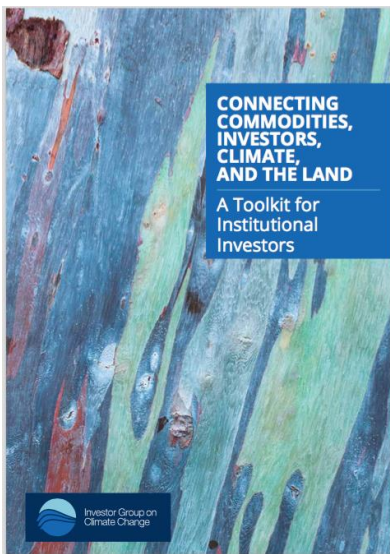# Connecting Carbon, Commodities, Investors and the Land
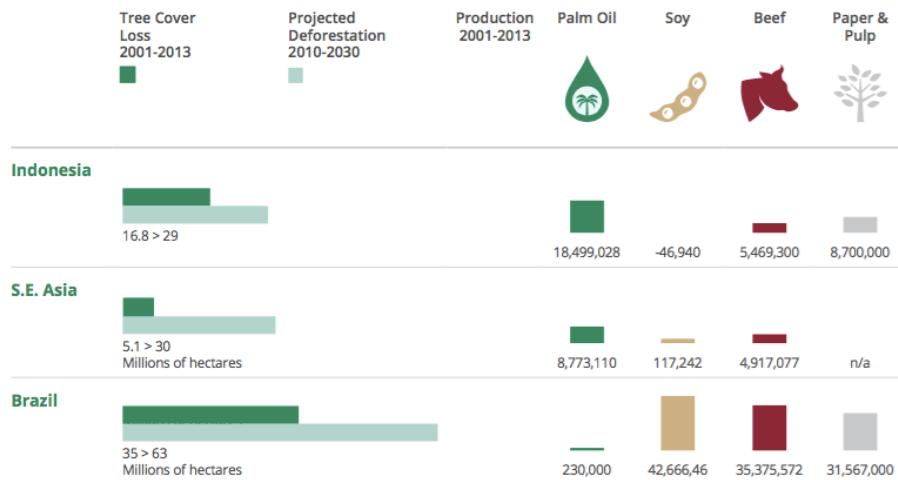
About the report

Provides an overview of:

o Land sector economic, emissions and policy landscape (Oz, NZ, SE Asia)

o Financial risks and investment opportunities

o Available tools and resources for investors

REGIONAL DEFORESTATION AND FOREST-RISK COMMODITY PRODUCTION

		Production 2001-2013	Palm Oil	Soy	Beef	Paper & Pulp
Tree Cover Loss 2001-2013	**Projected Deforestation 2010-2030**					
Indonesia						
16.8 > 29			18,499,028	-46,940	5,469,300	8,700,000
S.E. Asia						
5.1 > 30 Millions of hectares			8,773,110	117,242	4,917,077	n/a
Brazil						
35 > 63 Millions of hectares			230,000	42,666,46	35,375,572	31,567,000

Sources: Global Forest Watch, FAO and WWF Living Forests Report 2015

In Southeast Asia four commodities drive most deforestation and land-sector emissions—predominantly in Indonesia.63

Deforestation, together with emissions from ruminant livestock, nitrogenous fertilizers and other land-based sources, account for almost a quarter of the world's carbon emissions.

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Land sector economy, emissions & policy

Australia

- Australia is a major agricultural exporter with around 17% of Australia's total exports by value, generating 1.9% of GDP
- Australia's land sector accounts for ~18% of Australia's annual emissions, mostly from livestock and land clearing for livestock.
- Australia ranks among the world's top-ten deforesting countries, with clearing for cattle pasture mainly in Queensland
- Emissions Reduction Fund / Carbon Farming Initiative

New Zealand

- Agriculture (mostly dairy) contributed approx 5% of NZ's GDP in 2012. Milk products accounted for more than 40% of total exports in 2014.
- Farming is the largest source f NZ emissions contributing ~48% national emissions in 2015
- Forestry is a net carbon sink, sequestering almost 16% of the country's gross emissions in 2015
- NZETS is the major policy mechanism

