# Misguided funding: Green Climate Fund support for REDD+

*Despite the government of Brazil announcing cutbacks to action against deforestation, the Green Climate Fund awarded US$ 96 million for alleged emission reductions in the Brazilian Amazon. These avoided emissions in part exist only on paper; and the Fund is set to approve more funding for trading of REDD+ credits.*

The Green Climate Fund was set up by governments with the aim to support countries in the global South to respond to climate change. **In February 2019, the Fund approved a payment of US$ 96 million to the government of Brazil** which had requested payment via the UN Development Programme (UNDP), **for greenhouse gas emissions not released into the atmosphere in the years 2014 and 2015**. This was achieved, the UNDP proposal argues, by the government of Brazil having taken measures to reduce deforestation. **It was the first time the Green Climate Fund Board approved a funding request for a so-called 'results-based' payment for REDD+**. (1) The details of the decision (see below) demonstrate why a large proportion of the payment is likely to be granted for emission reductions that exist on paper only.

The Green Climate Fund has announced it will provide more funding to REDD+ activities in the near future. One particularly objectionable funding request comes from the International Finance Corporation (IFC), the branch of the World Bank that finances private sector companies. **The IFC is requesting subsidies so that companies can set up new REDD+ projects or sell their carbon credits from already existing REDD+ ones – projects which are known to have caused controversy and conflict.**

***What is the Green Climate Fund?***

The Green Climate Fund was created in 2010 by the 194 countries that are part of the United Nations Framework Convention on Climate Change (UNFCCC). (2) It is one of the possibilities through which governments (mostly but not exclusively from the global North) can transfer money they committed under the UN Paris Agreement on climate change. The Fund does not implement projects itself. Instead, **it allocates funding to project proposals submitted by multilateral institutions like UNDP, the World Bank's IFC, as well as national or regional agencies, including development banks or private banks and NGOs such as WWF or Conservation International**. By the end of 2018, the Green Climate Fund had cleared 75 national, regional and international entities from the public and private sector so they are allowed to submit funding proposals to the Fund.

When they set up the Green Climate Fund, 43 national governments committed to making an initial US$ 10.3 billion available to the Fund. By the end of 2018, a total of US$ 4.6 billion had been allocated to 93 funding proposals covering activities in 96 countries. Of the funds that remain from the initial government contributions, US$ 600 million are set aside for funding of projects already in the Green Climate Fund project pipeline. This includes REDD+ projects like the one awarded to the government of Brazil in February 2019 or an IFC proposal expected to be presented to the Green Climate Fund Board in July 2019. The IFC proposal would include the trading of REDD+ credits from private sector REDD+ projects.

***Millions of dollars for 'results' in reducing deforestation even though deforestation is rising***

In February 2019, at its 22nd meeting, the Green Climate Fund Board approved the first request for so-called 'results-based REDD+ payments'. On behalf of the government of Brazil, the development agency UNDP requested payment for "results achieved through REDD+ in the Brazilian Amazon biome in 2014 and 2015". **The Board agreed to pay US$ 96 million for 18.82 million tonnes of carbon dioxide which the government of Brazil claims were not released into the atmosphere as a result of government action to reduce deforestation in the Brazilian Amazon** during those two years. In the project documents, UNDP and the government of Brazil announce that a second request for payment will be submitted "in future", for results in reducing emissions from deforestation supposedly achieved during 2016 and 2017. (3)

The Brazilian government and UNDP explain that they are requesting payment only for a small portion of the 2.39 billion tonnes of carbon dioxide emissions that according to their calculations have not been released as a result of reduced deforestation in the Brazilian Amazon between 2014 and 2018.

But is this calculation credible? Not really. Much of the Green Climate Fund payment will therefore be for carbon dioxide emissions that either still were released into the atmosphere or for savings that exist on paper only. Here is why: **The UNDP payment request calculates the volume of emissions that the government of Brazil claims have been reduced through REDD+ in 2014 and 2015 by comparing recorded deforestation in 2014 (5.012km$^2$) and 2015 (6.207 km$^2$) to the average deforestation between 1996 and 2010 (16.64 km$^2$). This average includes the peak years of deforestation in the Brazilian Amazon, and therefore the average is very high**.

