

Natural Climate Solutions Alliance: Our Vision

The need for action

Maintaining healthy forests, agricultural land and coastal ecosystems offers a significant opportunity to achieve climate goals. Greenhouse gas (GHG) emissions from agriculture, forestry, and other land uses (AFOLU) contribute around a quarter of anthropogenic global GHG emissions and must be reduced. Equally, terrestrial and coastal ecosystems are one of the few technically available options to sequester carbon and deliver net negative GHG emissions quickly and inexpensively at scale.

Recent studies have shown that Natural Climate Solutions (NCS) like these could theoretically provide up to one third of the GHG emissions reductions and sequestration needed by 2030 to limit global warming to 2 °C. Around a third of these NCS are achievable at \$10 per tCO₂e or less.¹

As well as climate change, NCS can also provide other important solutions, such as the protection of ecosystems and biodiversity, restoration of degraded lands and the support of sustainable livelihoods. NCS also have the power to transform agricultural and forestry practices and to improve the resilience of supply chains. Examples are improved flood defenses or increased soil health.

Unlocking finance to deliver NCS at scale: Creating value through NCS crediting

NCS currently face the problem that their many significant benefits are not valued so investment in them is scarce. Most estimates suggest NCS attracts only 2 to 3 % of public climate finance globally. Equally, regulations or subsidies to protect them, while necessary, are controversial and hard to enforce. One powerful alternative is to confer economic value on them and create an incentive to invest in their preservation and enhancement. The most effective mechanism to do that is to allow their use – on both a voluntary and compliance basis – to temporarily compensate for some hard to abate emissions. The idea is NOT to avoid, deter or delay reducing those emissions, which must occur rapidly alongside. The idea is to deliver the same – or higher – net abatement sooner and at an affordable cost AND allow time for technology innovation to reduce even hard to abate emissions. In this way NCS can help bridge the gap to meet the Paris goals. To compensate for emissions that are truly unavoidable carbon sinks - potentially including natural sinks - will have an enduring role in meeting net zero.

Delivering investment efficiently: Voluntary and compliance markets

Markets for carbon credits have the potential to mobilize finance for NCS at the scale required quickly. Currently NCS credits are mostly transacted in voluntary carbon markets. In 2016, voluntary buyers paid \$191.3 million to compensate for 63.4 million metric tonnes of CO₂ (MtCO₂e)². This is the equivalent to a year's worth of GHG emissions from 13.4 million cars.³ Voluntary forestry and land-use carbon credits made up 13.1 million metric tonnes (MtCO₂e) at \$67 million.⁴

While the voluntary use of emission reduction credits from NCS is growing and desirable, it is not currently and never likely to be sufficient to deliver the Paris goals. For NCS to do this Governments will need to integrate NCS credits into compliance pathways for meeting their climate goals (including Nationally Determined Contributions). This could unlock a scale of NCS investment that far exceeds what could be achieved through voluntary markets alone – AND allow countries to raise their climate ambition and reduce costs by doing so. Since 2012, the number of implemented or scheduled carbon pricing policies have nearly doubled globally and

¹ <https://www.pnas.org/content/114/44/11645>

² <https://www.forest-trends.org/publications/unlocking-potential/>

³ <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

⁴ Negative Emissions Technologies and Reliable Sequestration: A Research Agenda (2019). National Academies of Sciences, Engineering and Medicine, <https://www.nap.edu/read/25259/>

the total value of the world's carbon pricing initiatives, including both taxes and emissions trading schemes (ETS), reached \$82 billion in 2018.⁵ Some of these schemes already allow the use of NCS credits but for NCS to play its full role in meeting the Paris goals the number would need to grow. If just 10 % of this \$82 billion was eligible to be invested in NCS it would make a very significant impact indeed. Eligibility for domestic NCS credits for compliance would be an important first step. Ideally NCS credits could also be traded internationally, as envisaged by Article 6 of the Paris Agreement. ALL avenues to financing NCS, both voluntary and compliance, nationally and internationally, should be sought to maximize opportunities and address the barriers to invest.⁶

A collaborative challenge: Guiding principles for NCS

Unlocking large-scale carbon finance for NCS, whether through voluntary or compliance action, will require close collaboration between governments, businesses, investors and civil society both to create opportunities and address the barriers. For NCS carbon credits to be a credible and sustainable option for reducing and sequestering emissions, historic concerns and real challenges around NCS credits MUST to be addressed. All actors will need to adopt a set of principles and practices that can deliver environmental and social integrity in order to build a track-record of successful delivery. Our proposed principles are as follows:

1. NCS can and should **raise ambition** with respect to climate action, enhancing rather than diluting a nation's or a company's contribution to the Paris goals. Carbon credits should be used in conjunction with the GHG emissions **mitigation hierarchy**. Avoiding, minimizing, and reducing emissions should be prioritized and continue in addition to the use of NCS credits.
2. NCS credits can provide an **interim solution** for hard to abate emissions, but not a permanent one. For unavoidable emissions, carbon sinks - potentially including natural sinks - will always be needed to achieve net zero. NCS credits should be considered an **enabling solution** that will support long-term sustainable land use.
3. NCS investments should deliver **environmental and social safeguards and benefits** in addition to GHG emissions reductions. For example, the preservation of a given forest could enhance a wide variety ecosystem services to the benefit of local and indigenous communities' livelihoods.
4. **Sound and verified carbon measurement and accounting methodologies must be applied to ensure high integrity of NCS credits.** Emissions reductions and removals must be real, quantifiable and verifiable, with issues of additionality, leakage and permanence appropriately addressed. International exchanges of NCS credits, including by the private sector, should be encouraged under Articles 4-6 of the Paris Agreement, subject to corresponding adjustments in parties' emissions balances to avoid double counting.

Who we are

The *Natural Climate Solutions (NCS) Alliance* is a CEO-led group of stakeholders committed to applying the principles above to the activities in our sphere of influence to deliver NCS with integrity at scale. We are convened by the World Economic Forum (WEF) and the World Business Council on Sustainable Development (WBCSD) with the support and advice of Nature4Climate.

Our vision is to enable NCS to contribute its full potential to helping deliver the Paris climate goals as well as solutions to some of the world's most pressing and intractable environmental and social challenges, including biodiversity and forest loss, sustainable water management and sustainable community livelihoods.

⁵ <https://openknowledge.worldbank.org/bitstream/handle/10986/29687/9781464812927.pdf?sequence=5&isAllowed=y>

⁶ WBCSD, NCS narrative for business