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**Commitments in Action:**  
Corporate Ties for Financing Forest Conservation & Restoration, 2019  
ACELABORATIVE ANALISIS BANISUPAYU SUPPLY CHANGE DATA

February 2020

Project Co-Leads: Supply Change Initiative  
EDITORS:  
Stephan Donofrio, Senior Associate  
Lestari Capital  
Philip Rothrock, Director  
Ecosystem Marketplace

CONTRIBUTORS:  
Citi Global Research Analyst

**Complimentary Webinar - February 18:**

## Financing Forests with Commodity and Carbon Markets

*Featuring the launch of a new report from Forest Trends' Supply Change Initiative and Lestari Capital, and insights from Ecosystem Marketplace's recently-published 2019 State of Voluntary Carbon Markets*

### Speakers:

- **Stephen Donofrio**, Director, Forest Trends' Ecosystem Marketplace & Supply Change Initiatives
- **Philip Rothrock**, Senior Associate with Forest Trends Supply Change Initiative
- **Michal Zrust**, Founder and CSO, Lestari Capital

*"Commitments in Action" report produced in collaboration with*



**LESTARI CAPITAL**

FOREST TRENDS

# Pioneering Finance for Conservation

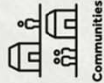
Forest Trends works to protect critical ecosystems through a broad range of environmental finance, markets, supply chains, and other incentive mechanisms.



Forests



Climate



Communities



Water



Biodiversity



Investments



Agriculture

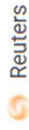


# Commitments in Action: Corporate Tells for Financing Forest Conservation & Restoration, 2020

A COLLABORATIVE ANALYSIS BASED UPON SUPPLY CHANGE DATA



# Deforestation in the news



**Indonesian police investigate palm oil companies over forest fires: ministry**

JAKARTA (Reuters) - Indonesian police are investigating three palm oil companies on suspicion of starting fires on Borneo island, where ...



**Big businesses are failing forests**

Yet, nearly half of the companies most reliant on key commodities that have a ... That includes massive e-commerce and cloud services company Amazon, ... The net effect is that corporate progress on deforestation has



**Deforestation Is Getting Worse, 5 Years After Countries and Companies Vowed to Stop It**

Nearly 200 companies and governments have signed onto the 2014 New ... The forest fires are the most striking example of deforestation at the ...



**Deforested parts of Amazon 'emitting more CO2 than they absorb'**

Millions of trees have been lost to logging and fires in recent years. ... amount of carbon dioxide released through deforestation and forest fires.



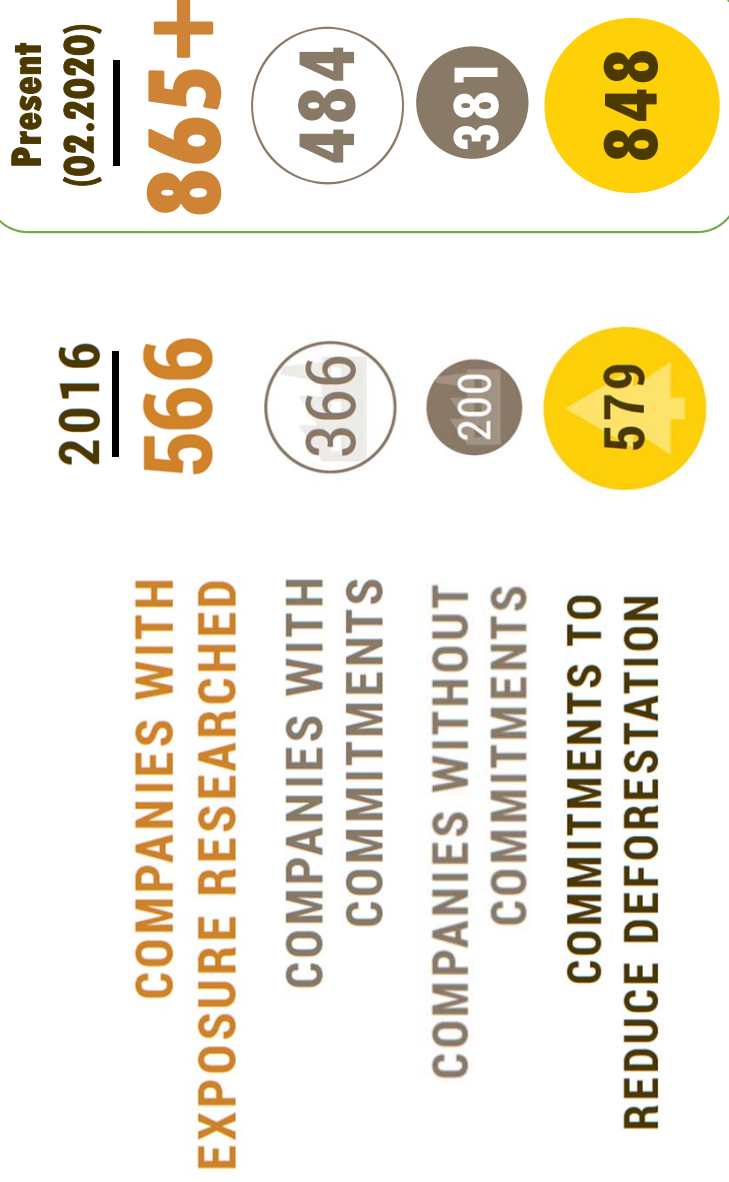
Which firms are most likely to fund and/or partner with non-profits and project developers on conservation & restoration?

