

REDD+...

An International Perspective on the US

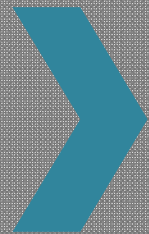
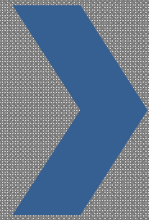
Andrew Hedges
Partner, Norton Rose LLP
Chair, CMIA Forestry WG

andrew.hedges@nortonrose.com

Some brief comments...

- Where are we without the US?
 - or, where will the \$ come from?
- Current contracting strategies
 - Approach
 - The search for public sector finance
- Some possibilities

International Context



Where are we without US...

- No near term demand source
- EU unlikely to step up soon
- Alternative is early stage international and bilateral finance
 - FIP, FCPF, UN-REDD etc
 - or bilateral via Norway, Germany, UK etc
- Result:
 - slower progression through phases
 - greater limits on financial capacity
 - international progress stalled by safeguards debate
- Example: FCPF and Carbon Fund
 - slow and difficult readiness process
 - limited funds committed to Carbon Fund (~USD50M)
 - But... provides scope of international investment profile

FCPF Carbon Fund – Possible investment criteria

Potential criteria for national or sub-national ER program:

1. Undertaken at a significant scale
2. Focus on results, namely high-quality and sustainable ERs (including social and environmental benefits)
3. Consistent with emerging standards
4. Use clear mechanisms so that the incentives for REDD+ reach those who need them
5. Are based on transparent stakeholder consultations

Where sub-national then also:

- Approval by the national institution
- Consistency national monitoring system
- Consistency with the national reference level
- Assessment and minimization of the risk of leakage

Current investor classes - who and why...

Early stage developers

Trading entities supplying voluntary offset markets

Compliance entities with an eye to the future

In-country corporates with on-going CSR programs

Contracting models...

- Offtake agreements over equity investment
- Upfront payments common
- Role of recognised standards such as CCBA and VCS important
- NGO or other in-country partner critical

-
- Near term projects continue to be driven by voluntary sector
 - If US jumps then sets the pace on methodologies (influenced by voluntary sector lessons) but struggles with international offset regime (ie slow bilateral negotiations)
 - Myriad of international funds, many though slow to deploy
 - opportunities though in public finance leveraged investments and early stage proxy markets
 - Pro-active rainforest nations accelerate nationally appropriate schemes that accelerate private sector investment (early action)
 - Private sector engagement through:
 - Increasing close engagement with host countries
 - Bringing existing financing structures to new areas
 - Ongoing role in demonstration activities

Q&A

andrew.hedges@nortonrose.com

Presentation

- 1 No individual who is a member, partner, shareholder, employee or consultant of, in or to any constituent part of Norton Rose Group (whether or not such individual is described as a “partner”) accepts or assumes responsibility, or has any liability, to any person in respect of this presentation.
- 2 Any reference to a partner means a member of Norton Rose LLP or Norton Rose Australia or a consultant or employee of Norton Rose LLP or one of its respective affiliates with equivalent standing and qualifications.
- 3 This presentation contains information confidential to Norton Rose Group. Copyright in the materials is owned by Norton Rose Group and the materials should not be copied or disclosed to any other person without the express authorisation of Norton Rose Group
- 4 This presentation is not intended to give legal advice and, accordingly, it should not be relied upon. It should not be regarded as a comprehensive statement of the law and practice in this area. Readers must take specific legal advice on any particular matter which concerns them. If you require any advice or information, please speak to your usual contact at Norton Rose Group.

FINANCIAL INSTITUTIONS • ENERGY • INFRASTRUCTURE AND COMMODITIES • TRANSPORT • TECHNOLOGY

The logo features a stylized brown house-like shape above the letter 'N'.

NORTON ROSE