This average is called the "forest reference emission level" in the UN climate negotiation jargon. When the government of Brazil submits this forest reference level to the UN (it will be used to check if the government of Brazil will achieve the emission reductions it promised under the UN Paris Agreement in 2015), the hectare figures are converted to tonnes of carbon dioxide. (4) This is also the unit used in the UNDP payment request to the Green Climate Fund: For every tonne of carbon dioxide that the Green Climate Fund accepts as a "REDD+ result", it pays five dollars. **Because the average deforestation between 1996 and 2010 was so high (and was reduced before REDD+ existed!),actual deforestation in the Brazilian Amazon today could more than double yet the government of Brazil would still be able to claim payment for 'results' in reducing deforestation!**

Clearly, something must be wrong if a Fund set up to finance action to help avoid climate chaos is paying US$ 96 million to a government that has announced to be cutting back even further action to reduce deforestation – in a region where deforestation has already started to rise again. (5) **The Green Climate Fund also does not request a commitment that the carbon for which payment has been received, remains locked up in the forest after payment.** With deforestation in the Brazilian Amazon rising, the US$ 96 million payment may merely delay the release of emissions from deforestation in by a few years.

Without commitment to maintaining the carbon 'locked' and without any information about how much carbon will be 'saved' as a result of the activities that will be funded by the payment from the Green Climate Fund, the payment is nonetheless marketed as 'results-based.' The government of Norway, a major contributor to the Green Climate Fund and the largest funder of REDD+, announced it would double its financial contribution to the Green Climate Fund shortly after the Board approved the REDD+ funding for Brazil. (6)

***Luring peasant farmers into a Payment for Environmental Services Programme while large-scale deforestation remains unaddressed***

Some argue that even if the calculations are not so accurate, the money will at least ensure much-needed funding for peasant farmers and indigenous peoples. In reality, the money will be used to lure peasant farmers into a six-year Payment for Environmental Services Programme (called Floresta+). **This Programme addresses neither the underlying tenure insecurity nor the lack of government policy support for peasant farming. Instead, it pushes further the intensification of farming practises by paying farmers if they use less than the legally allowed 20 per cent of their land. By contrast, large-scale deforestation as a result of corporate destruction for cattle ranching or soy or eucalyptus monocultures will continue unrestricted.**

***Scaling up subsidy for private sector REDD+ projects in conflict with communities?***

The Board of the Green Climate Fund will have to decide on an even more climate-damaging REDD+ funding request at its meeting in July 2019. **The International Finance Corporation (IFC), the World Bank agency financing the (corporate) private sector is preparing to request funding for a 'Multi-Country Forest Bonds Programme'**, "to avoid deforestation in multiple forest basins by leveraging the investment potential from capital markets. Funding REDD+ activities and providing price support for carbon credits will demonstrate a results-based financing model." (7)

**There are many reasons for the Green Climate Fund Board to reject this proposal,**among them:

- The IFC already launched in 2017 a 'Forest Bonds' initiative offering investors ('bond holders') to choose between receiving REDD+ credits from the controversial Kasigau Corridor REDD+ project in Kenya and receiving the annual interest payment in cash. Reportedly, not a single Forest Bonds 'bond holder' has wanted to receive their annual interest payment in the form of REDD+ credits.

- The money which the IFC raises by selling 'Forest Bonds' is ***not*** invested in forest protection. In fact, investments funded with this money may even cause deforestation. The only funding going to 'forests' (in the form of a subsidy to private sector REDD+ project speculators) is the purchasing contract that will be signed with REDD+ project owners who will provide the REDD+ credits that bond holders can choose instead of the annual interest payment in cash. These private sector REDD+ projects have shown to be particularly controversial. (8)

- Green Climate Fund money will be used so the IFC (or a company on behalf of the IFC) will be compensated if it has to sell (or give) the REDD+ carbon credits for less money than they bought them for. There is no climate benefit in such a subsidy (which the IFC calls "Liquidity Facility" in its proposal). In the project proposal, the IFC proposes to pay the standard five dollars per REDD+ credit; but as mentioned above, bond holders of the 2017 Forest Bond have preferred to receive their annual cash payments instead of receiving REDD+ credits at the price of five dollars per credit.