## Finding Funders



Which firms are most likely to fund and/or partner with non-profits and project developers on conservation & restoration?

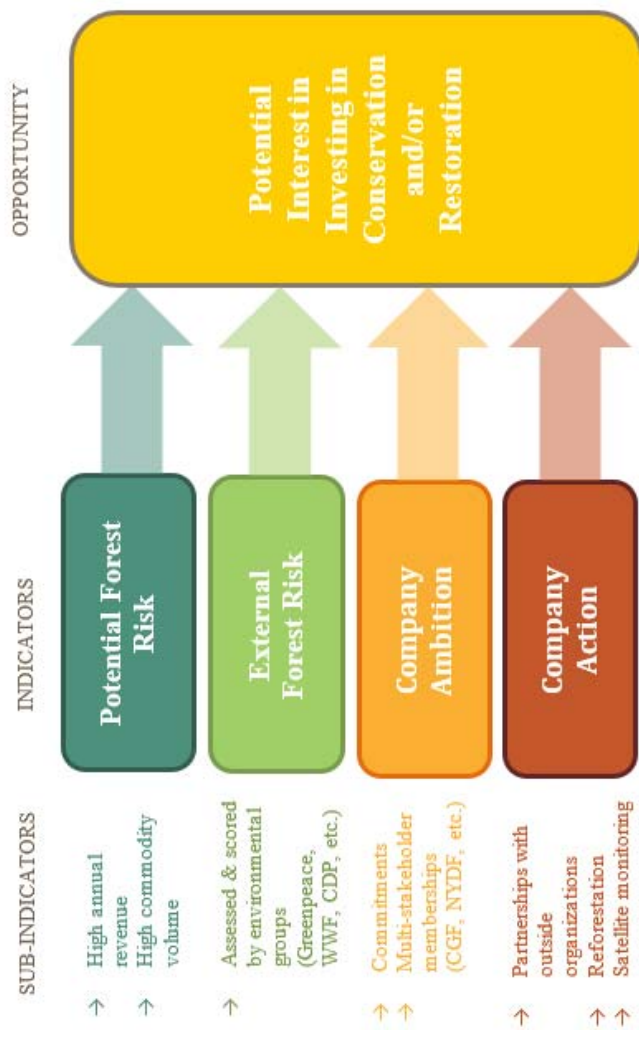
# Supply Change Coverage



How do you find firms interested in funding and conservation and restoration?