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Country	Total GHG (Mt CO2-e, exc. LULUCF)	Total GHG (Mt CO2-e, inc. LULUCF)	Emissions from Agriculture (Mt CO2-e)	GHG reduction target	Land sector policies in (I)NDC (Y/N)
China	11,895,765.00	11,320,248.20	937,856.00	Reduce emissions per unit of GDP by 40–45% from 2005 by 2020	Y
India	2,100,849.73	1,848,317.78	390,165.38	Reduce emissions per unit of GDP by 33–35% from 2005 to 2030.	Y
Indonesia	554,333.48	1,375,587.93	73,399.98	2009 pledge to reduce emissions 26% below BAU by 2020 and 29% by 2030 or by 41% with international support.	Y
Malaysia	286,874.40	27,283.57	15,775.30	Reduce emissions from 2005 to 2030 by 35% or 45% with international support.	N
Thailand	305,524.36	234,586.60	52,927.30	Reduce emissions from 2005 to 2030 below BAU by 20% or 25% with international support.	Y
Vietnam	266,049.23	246,830.63	88,354.78	Reduce emissions 2005 to 2030 by 8% below BAU by 2030 or 25% with international support.	Y
Philippines	126,878.71	21,767.34	37,002.69	Reduce emissions by 70% by 2030 below BAU with international support.	Y

Sources: UNFCCC, Greenhouse Gas Inventory Data—Detailed data by Party

Looking across Asia

- Land sector emissions a major part of the profile of many countries in Asia.
- Measures to address land sector included in most (I)NDCs under the Paris Agreement

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Financially material business risks

Operational Risk
Environmental and social impacts can reduce productivity or result in stranded assets within companies

Regulatory Risk
Businesses that are unprepared for environmental or social impacts face regulatory risk

Litigation Risk
Environmental or social impacts can result in litigation against businesses

Market Risk
Environmental or social impacts can result in higher volatility in price or sourcing constraints of agricultural inputs

Reputational Risk
Business brand equity can be damaged due to conflicts involvig environmental or social issues

Source: UNEP

There are also a range of investment opportunities

In addition to green bonds and forestry funds, emerging opportunities exist to:

- Use of climate change assessment to deepen supply chain knowledge and influence.
- Convert environmental services to revenue
- Blended private-public investments
- Collaborative investments and project bundling to optimize returns, reduce risk.
- Leverage conservation capital for mainstream investments

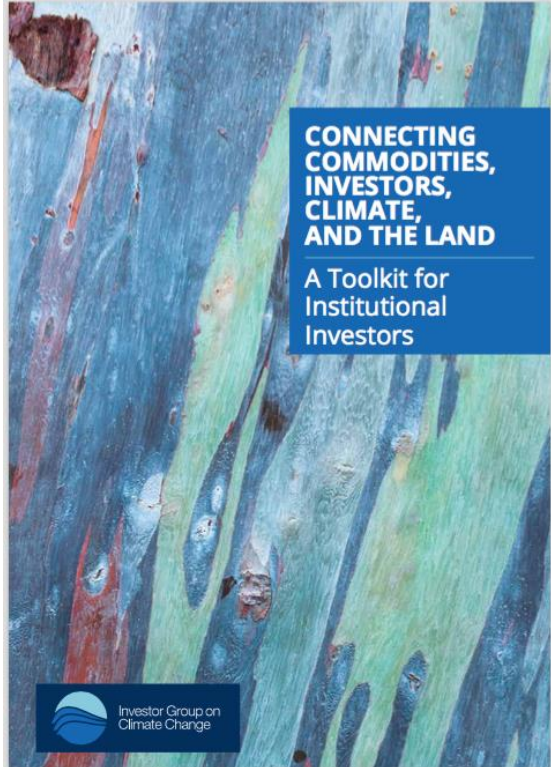**Investors are looking to better understand available tools and resources**

There are number of existing initiatives which can be applied.

The Investor Toolkit aims to set out currently available tools, resources and certification standards which can assist investors in managing risk and investing in new opportunities.

- KEY ENVIRONMENTAL STANDARDS AND CERTIFICATION SCHEMES IN THE LAND SECTOR

- NEW APPROACHES TO MANAGING ENVIRONMENTAL RISK IN FINANCE

- CIVIL SOCIETY INITIATIVES

Next steps for investors

1. Build Capacity
2. Good governance
3. Manage Risk
4. Invest
5. Engage
6. Collaborate
7. Disclose

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www.igcc.org.au