

Climate finance opportunities to foster forest-positive agriculture

Perspectives by Fondaction

Presentation by Philippe Crête

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Who is FONDACTION?

**Sustainable Investment
Fund in business since 1995**

+ 182 000 SHAREHOLDERS
+ \$2.9 BILLION IN ASSETS
+ 1 175 BUSINESSES supported by Fondaction and its partners



**+ 39,000
JOBS**
created or
maintained
throughout
Québec



**51%
REDUCTION
OF OUR
CARBON
FOOTPRINT** in
public market
investments between
2015-2018



**NO
SECURITIES**
from companies
with **FOSSIL
FUEL
RESERVES**

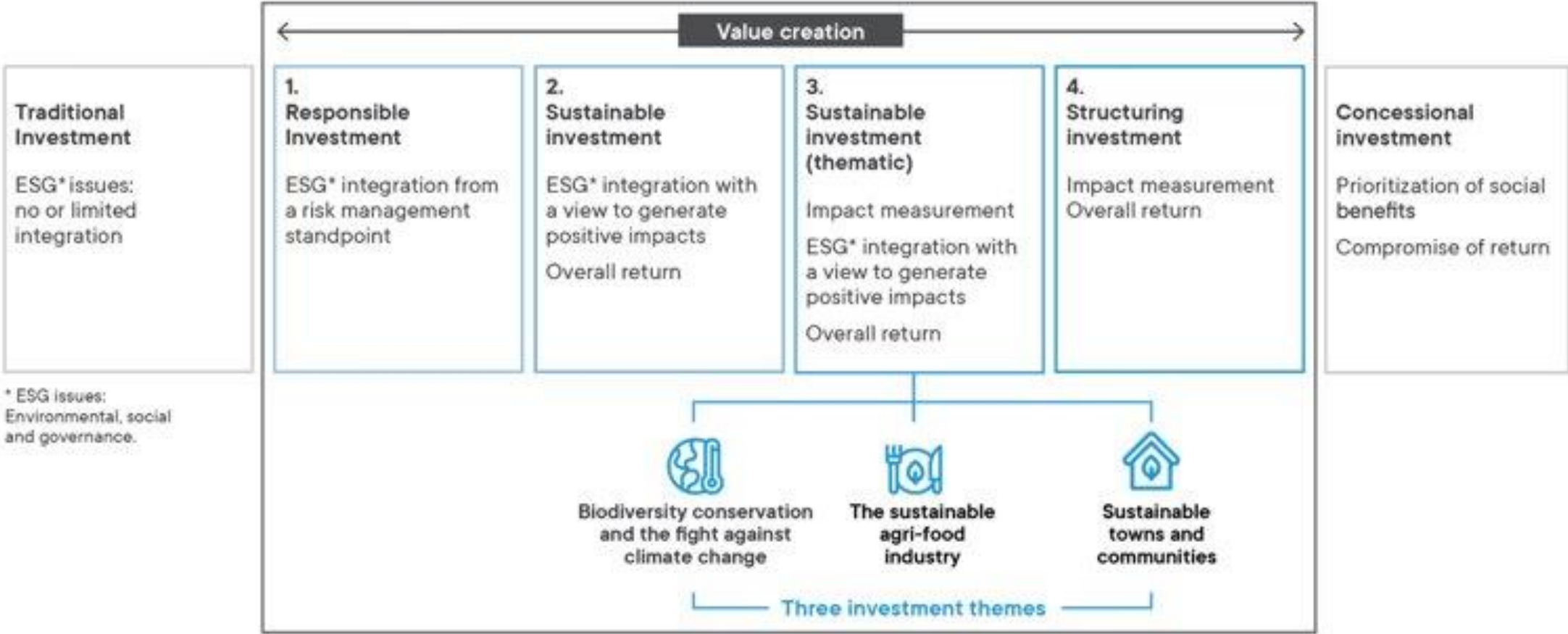


Nearly **\$120
MILLION**
invested in
**GREEN
BONDS**



100% of
Fondaction's
greenhouse gas
emissions are
**COMPENSATED
BY CARBON
OFFSETS**

Our investment strategy



Explaining the growing interest for natural capital and nature-based solutions investment



About \$44 trillion US of economic value – over half the world's total GDP – is potentially at risk as a result of the dependence of business on nature and its services

At least one fifth (21%) of the world's 2,000 largest public companies have committed to meet net zero targets, representing sales of nearly \$14 trillion US

Estimates indicate that **\$300 billion to \$400 billion is needed** each year to preserve and restore ecosystems³

Financial institutions and companies alike are getting pressured by consumers, investors, stakeholders and employees to step up

The LEAF Coalition

Lowering Emissions by Accelerating Forest finance



¹ WEF (2020). https://www3.weforum.org/docs/WEF_The_Future_Of_Nature_And_Business_2020.pdf

² WRI (2019). <https://www.wri.org/blog/2019/04/world-lost-belgium-sized-area-primary-rainforests-last-year>

³ McKinsey & Co (2016). <https://www.mckinsey.com/business-functions/sustainability/our-insights/taking-conservation-finance-to-scale>

How is the private sector investing in natural capital?

Different actors with different motivations & appetite for risk

Development banks

Impact funds &
Foundations

Private Equity Funds

Institutional investors

Corporate investors

Banks

Derisk and leverage
private sector
investment

Achieve social and
environmental
benefits, as well as
financial returns

Access unique
investment
opportunities with an
appropriate risk-
return profile

Invest in long-term
opportunities with
large scalability
potential

Meet corporate
environmental goals /
compliance
obligations

Provide low risk
capital backed by
collaterals

What sort of incentives and mechanisms can help investors like us ?

SUITABLE ENABLING ENVIRONMENT

- Stable regulations and policy
- Commitments to international conventions and treaties to support investment in natural capital & climate change
- Clear and simple permitting process
- Clarity over land ownership and benefit sharing
- Support by government authorities (ex.: throughout consultations)
- Credible and robust legal system
- Solid banking and financial system
- Reliable infrastructures
- Favorable fiscal incentives

INNOVATIVE FINANCIAL INCENTIVES

- Blended finance, with governments taking junior positions and/or providing guarantees
- Technical assistance by expert third party
- Subsidy programmes to cover certain investment costs (ex. feasibility studies)
- Fiscal incentives
- Environmental markets (ex.: carbon markets, PES)

How we invest

The Urapi Fund



- Urapi invests in sustainable agroforestry projects in Latin America, mostly focusing on bringing sustainable coffee and cacao to markets
- Urapi proposes an impact investment model that allows small producers to transition to sustainable agroforestry systems, improving yields and quality of their products, leading to higher incomes and livelihood quality
- Investment model based on creating joint enterprises with established cooperatives, and sharing revenues from the sale of agricultural products, micro-credit, as well as carbon offsets
- Urapi has secured \$40M USD of commitments from investors thus far and has approved 2 investments projects (out of 4)

How we invest

The Land Degradation Neutrality (LDN) Fund

- The Land Degradation Neutrality (LDN) Fund, co-promoted by the United Nations Convention to Combat Desertification (UNCCD) and Mirova, is a first-of-its-kind impact investment fund investing in profit-generating sustainable land use and ecosystem restoration projects worldwide.
- The LDN Fund has closed at \$200M+ USD, and its pool of investors includes institutional investors, banks, and development banks
- The LDN Fund provides long-term financing (debt/equity) for sustainable land use projects that will reduce or reverse land degradation, mostly in the field of sustainable agriculture and forestry.
- The Fund uses a layered structure, leveraging public money to increase private sector investment in sustainable development



Let's stay in touch

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Fondaction

Donner du sens à l'argent.