# Our Approach

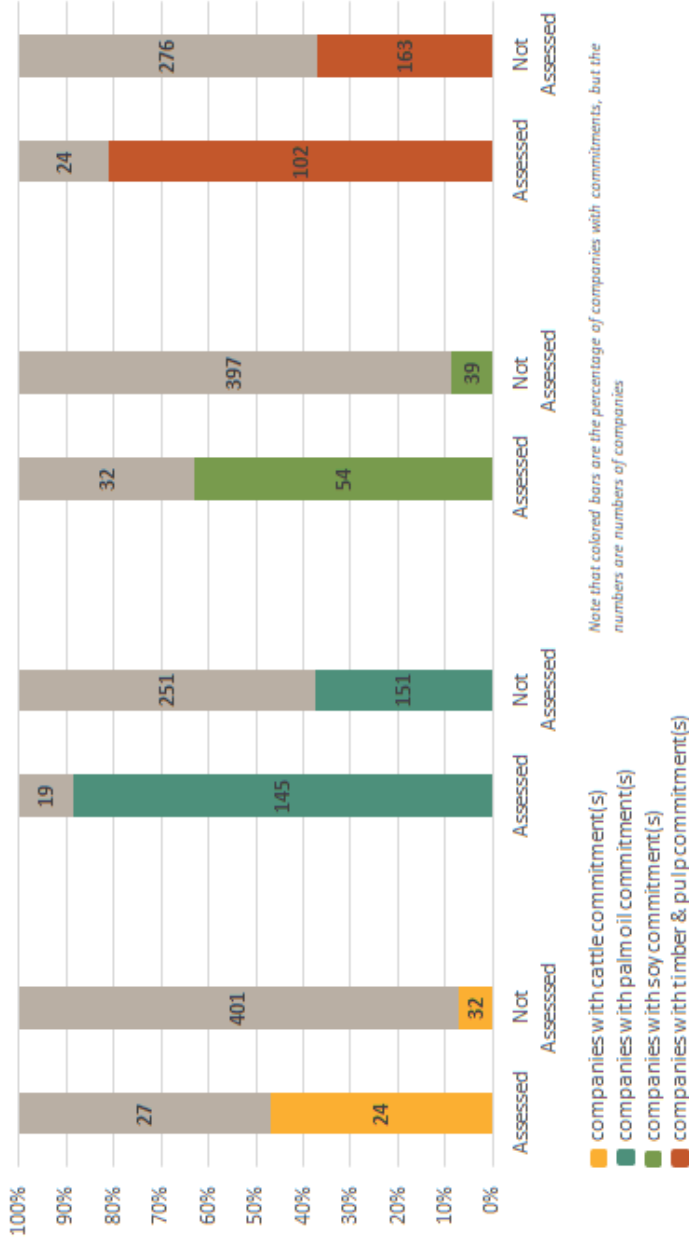
 **Figure 1: Proposed Indicators for Identifying Companies with Potential Interest in Investing in Conservation and/or Restoration**



Can the search for conservation funding be informed by environmental campaigns and assessments?

# Findings on Risk

➔ **Figure 2: Companies assessed by external groups, with and without related commitments**





Can the search for conservation funding be informed by environmental campaigns and assessments?

# Findings on Ambition



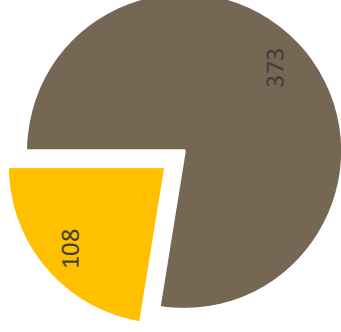
Figure 3. Commitment coverage for top 100 companies

		# of commodities with a commitment				
		0	1	2	3	4
# of commodities with exposure	1	0	8			
	2	0	10	9		
	3	0	4	9	3	
	4	1	10	18	13	15

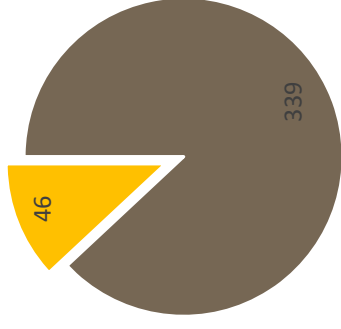
Do commitments translate into action?  
How might this influence interest in conservation funding?

# Findings on Action

Firms with commitments



Firms without commitments



■ # of firms not acting ■ # of firms acting

Based on this approach what is an example of a firm with high potential for funding?

