

# **1<sup>st</sup> Meeting of the Public-Private Sector Working Group on 'Investing in Emissions Reduction and Rural Development'**

**-Proceedings-**

**26<sup>th</sup> March, FAO Headquarters, Rome**

## ***Background***

As one of the outcomes of a Public Private Sector Expert Dialogue on 'Investing in Emissions Reduction and Rural Development' in November 2007 in conjunction with the World Energy Conference (11–15 November 2007) a public-private working group was created. This working group functions as a communication platform between the private and public sectors with a view to identifying, developing and implementing concrete climate change mitigation and adaptation projects in the agricultural, rural and land use sectors, stemming from the mutual interests of certain public and private sector actors in investing in emissions reduction and rural development. The working group consists of the participants of the expert dialogue in November 2007, including representatives of the Rome-based UN agencies and institutions, private sector companies as well as the European Investment Bank

The members of the working group that were present at CoP 13 in Bali officially announced the launch of the working group during a joint side event on climate change and rural development by the Rome-based UN agencies and institutions. A presentation on the approaches for the promotion of climate change mitigation and adaptation measures in the agricultural, land use and rural sectors was given at the 3<sup>rd</sup> Global Conference on Social Responsibility, 15-17 February 2008 with the main theme being 'Growth Models to Combat Climate Change and Alleviate Poverty'.

## ***Proceedings***

The 1<sup>st</sup> meeting of the working group was held in Rome on the 26<sup>th</sup> March 2008 at FAO headquarters, just before a private sector stakeholder consultation (27-28 March 2008) in preparation of the 'High-Level Conference on World Food Security and the Challenges of Climate Change and Bioenergy' at FAO in June. The aim of this first working group meeting was to continue the dialogue on the promotion of investments in emissions reduction and rural development and, more specifically, commencing the work on the elaboration of a concrete concept of an investment facility to promote climate change mitigation and adaptation activities in the agricultural, rural and land use sectors.

The group reiterated the outcomes of the expert dialogue in November 2007, particularly stressing the willingness from the private sector to contribute to climate change mitigation and adaptation through financial resources, technologies and other means which was clearly expressed during the Expert Dialogue in November. What became apparent is the lack of underlying technical expertise related to mitigation and adaptation in the concerned sectors and very often the lack of local presence in the field, which could be provided by UN agencies. The need for a facility to bring actors from the two sectors together to promote mitigation and adaptation activities in the agricultural, rural and land use sectors at large scale was re-confirmed.

While open questions remain on how such a facility would be operationalized and managed, its function as a information, networking and most importantly (financial) resource sharing

mechanism where private sector players would be able to get needed expertise and access to local contacts and resources (incl. governments) whereas the private sector/UN agencies and institutions access to private sector funding, is clear and has been agreed on. The investment facility, which would focus on the agricultural, rural and land use sectors, could constitute a good 'business' opportunity for both the private and the public sector: largely organized or rather initiated by the UN organizations while involving private sector players from the beginning, aiming at establishing the facility as a service provider for both the public and the private sector with regards to tapping into each other's expertise and resources. Whether the facility would be hosted and managed by the UN agencies or a new, small, lean agency as a public-private partnership would be the better model would need to be discussed at a later stage.

Furthermore, the involved public and private sector players would benefit in terms of visibility or rather PR and marketing through an innovative way with regards to jointly contributing to climate change mitigation and adaptation while promoting rural development. Since the agriculture, rural and land use sectors have clearly been identified as large contributors to climate change which have not been tackled at the necessary scale such a facility may constitute a way or rather one element of several joint public and private sector activities to shape or influence the climate change regime post-2012.

In the following, the group discussed and agreed on the basic elements such a facility would need to cover with regards to the identification, development and implementation of mitigation and adaptation projects in the agricultural, rural (energy) and land use sectors.

### **Key elements of an investment facility for the promotion of mitigation and adaptation projects in the agricultural, rural and land use sectors**

The concept of the facility is not a new one, even in the field of climate change, but no dedicated (investment) facility for the agricultural, rural and land use sector exists, yet. A structured and systematic approach is required which will engage all concerned stakeholders to develop facilitation measures and mechanisms, aiming at the promotion of mitigation and adaptation activities in the agricultural, rural and land use sectors. This also requires a common understanding of key areas of interaction and mechanisms around the identification, development and implementation of relevant activities is required among the partners (i.e. public and private sector stakeholders in the form of a public-private partnership or similar forms of collaborations). All activities need to be designed with a view to support an overall shared vision based on the ultimate objective, consisting of the following three elements:

- promotion of mitigation and adaptation activities on the ground in the form of projects and programmes *that are*
- beneficial for all involved and concerned public and private stakeholders *through*
- investments in and technical support of emissions reduction and rural development in the agricultural, rural and land use sectors.

