ offset credits would reduce (emissions from) deforestation. On the contrary, it is a dangerous distraction from urgent climate action needed in the global North. Approval of this IFC funding request would risk funding companies with an appalling socio-environmental and human rights record and call into question the GCF due diligence procedures for vetting of projects before approval.

We call on Members of the GCF Board to unequivocally reject the IFC's funding request for its "Multi-Country Forest Bonds Programme".

Among the many reasons to reject the IFC funding request are:

— Misleading product labelling by the IFC. The money the IFC intends to raise by selling what it calls "Forest Bonds" will not be invested in forest protection. Investments funded with this money may even cause deforestation, depending on the choice of "climate-related investments" the IFC decides to finance with the funds raised through the issuance of bonds.
The only "Forest Bonds" funding related to forests is an option for bond-holders to choose REDD+ offset credits instead of the annual interest payment in cash.

— Spectacular failure of IFC’s "Forest Bonds" pilot initiative: In 2017, the IFC offered investors who had bought its "Forest Bonds" a choice between receiving REDD+ offset credits from the controversial Kasigau Corridor REDD+ project in Kenya and receiving the annual interest payment in cash. The REDD+ project has been criticised for exacerbating historic inequalities in access to land and using an inflated baseline for calculation of its alleged emission savings. Equally controversial was the IFC's choice of one of the world's largest carbon emitters, mining company BHP Billiton, as partner in its "Forest Bonds" venture. BHP Billiton committed to purchasing any REDD credits not taken up by IFC "Forest Bonds"; the announcement came almost a year to the day after the collapse of a tailings dam at the company's Samarco mining operations in Brazil had killed 19 people and caused environmental devastation that continues to this day. To our knowledge, not a single investor opted to receive REDD+ offset credits instead of cash for their annual payment.

— Subsidizing private sector REDD+ project speculators. Even though REDD+ was claimed to be a mechanism to attract private sector funding to forest protection, the private sector has not shown much interest in investing in REDD+ projects (which we consider to be a good sign, considering that existing REDD+ projects have regularly caused major conflict and that no REDD+ offset project can guarantee the contribution to climate protection it claims to be providing).[1] The IFC proposal includes cheap loans and help with marketing of REDD+ offset credits from potential new and existing private sector REDD+ projects. There is overwhelming documentation to show that such private sector REDD+ projects are bound to be bad news for forest peoples and the climate.

— Funding the most controversial form of REDD+: Even ardent proponents of REDD+ agree that isolated private sector REDD+ projects of the type the IFC proposes to subsidize are an unsuitable approach to halting deforestation.[2] UN climate negotiations have also yet to decide if and how such individual private sector REDD+ offset projects are to be included into the rule book of the Paris Agreement. The GCF Board must not (be seen to) prejudge the outcome of these negotiations.

— Subsidizing a REDD+ carbon offset market for which there is no demand. For nearly 15 years now, the World Bank and the IFC have claimed to be 'kick-starting' a REDD+ carbon market. In this latest attempt to kick-start a carbon offset market for which there is no demand, the IFC is requesting to spend scarce Green Climate Fund money to (1) artificially create demand by tying REDD+ credits to its bonds and (2) buffer investment risk for REDD+ project speculators through a "Liquidity Facility". The Facility would buffer investment risk among others by propping up REDD+ offset credit prices. That way, private sector REDD+ project speculators and REDD+ credit brokers are guaranteed a risk-free investment into a highly dubious product – REDD+ offset credits. The Facility will subsidize investments into a product for which there is no demand.

— Potential for subsidizing companies with appalling human rights and environmental track record. For the Democratic Republic of Congo (one of the three countries where IFC funding support through the "Multi-Country Forest Bonds Programme" is envisioned), the IFC proposal lists, in addition to the REDD+ project speculator Wildlife Works Carbon (WWC), the following companies as "promising candidates" for support: logging companies SAFBOIS and SODEFOR, the French oil and gas company TOTAL and concessions of palm oil company FERONIA. It is inconceivable given the track-record of these companies that they would comply with the GCF safeguard policies, for example on Indigenous Peoples.

For Madagascar, the IFC lists Ambatovy Mining Company as a "partner candidate". Meanwhile, the proposal states that in Peru, the IFC will identify private sector actors once the project is approved. Peruvian civil society has fought against 'carbon pirates' and private sector REDD+ projects of the kind the IFC envisions to subsidize through its "Forest Bonds" programme.

In short**, Board members must reject the REDD+ projects presented for approval at the 24th meeting of the Board. Approval of the IFC funding request for its "Multi-Country Forest Bonds Programme" in particular would amount to an unjustifiable waste of scarce Green Climate Fund money.** This would risk funding companies with highly dubious social and environmental records. It would also risk rewarding companies whose operations drive large-scale deforestation and cause forest peoples' rights violations. In short, the IFC funding request risks subsidizing private sector REDD+ projects that are unlikely to reduce deforestation and are bound to cause conflict with forest-dependent communities and impose restrictions on some of the world's most marginalised (forest) communities with the smallest carbon footprint.

It is time to bring the REDD+ experiment to an end, not waste scarce Green Climate Fund resources on propping up an approach that has failed to provide proof of concept ever since it was invented.

GCF Board members must say NO to REDD+ project funding requests, and unequivocally reject the IFC funding request for its "Multi-Country Forest Bonds Programme".

Montevideo, 02 November 2019

World Rainforest Movement

1 There are several reasons why REDD+ offsets in particular cannot guarantee the contribution to climate protection they claim to be providing. Among them: (1) **Mismatch of time scales**. The time scales over which fossil carbon and forest carbon circulate, are incompatible: carbon stored in forests can easily be released into the atmosphere, through fires, insect outbreaks, storms. Once fossil carbon is released, it will interfere with the climate for centuries and remain on average in the atmosphere for 100 years. Carbon offset storage in forests over such time scales is impossible to guarantee. (2) **Untestable guesses**: It is impossible to verify the counterfactual story that forests would have been destroyed had it not been for the REDD offset project. Many REDD+ projects are suspected to exploit this impossibility to verify hypothetical stories of what would have been by

inflating the hypothetical destruction as this at the same time allows them to increase the volume of emissions allegedly saved and thus the volume of offset credits the project can sell.

2 In an interview with Nature4Climate, Frances Seymour, for example, notes: "Hundreds of projects were initiated, but a few of these gave REDD+ a bad name. […]. Other projects failed to attract the amount of sustained funding needed for effective interventions, and none were able to address the more systemic drivers of deforestation such as unclear land rights."

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