# Example Actions

Example Firm	Actions
 	<ul style="list-style-type: none"><li>• €200 million in investments planned toward climate positive goal</li><li>• Ongoing planting and maintenance of 18,500 hectares of lowland rainforest</li><li>• <i>“Our ambition is to reduce more greenhouse gas emissions in absolute terms by 2030 than the entire IKEA value chain emits...to reach this goal, we will ...invest in areas that...remove carbon from the atmosphere through reforestation and better forest management practices” - Torbjörn Lööf, CEO at Inter IKEA Group.</i></li></ul>

# Conclusions

- Data is powerful
- *Supply Change* provides actionable information for practitioners based on forest-risk, ambition, and actions detailed lists of companies and metrics depending



# Questions



# Citations

- <https://www.washingtonpost.com/politics/2019/10/07/brazilian-amazon-is-still-burning-who-is-responsible/>
- <https://www.reuters.com/article/us-indonesia-environment-wildfire/indonesian-police-investigate-palm-oil-companies-over-forest-fires-ministry-idUSKCN1VJ1BS>
- <https://newsroom.inter.ikea.com/news/ikea-invests-200-million-euros-to-speed-up-action-to-become-climate-positive-by-2030/s/c3181331-23d9-473e-9d56-20e0c3db7c66>

THE SUSTAINABLE COMMODITIES CONSERVATION MECHANISM

MAKING FOREST CONSERVATION FAIR, EQUITABLE,  
AND LONG-LASTING FOR ALL STAKEHOLDERS

**Michal Zrust**

Chief Sustainability Officer & Co-Founder

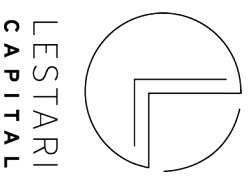
Lestari Capital

18 February 2020

# WELCOME TO LESTARI CAPITAL

Connecting Conservation to Companies

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THE LESTARI CAPITAL RAISON D'ETRE

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TO SAVE OUR WORLD'S  
VITAL ECOSYSTEMS WITH  
LONG-TERM FINANCING  
FROM RESPONSIBLE  
STAKEHOLDERS



## TO SAVE OUR WORLD'S VITAL ECOSYSTEMS WITH LONG-TERM FINANCING FROM RESPONSIBLE STAKEHOLDERS

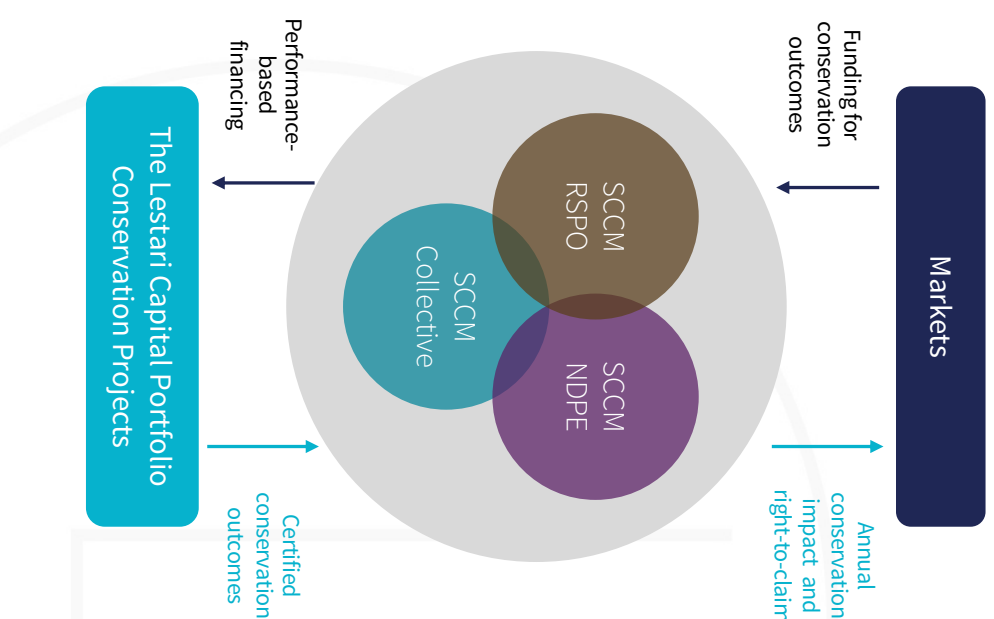
Because

- Over 480 companies worldwide have public commitments to reduce or eliminate supply chain-driven deforestation and GHG emissions.
- Finances for conservation has largely been sporadic, short-lived, disconnected from outcomes, and often charitable.
- Conservation projects are in dire need of funds to survive for the long-term and meet immediate needs; making expansion of the number and scale of conservation projects near impossible.
- Reductions in GHG emissions isn't enough; sequestration by forests is vital to reduce the amount of GHG in the air.