The identification of mitigation and adaptation activities will consist of the following main tasks or elements:

- screening of existing opportunities within activities and portfolios of participating organisations;
- in-country and regional identification and marketing missions;
- awareness raising, marketing and identification workshops;
- public calls and utilization of (existing) networks;
- utilization of agents;
- designing a new and using existing websites;
- research and pilot projects for certain not fully developed project types;
- investigating potentials in sectors and countries;

- building a project pipeline;
- developing project selection and investment criteria;
- screening (preliminary financial, GHG and adaptation due diligence); and
- establishing a committee or board to review the pipeline and project proposals.

The development of selected projects or programmes will require the following:

- project partners to develop (and later implement) activities;
- preparation of respective documentation such as project design documents, adaptation proposals or project documents, monitoring plans;
- financial structuring and appraisal;
- contracting and contract negotiations (e.g. carbon credits, ownership, energy purchase);
- third party validations or external evaluations;
- risk and benefit sharing strategies; and
- technical support (e.g. a reformed, programmatic or sectoral CDM requires methodological work or limited applied research).

The implementation of the activities will need to look into:

- monitoring and response mechanisms;
- verifications
- risk management
- replicability; and
- benefit/profit sharing among stakeholders.

Well-defined communication and decision-making mechanisms and modalities will prove essential. Figure 1 provides a simplified model for such an investment facility which will provide the financial and technical assistance needed to make investments happen.

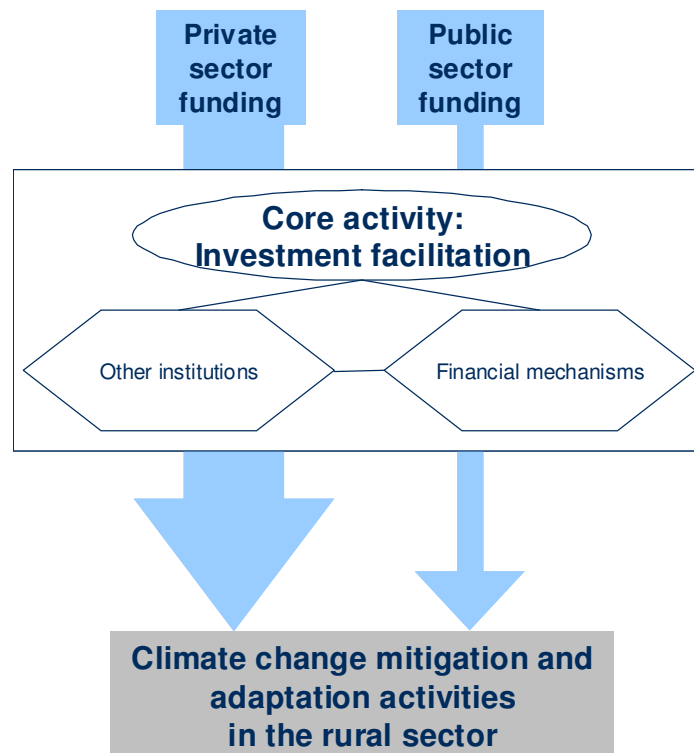


Figure 1: Investment facility model for promoting climate change mitigation and adaptation projects in the rural sector

## Issues and open questions to be addressed when designing the investment facility

There are a number of issues and open questions related to the creation of an investment facility if it is to achieve the abovementioned objective and create win-win situations for all involved, i.e. public and private sector players and the rural communities. It will need to be discussed which activities the facility could be directly charged with and where it should only collaborate and contribute to the efforts of other actors. The main issues and open questions include:

- **The development of pilot projects and test or show cases**, especially in the fields of biofuels, methane avoidance (e.g. livestock management) or further sequestration/conservation and substitution projects (e.g., cropland, grazing land, avoided deforestation, energy efficiency and fuel-switch at community level); such pilot projects will contribute to removing barriers and allowing the full use of mitigation and carbon credit generation potential in these sectors now and beyond 2012.
- **The creation or provision of bundling mechanisms to make small-scale activities feasible and viable**; there are both immediate and more forward-looking mitigation opportunities with a view towards compliance regimes post-2012 in sectors where the mitigation potential has not yet been fully captured (e.g. agriculture, forestry and other land uses - AFOLU, reduced emissions from deforestation and degradation - REDD, extended or reformed CDM for energy efficiency and fuel-switch at community level).
- **Addressing viability issues and making sure that financial sustainability forms part of the overall sustainability of activities**; the difficulties experienced by the private sector as well as public carbon buyers or funds in generating carbon credits from certain mitigation project types, in particular in the agricultural and forestry sectors when it comes to Kyoto compliant carbon credits, are largely linked to viability issues.
- **Development and strengthening of national level capacities in developing countries for climate change mitigation and adaptation activities**; linked to this aspect is the use of existing 'knowledge centres' or 'centres of excellence' for the agricultural, rural and land use sectors such as the UN agencies and institutions based in Rome with all their mandates related to rural development (i.e. International Fund for Agricultural Development, Food and Agricultural Organisation, the Global Mechanism, World Food Programme).
- **Ensuring that the benefits and profits generated reach the rural communities while satisfying private sector players at the same time**; in this context, certain trade-offs will need to be accepted but risk management tools from the banking and insurance sectors to identify, structure and screen relevant projects will need to play a role and help to create such win-win situations.
- **The improvement of the framework conditions for carbon sequestration and conservation projects, particularly in the forestry sector, so as to avoid further discrimination of related project types**; for example, although governments can buy forestry CERs outside the EU-ETS, t-CERs and I-CERs from reforestation and afforestation projects are currently not eligible in the EU-ETS. Efforts and support to incorporate forestry credits into the EU-ETS and into the portfolios of compliance buyers will be necessary and the overall situation and framework conditions for forestry and other land-use projects now and post-2012 will have to improve. The facility will be able to provide support for such efforts through the outcomes of its work, but should not make it its main focus.

- **The perception of the private sector that the climate change debate is mainly an academic one is changing;** this perception has changed with the emerging GHG markets and as a result of climate change related activities becoming profitable. This trend needs to continue and further expand into the sectors discussed here through a continued and expanded dialogue, identifying and developing underlying incentive mechanisms and measures as well as required further assistance.

## ***Outcomes, conclusions and next steps***

The working group concluded that for the successful implementation of concrete mitigation and adaptation measures in the agricultural, rural and land use sectors at the necessary scale, an investment facility will constitute an important element. In addition to the facility being designed in a way to serve as a mechanism that will allow all participants to understand how and where to interact, technical and operational issues will need to be addressed during the further design of such a facility. The facility will need to be combined with or linked to supporting measures to create positive investment environments and framework conditions for mitigation and adaptation projects, which will also have to be seen in the context of food security and rural energy needs, in the agricultural, rural and land use sectors.

The agricultural, rural and land use sectors must and can better contribute to climate change mitigation and adaptation whilst supporting rural development, addressing rural energy needs and contributing to poverty reduction. Coordinated and structured efforts are needed to bring all concerned (public and private) stakeholders to the table, ensure that they communicate effectively, come to solutions and decisions that create win-win situations for all and contribute to achieve their respective mandates.

To that end, the facilitation platform should be further developed into a concrete mechanism that private and public sector players can use. The concept of the facility needs to be further elaborated in order for working group members to be able to present it to the senior management of the organizations involved or other interested parties. At a certain point in time financial and human resources will be required to prepare a full-blown proposal or business plan and to implement the proposed activities later on. While trying to avoid the establishment of a larger, new organization with related administrative procedures and processes a small, flexible unit or lean agency (potentially public-private partnership) which would make best use of structures and networks of the involved parties in the facility might be a feasible and cost-effective solution. The group also decided to look into a name or working title for the time being to support the facility's unique selling point and value recognition. The working group behind the facility concept should be open for further, organic expansion, particularly from the private sector, or rather proactively looking for expressions of interest to become a facility participant or partner.

The following next steps have been agreed:

- 1) Presentation of the investment facility concept at the 'High-Level Conference on World Food Security and the Challenges of Climate Change and Bioenergy' that the FAO Headquarters will be hosting in June 2008;  
Lead: Luc Dubreil (FAO)
- 2) Organization of two further meetings of the (extended) working group until the end of the year; it is aimed at organizing the next meeting during the second half of July;  
Lead: Robert Tippmann (EcoSecurities)
- 3) Presentations on progress on the facility concept and development at SBSTA/SBI 28 in Bonn in June and at COP 14 in Poland in December 2008;  
Lead: Alejandro Kilpatrick (GM)

## ***Annex***

Present:

Luc Dubreuil

Alejandro Kilpatrick

Siv Oystese

Saveis Sadeghian

Robert Tippmann (Chair)

Marianna Doria

Rebecca Smith