

Investor and Project Needs

A. Finance Community Needs Presentation, excerpts from Chandra Shekhar Sinha, Adviser, Climate Change Group, World Bank. csinha@worldbank.org (See below for Chandra's presentation.)

1. Buyers/ investors in the carbon markets are looking for:

- Credibility of reductions/ removals
- Contribution to the level of ambition of the Paris Agreement goals
- Consistency with long-term climate strategy
- Clear economic impact at the local level and contribution to sustainable development
- Level of ambition in the mechanism or project
- Independent assessment

2. Fit-for-purpose methodology and MRV should could start with the purpose of encouraging investment, result based finance and evolve to “market grade” methodologies with increasing data, modeling and sophistication of MRV systems:

- Scalable and designed to catalyze and drive systemic change
- Landscape level design, validation and verification
- Stratification and innovative sampling will reduce cost and complexity
- Accurate for capturing the results impact
- Sampling and modeling utilized to identify impacts (sequestered carbon) at manageable costs and reasonable accuracy
- Methodology and MRV should evolve in accuracy
- With iteration, data and model accuracy should improve
- Sampling can become better designed at lower costs with more reliable results

3. Conclusions

- Growing interest in natural climate (nature based) solutions to meet the global goal a net zero planet by 2050
- Soil organic carbon removals can play a very important role in being part of the measures for sequestration/ removal of greenhouse gasses
- For this to happen, soil organic measures need to gain the visibility of the global community though credible accounting methodologies and MRV systems that is implementable in a cost-effective manner:
 - Scalable and designed to catalyze and drive systemic change
 - Accurate for capturing the results impact
 - Methodology and MRV should evolve in accuracy
- Fit-for-purpose methodologies and MRV systems should could start with the purpose of encouraging investment, result based finance and evolve to “market grade” accounting methodologies and associated MRV systems.
- There is a need to consider a sequenced approach for result based payments to evolve into carbon market linked incentives

B. Day 1 breakout group finance community commentary

1. Measurement

- General company perspective: Agreement between different actors very important. For now, model-based measurement/remote-sensing measurement in the tropics are less attractive than activity-based measurement as lower levels of uncertainty and possibility to involve farmers.
- Limits of activity-based measurements/modeling: soil processes not linear and often go beyond project duration.

2. Accounting design

- Need to show the immediate benefits for farmers to support behavior change
- Distribute accounting costs of carbon removal together with other soil carbon benefits
- Baseline measure to know beforehand what is the threshold of C price necessary to make project viable- to reduce project risk
- Enterprises that are providing storage should be in a market with continuous payment for storage, similar to a warehouse; e.g. recurring rental payments;
- Finance market can deal with estimates if uncertainties are known, even if high. Use all forms of data, but need uncertainty

C. Suggestions from participant Piet van Asten, Olam: sees convergence around

1. The need for a hybrid approach (measure + model) to make claims
2. Acknowledgement that (most) tropical systems are far behind on data, models, and measurement capacity (i.e. clouds & high temporal/spatial heterogeneity in small farms)
3. Acknowledgement that prevention of soil carbon loss might require as much attention as gain -> challenges around baseline
4. The need to strengthen the financial incentive and sharing MRV costs by including other co-benefits

On the last point: besides direct carbon financing in VCS, is there no option for activity-based financing that we know will only provide directional (---/o/+ /++) support (e.g. prevent carbon loss, maintain healthy soils) for now. So, not making carbon quantity claim, because still have too many uncertainties to deal with for the next 5-10 years in most tropical smallholder systems? The environmental and economic benefits (e.g. yield increase, less erosion, reduced NOx, plant/insect diversity, fertilizer response) of such directional support for soil carbon are likely many times higher than the VCS carbon value – you did mention these co-benefits. Would it not be a pity if we would miss out on the directional support (i.e. activity based) if we know it's the good thing to do, but we just have too much uncertainty about the exact number and therefore can't have this supported by the C-market place?

D. Other points on scope and practicability

1. **What investors want to account for:**
 - Scope of emission: soil C only, or also other agricultural emissions, landscape level emissions (e.g. forest conversion) or the value chain lifecycle?
2. **Methods that are affordable and practical:**
 - Practice-based planning or reporting is a preferred approach for many projects, e.g. “eligible practice” or “green lists.” How far does this go in accounting?
 - Soil and other environmental data are often not available. Models for the tropics are often poor.
3. **Robustness needs:**
 - Aim for what is minimally necessary rather than waiting for perfection (Martin N's recommendation).
4. **Accounting time and spatial scales:**
 - Projects usually report annually, so how do they report if changes are only detected after 3-5 years? What if an initial decline occurs, as is common?

Day One: Deep Dives Presentation from Chandra Shekhar Sinha, Adviser, Climate Change Group, World Bank.



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