# THE SCCM ECOSYSTEM

- The Sustainable Commodities Conservation Mechanism makes financing conservation projects a viable long-term undertaking across all :
  1. **SCCM RSP0** – Helping RSP0 members’ compensation liabilities deliver transformative conservation outcomes over 25 years.
  2. **SCCM NDPE** – Designed for supply-chain-wide “No Deforestation, Peat and Exploitation” commitments.
  3. **SCCM Collective** – Helping companies act on corporate sustainability commitments
- Each is designed for a different market segment with specific priorities and reporting requirements.
- All companies using the SCCM have access to the central Lestari Capital Project Portfolio, our thoroughly curated and risk-managed portfolio of certified conservation projects and initiatives.



# MECHANISM IMPLEMENTATION

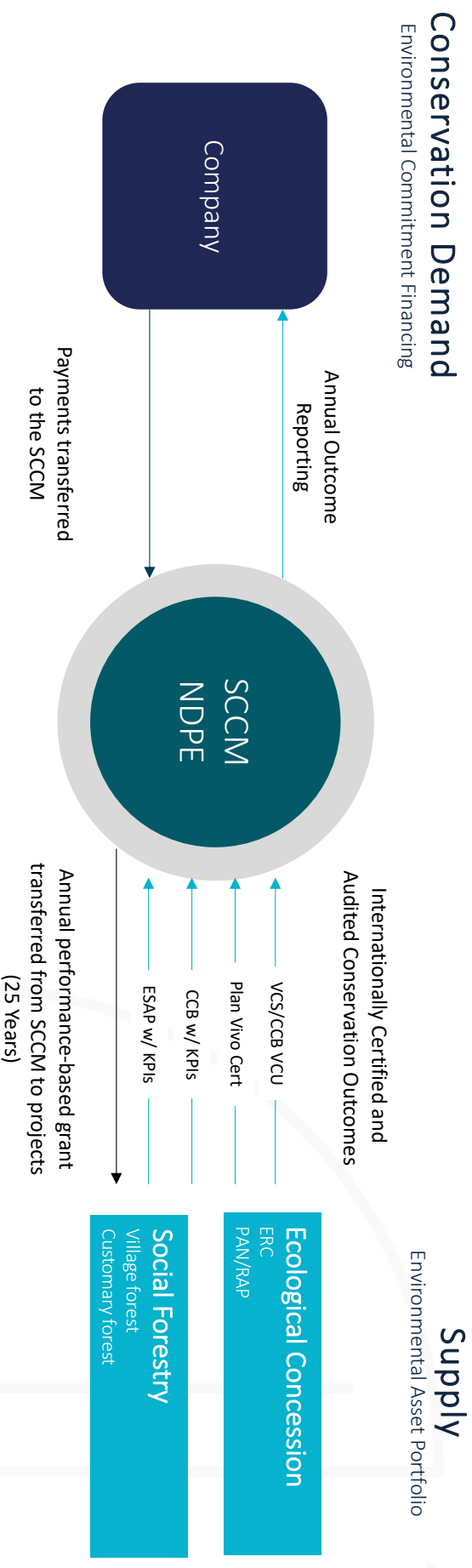
## AIMS

- Assist companies to act upon their sustainability commitments
- Provide long-term financing to the conservation sector, stabilizing current initiatives, and creating new investment opportunities
- Create a robust, efficient, transparent, and secure mechanism that can receive financing from multiple sources in the supply chain and distribute performance-based payments to multiple projects within a portfolio.

## KEY FEATURES

- **Ease of use** – Payments are made to a single entity, set through an agreed schedule, and outcomes are communicated back to the company.
- **Access to a range of projects at scale** – Lestari Capital develops the portfolio of projects, undertakes stakeholder relationship development, on-boards project, monitors and reports outcomes, monitors changes in regulation and standards.
- **Transparency** – Verifiable conservation outcomes resulting from payments into the mechanism are monitored and reported.
- **Efficiency** – Lestari Capital manages project relationships, provides technical services as required, and project portfolios are designed to achieve maximum impact.
- **Safeguards** – Relationships with the SCCM, the project proponents, and companies are all underpinned by legal agreements; project failure is protected via portfolio approach and mechanisms are in place for dealing with ‘disaster scenarios’; governance is independent of projects; due diligence is conducted on all projects; financial responsibility is overseen by Singaporean Trustee and the SCCM falls under regulation by the Singaporean Monetary Authority.

