

Media Release

Global Launch of New Forestry Criteria

Boost for Green Bond Investment in Forestry

LONDON: 09/11/2018: 11:00 GMT: The new [Forestry Criteria](#) of the Climate Bonds Standard has been launched today, marking a major turning point in best practice for low carbon and climate resilient investment in forestry.

Developed for potential green bond issuers and institutional investors, the Forestry Criteria defines and evaluates low carbon and climate resilient forestry projects by encompassing two broad components:

1. Climate mitigation
2. Climate resilience

The Criteria screens the types of forestry assets and projects that can be included in green bond investment in forestry projects to qualify for Climate Bonds [Certification](#).

Certified projects must contribute to reductions in greenhouse gases over the lifetime of the asset and must prove sufficient adaptation to changing climatic conditions.

The Forestry Criteria is part of the overarching [Climate Bonds Standard](#), which provides investors with a verifiable, science-based screening process to evaluate green bond investments in a variety of sectors and brings climate mitigation and resilience planning to the debt capital space for this sector.

The three broad categories that the Forestry Criteria includes in its scope are:

- (i) Assets and projects related to commercial forestry;
- (ii) Conservation and restoration forestry;
- (iii) Necessary supporting infrastructure for each.

Within each of these categories, assets and projects seeking Certification, their use of proceeds may include plantation forests, sustainably managed natural forests, conservation forests, land under reforestation or restoration, protected lands, equipment for the management and maintenance and harvesting of timber, timber storage facilities, supply chain facilities, such as nurseries, panel production and pulp, and paper production and monitoring facilities, such as weather stations and warning systems for fire, illegal incursion, epidemics and floods or droughts.

Undertaking the staged development programme has been a Technical Working Group (TWG) and Industry Working Group (IWG), the members of which can be found [here](#).

Christine Negra, Versant Vision and TWG Lead:

“To tackle climate change, the forestry sector needs to function as a net carbon sink rather than as a GHG emitter. In the recent IPCC report, land-based mitigation – including afforestation and reforestation – is an essential component of all four model pathways to a 1.5-degree world. The new Forestry Criteria of the Climate Bonds Standard provides necessary guidance for defining investable forestry assets that are aligned with global mitigation goals.”

Dr. David Ganz, Executive Director, Centre for People and Forests (RECOFTC):

"The CBI Forestry Criteria can help to ensure that forestry infrastructure assets or projects meet a certain standard for climate-friendly investment. People should be able to live equitably and sustainably in and alongside thriving forests and healthy, resilient landscapes. The private sector and government are imperative and good governance is the bedrock for the development and implementation of ‘community friendly’ national forest policies, programmes, and regulatory frameworks."

Petri Lehtonen, former senior partner at Indufor & now Forest Finance Expert at FAO:

"Forests, as major renewable resources, will have an increasingly important role in finding sustainable solutions for global problems such as population growth, increasing competition for land, climate change and declining natural capital. A swift transition towards a green economy and bio-based production is needed and providing this, CBI standard for investment in such a crucial natural resource as forests, is a step in the right direction."

Sean Kidney, CEO, Climate Bonds Initiative:

“Low carbon forestry management is an essential factor for carbon sequestration and overall protection of natural capital in a carbon constrained world experiencing increased climate impacts.”

“The Forestry Criteria is a significant step in expanding the reach of the Climate Bonds Standard to a new sector. Issuers, asset managers and institutional investors now have a new, robust science-based process for delineating forestry investments compatible with addressing climate change against the Paris Agreement goals.”

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Notes for Journalists:

How Much Forestry Investment is Needed: Forestry is an integral industry for many developed and developing countries and forestry-related investments form a huge part of the capital assets of these countries. The UNFCCC has estimated that, globally, an additional [USD14 billion](#) in financial flows will be required to address climate impacts in agriculture, forestry, and fisheries in 2030. For forestry more specifically, UNEP estimates that USD17-33 billion per year is required to achieve a 50% reduction in deforestation by 2030.

Our [State of the Market Report 2018](#) analyses the green and climate aligned bond universe for sustainable land use (see pg. 29), including forestry. Overall, Land Use accounts for only USD37.3bn or 3% of the climate aligned universe, but there is strong indication that there is untapped potential for a shift along the spectrum from vanilla to green issuance which the new Criteria will underpin.

Climate Bonds [has also identified](#) Life on Land (SDG15) which includes sustainable forest management, as one of the six specific SDGs [where](#) increased green bond investment would provide a benefit, particularly in emerging economies. [Targets](#) 15.1, 15.2, 15A & 15B of (SDG 15) are particularly relevant.

Criteria Development Process: Development of the Forestry Criteria had its genesis in 2014 with the convening of an Agriculture Forestry and Land Use (AFOLU) TWG to develop Criteria for the Land Use sector. During the development process the scope of work led to a [decision in 2016](#) that it would be more effective to produce separate criteria for various parts of the Land Use sector.

Much of the work done by the Land Use TWG was adopted as a starting point and a separate Forestry TWG and Industry Working Group (IWG) was established. Across the two groups there was representation from leaders and subject matter experts drawn from academia, NGOs, issuers, investors and verifiers.

The IWG provided industry related feedback on the Criteria proposed by the TWG. The Criteria also underwent public consultation in [June 2018](#).

Forestry is the first Criteria released from this expanded process that has grown out of the original AFOLU, a pointer to the complexity of the sector.

About the Standard: The [Climate Bonds Standard](#) is an international screening tool for investors and governments, which allows them to easily evaluate climate and green bonds with confidence that the funds are being used to deliver climate change solutions.

Governance structures around Criteria development can be found [here](#).

About the Climate Bonds Initiative: The Climate Bonds Initiative is an investor-focused not-for-profit, promoting large-scale investment in the low carbon economy. For more information, please visit [Climate Bonds Initiative](#).

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