- 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 is a good sign considering that almost all existing REDD+ projects have caused conflict with communities and none can guarantee the contribution to climate protection they claim to be providing. The IFC proposal is to provide cheap loans and help with marketing of the REDD+ credits to private sector investors potentially interested in setting up new REDD+ projects. As mentioned before, such private sector REDD+ projects are bound to be bad news for forest communities and the climate.

- In addition, private sector REDD+ projects will complicate governments' accounting of carbon emissions: If a private sector investor sells carbon credits from a REDD+ project to IFC or someone else, the government of the country in which the REDD+ project is happening, will have to take out the tonnes of carbon sold as REDD+ credits from its national carbon accounting balance sheet. Those are supposed to keep track of the national pledges and actions at the international level. If countries do not take out the tonnes being sold as REDD+ credits from their accounting, the same tonne of carbon would be counted twice, by the buyer of the REDD+ credit and in the government's carbon balance sheet. In the language of the UN climate negotiators, this is called 'double-counting'.

In short, approval of **the IFC funding would amount to a massive waste of scarce Green Climate Fund money**. The money would subsidize private sector REDD+ projects that are bound to cause conflict with forest-dependent communities and are unlikely to address the drivers of large-scale deforestation.

The Green Climate Fund's enthusiasm to pay for 'REDD+ results' (even when there are no verifiable results!) and subsidize carbon offsetting comes at a time where it is clearer than ever that the time for offsetting is over. **Real emission cuts are needed –oil must be kept in the soil and coal in the hole, in other words.** (9) It also coincides with recognition by many early REDD+ proponents that REDD+ is the wrong instrument for tackling drivers of large-scale deforestation. (10) This analysis, as well as the documentation of the conflicts and violation of forest-dependent community rights that private sector REDD+ projects are regularly embroiled in, seem to have so far escaped the attention of the Green Climate Fund Board members. **Based on the experience with REDD+, there is no basis for the Green Climate Fund Board to approve subsidies for private sector REDD+ projects.**

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(1) REDD stands for **R**educing **E**missions from **D**eforestation and Forest **D**egradation. The "plus" in REDD+ indicates that forest conservation, sustainable forest management and afforestation also qualify as REDD+ activities.
(2) For more information from the Green Climate Fund, see 'About the Fund - Green Climate Fund'. For an explanation of how the Green Climate Fund subsidizes REDD+, see: Kill, Jutta, and Liane Schalatek. Green Climate Fund and REDD+: Funding the Paradigm Shift or Another Lost Decade for Forests and the Climate? Washington, DC: Heinrich Boll Stiftung, 2019.
(3) For the project information, see the Green Climate Fund country webpage for Brazil
(4) Government figures on carbon dioxide emissions from deforestation have little relation to the amount of carbon dioxide that is actually released into the atmosphere when forests are destroyed. For example, most governments, including the government of Brazil, do not include emissions from drought-induced forest fires in the data the government reports to the UN climate convention.
(5) See for example, Bradford, S. & M. Torres (2017): Brazil on verge of legitimizing Amazon land theft on a grand scale, warn NGOs. Mongabay. And Lang, Ch. (2019): Brazil's funding proposal for REDD results-based payments to the Green Climate Fund would set a terrible precedent.
(6) Usher, Ann Danaiya. "Brazil receives first Green Climate Fund grant for REDD+. Critics warn of 'paper reductions' with no real climate benefits." Development Today, March 15, 2019
(7) See the presentation *Green Climate Fund's Private Sector Facility and the REDD+ Results-Based Payments* under section 4 at the 18th meeting of the Forest Carbon Partnership Facility Carbon Fund.
(8) ReCommon (2016): Mad Carbon Laundering. How the IFC subsidizes mining companies and failing REDD projects.

(9) Lund, J.F. et al. (2017): Promising Change, Delivering Continuity: REDD+ as Conservation Fad. World Development. Volume 89, January 2017: 124-139

(10) The webportal REDD Monitor provides in-depth coverage of the wide range of controversies, inconsistencies, contradictions and conflicts associated with REDD+ and results-based payment schemes for REDD+. A further source of information on REDD+, including a map to locate a wide range of critical academic and NGO literature on REDD+ is the Heinrich Böll Foundation's Webdossier New Economy with Nature.