# SOLUTION THE SCCM



# PROJECT PORTFOLIO

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- **Aims**
  - Generate a project portfolio that delivers verifiable conservation outcomes and protects some of the most vital areas for biodiversity in Indonesia and Malaysia as a first step, worldwide in the future.
  - To achieve maximum impact, drive the conservation sector forward, and achieve efficiency, we need to focus on three typologies of projects:
    - Existing and operational projects
    - Projects currently in development.
    - New project pipeline.

# PEATLAND RESTORATION ON NATIONAL PARK BUFFER ZONE



## LOCATION

- Ecosystem Restoration Concession
- Degraded Peatland – within 65,000 ha concession in Kalimantan

## THREAT IN ABSENCE OF PROJECT

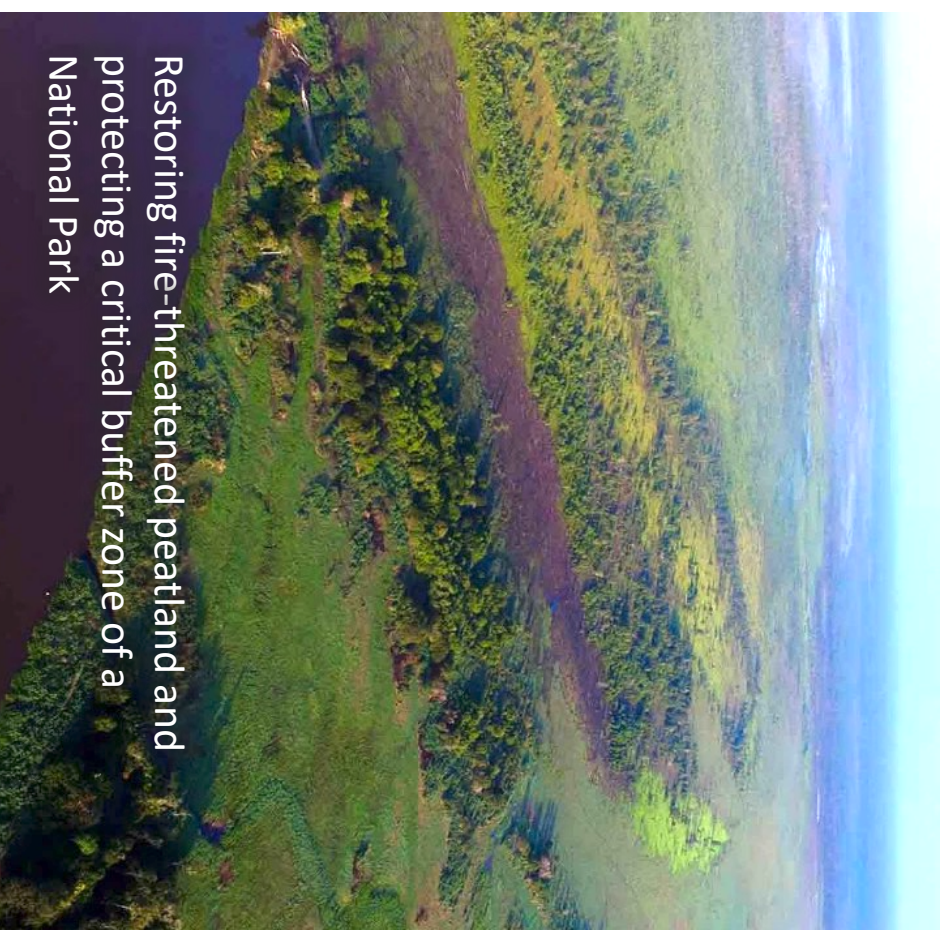
- Arrested ecosystem succession preventing forest regeneration
- Fire preventing forest recovery

## PROJECT DELIVERABLES

- Licence maintenance
- Enrichment planting - native species
- Fire control - monitoring, response

## STATUS

- License granted in 2013, Operational since 2009
- Well established developer: Infinite Earth
- VCS/CCB verified
- Over 4 million VCs available per year



Restoring fire-threatened peatland and protecting a critical buffer zone of a National Park



# COMMUNITY-DRIVEN FOREST CONSERVATION

## LOCATION

- >2,500 ha designated as Hutan Desa
- In the buffer of Muller Schwaner Landscape – vital watershed for island of Kalimantan

## THREAT IN ABSENCE OF PROJECT

- Illegal hunting, logging
- Agricultural encroachment

## PROJECT DELIVERABLES

- Forest protection through smart patrols
- Enrichment planting
- NTFP and Ecosystem service-based livelihood development
- Awareness raising and conservation education

## STATUS

- Target: Plan Vivo
- Feasibility study complete, management plan developed
- Well established project developer: PRCF



## IMPROVING PROJECT SUPPLY

### ROBUST PROJECT SUPPLY NEEDS TO INCREASE

- Surprising lack of legally recognized, operational, projects with verified outcomes
- Companies are likely to run short of existing projects to support
- Significant scale up of conservation effort is needed.

### PROJECTS MAY NEED SOME LEVEL OF STANDARDIZATION

- Currently, there is a significant lack of standardization
- Standardization of KPIs, budget formats, monitoring and reporting, certification.

### CAPACITY BUILDING

- Professional project proponent building
- Knowledge sharing of the negatives (and also positives)

# THANK YOU

**Michal Zrust**

Chief Sustainability Officer & Co-Founder

Lestari Capital

[m.zrust@lestaricapital.com](mailto:m.zrust@lestaricapital.com)



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forests and sustainable land use

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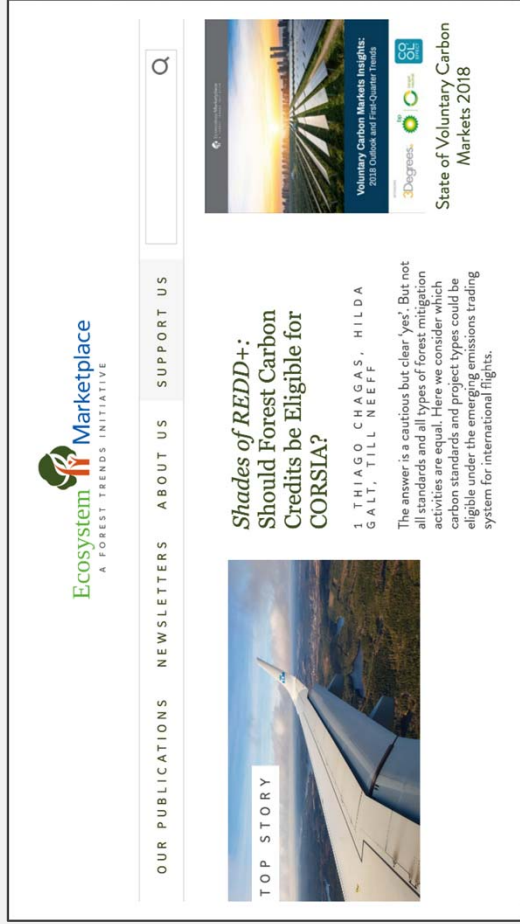
**Singapore**

6A Shenton Way 04-01  
QUE Downtown Gallery  
Singapore 068815  
+65 8490 9411

**Indonesia**

Grand Rubina Business Park, #16-C  
Rasuna Said, Kuningan  
Jakarta 12940  
+62 821 2311 6572

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**TOP STORY**

### Shades of REDD+: Should Forest Carbon Credits be Eligible for CORSIA?

1. THIAGO CHAGAS, HILDA GALT, TILL NEEFF

The answer is a cautious but clear 'yes'. But not all standards and all types of forest mitigation activities are equal. Here we consider which carbon standards and project types could be eligible under the emerging emissions trading system for international flights.

Voluntary Carbon Markets Insights: 2018 Outlook and Pro-Sector Focus

3Degrees

State of Voluntary Carbon Markets 2018

[www.ecosystemmarketplace.com/](http://www.ecosystemmarketplace.com/)





# Ecosystem Marketplace

A FOREST TRENDS INITIATIVE

## EM Carbon Survey & Annual State of Voluntary Carbon Markets Report

Proven track-record. Beginning in 2006, we have a long, nearly 15-year history, of tracking carbon markets, engaging with stakeholders, collecting confidential data, providing guidance & insights, and advising market participants.

Quality data, analysis, and reports. We generate dependable, decision-useful information for carbon market participants and policymakers worldwide.

Credible, confidential, and neutral. We maintain strict confidentiality of individual responses, and ensure no favoritism for any specific standards or projects.

[www.ecosystemmarketplace.com/carbon-markets](http://www.ecosystemmarketplace.com/carbon-markets)



**Voluntary Carbon Markets Insights:**  
2018 Outlook and First-Quarter Trends





A FOREST TRENDS INITIATIVE

# Financing Emissions Reductions for the Future

## State of the Voluntary Carbon Markets 2019



Supporters



# Volume of Transactions in Voluntary Carbon Markets Hit Seven-Year & Near All-time High

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@EcoMarketplace

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# Demand for Natural Climate Solutions Drives Voluntary Carbon Markets to Seven-Year & Near All-time High

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**TABLE 1**

Transacted Voluntary Carbon Offset Volume, Value, and Weighted Average Price by Project Category, 2017 and 2018

	2017			2018		
	VOLUME MtCO <sub>2</sub> e	AVERAGE PRICE	VALUE	VOLUME MtCO <sub>2</sub> e	AVERAGE PRICE	VALUE
<b>FORESTRY AND LAND USE</b>	16.6	\$3.4	\$63.4M	50.7	\$3.2	\$171.9M
<b>RENEWABLE ENERGY</b>	16.8	\$1.9	\$31.5M	23.8	\$1.7	\$40.9M
<b>WASTE DISPOSAL</b>	3.7	\$2.0	\$7.4M	4.5	\$2.2	\$10.0M
<b>HOUSEHOLD DEVICES</b>	2.3	\$5.0	\$11.8M	6.1	\$4.8	\$29.5M
<b>CHEMICAL PROCESSES/ INDUSTRIAL MANUFACTURING</b>	2.6	\$1.9	\$4.9M	2.5	\$3.1	\$7.9M
<b>ENERGY EFFICIENCY/ FUEL SWITCHING</b>	1.1	\$2.1	\$3.3M	2.8	\$2.8	\$7.8M
<b>TRANSPORTATION</b>	0.1	\$2.9	\$0.2M	0.3	\$1.7	\$0.5M

Notes: 2017 figures are based on 1,041 transactions for a total volume of 43.2 MtCO<sub>2</sub>e. 2018 figures are based on 1,568 transactions for a total of 90.7 MtCO<sub>2</sub>e. These figures do not include responses that didn't provide price data.

2018 - NCS

50.7 MtCO<sub>2</sub>e  
264% ↑

2018 - REDD+

30.5 MtCO<sub>2</sub>e  
187% ↑

2018 - A/R

8.4 MtCO<sub>2</sub>e  
342% ↑

Note: 2018 compared against 2016

# 2020 Planning and Next Steps

## 1. **EM 2020 Carbon Survey Response Cycle – [carbonsurvey@forest-trends.org](mailto:carbonsurvey@forest-trends.org)**

February 28: Deadline for open consultation on survey questions, design, and process.

→ Have feedback, suggestions, etc? We're receiving feedback by phone and written. Contact us ASAP.

March: Survey will be sent to prospective respondents.

→ Are you a project developer, trader, or other market actor with voluntary carbon offset transactions?

TBD: Report launch event via a virtual roundtable, followed by in-person events, conferences, meetings.

→ Let us know if you'd like to collaborate to communicate about the findings.

## 2. **2019 Survey will Remain Open**

As we recognize the value in gathering historical data to enhance future reporting of insights, the 2019 survey will remain available at EM's new 'Hub' for carbon markets:

[www.ecosystemmarketplace.com/carbon-markets](http://www.ecosystemmarketplace.com/carbon-markets).

## 3. **Only a few spots left in EM's Strategic Supporter Program**

Join our vanguard group of voluntary carbon market stakeholders. Contact [sdonofrio@forest-trends.org](mailto:sdonofrio@forest-trends.org).

