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SUBMISSION TO THE STANDING COMMITTEE ON FINANCE ON ITS FORUM ON 'FINANCE FOR NATURE-BASED SOLUTIONS (NBS)'

TWN welcomes the invitation by the SCF to observers to provide inputs to inform the design of its forum on 'Finance for Nature-based Solutions (NBS)'.

We wish to make the following points¹ and raise some overarching concerns in relation to the notion of NBS itself.

1. There is need for clarity on the meaning of what NBS covers and its scope. The term has not been used in the Convention or the Paris Agreement (PA) before. In fact, decision 1/CP.25 – para 15, the COP does not directly refer to NBS as a term but underlines '...the essential contribution of nature to addressing climate change and its impacts and the need to address biodiversity loss and climate change in an integrated manner'.
2. Hence, the suggestion to address this in the opening plenary session is welcome, while taking stock of the use of the term in other processes, including the UN S-General's 2019 Summit and the negotiations for the post-2020 biodiversity targets under the Convention on Biological Diversity (CBD).
3. The updated zero draft order (as of Aug 2020)² of the post-2020 global biodiversity framework under the CBD makes reference to NBS as follows:
Target 7 reads: '*By 2030, increase contributions to climate change mitigation, adaptation, and disaster risks reduction from nature-based solutions and ecosystems based approaches ensuring resilience and minimising any negative impacts on biodiversity.*' (Emphasis added; see point 12(a) of the updated zero draft). The zero draft order of course is the subject of negotiations in the CBD. Earlier versions of the draft had explicit

¹ TWN would like to acknowledge the inputs of Dr. Doreen Stabinsky, from the College of the Atlantic for much of the material in this submission, stemming from a forthcoming paper by her on "Framing Nature-based Solutions."

² <https://www.cbd.int/doc/c/3064/749a/of65ac7f9def86707f4eaefa/post2020-prep-02-01-en.pdf>

references to the PA with reference to a goal of nature contributing to '*at least [30%] of efforts to achieve the targets of the Paris Agreement in 2030 and 2050*'. This 'goal' has since been removed.

4. At the country level, there are many lessons and good practices that can be learned from NBS such as the use of ecosystems- based adaptation, forests conservation and rehabilitation including that of mangroves, promotion of sponge cities etc, in addressing climate change. Hence, the Forum's design in sharing the experiences and challenges in implementing NBS for climate and the associated financing needs for climate-focused nature-based interventions is welcome.
5. **However, concerns arise when developed countries and big corporations have reasons for promoting NBS as sinks/removals in developing countries for their emissions sequestering. This is where NBS, linked to the notion of achieving net-zero through international carbon markets gives rise to concerns. The issue of carbon markets is being dealt with under Article 6 of the PA.**

While the PA makes no mention of NBS, Art. 4.1 refers to the role of sinks in achieving the temperature goal. '*In order to achieve the long-term temperature goal set out in Article 2, **Parties aim to reach global peaking of GHGs as soon as possible, recognizing that peaking will take longer for developing country Parties, and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty.***' (Emphasis added).

Sinks for greenhouse gases may be oceans or soils, as well as ecosystems such as forests, wetlands, and grasslands.

The mitigation potential of NBS comes in two forms: avoided emissions and increased sequestration.

6. **There is an important difference between fossil carbon and terrestrial carbon.** It is often assumed that fossil and terrestrial (land-based) carbon are interchangeable in the planetary carbon cycle. They are not. In a very important sense, fossil carbon – carbon resulting from the burning of fossil fuels – is never going back into the ground where it came from. We are extracting carbon that was put into the earth millions of years ago and releasing it into the atmosphere. This is not going back to fossil carbon in this geologic age. Carbon dioxide has a residence time in the atmosphere for hundreds to thousands of years. That is the core of the problem.

As Pete Smith, a leading IPCC expert on terrestrial carbon says: "You can't fit the geosphere into the biosphere³." Carbon released from burning fossil fuels cannot be all fitted into our forests and grasslands and wetlands. These ecosystems play a very important role in sequestering carbon, indeed, but they are in no way a "solution" to continued burning of fossil fuels.

³ See fn 1.

7. Offsets are not removals, not negative emissions, and not a way to get to net zero. One of the most critical misconceptions is that the sequestration potential of NBS can **offset** the continued burning of fossil fuels. Offsets do not reduce atmospheric concentrations of carbon dioxide.

8. Hence, in advancing the use of NBS, some critical questions need to be asked and answered:

- *What are the solutions for?*
- *Whose problems are being solved?*
- *Who is 'profiting' from the 'solution'?*
- *Who put the carbon into the atmosphere in the first place and who should be responsible for removing it?*
- *What are the social impacts of these solutions on local communities and indigenous peoples?*
- *Who will 'own' and benefit from the NBS?*

9. In the notion of equitable access to atmospheric and development space, developed countries have occupied most of the atmospheric space through their cumulative historical emissions. They must start with deep decarbonization on their part and they have to pay developing countries for the climate debt to enable them to shift to a low-emissions path. (See TWN paper on 'The Equitable Sharing of Atmospheric and Development Space: Some critical aspects,' by Martin Khor for more details⁴).

10. Net zero pledges that are not grounded in deep decarbonization and that rely heavily on NBS, with or without offsetting, create a huge demand for NBS.

No published research exists yet that adds up the quantities of carbon removal that make up the net zero pledges of corporations and some countries. The quantity will be huge and likely to exceed the sequestration capacity of the planet by several fold.

Much of the sequestration capacity is in the sinks of the developing world and this leads to concerns about possible 'land and forest grabs', in the name of climate and biodiversity solutions. Indeed, possible negative impacts for developing countries, especially on the poor communities who depend on the lands and forests for their livelihoods and resources must be seriously considered and taken into account.

11. Concerns over the financialisation of nature -

In the discussion over the various types of finance for NBS, one major area of concern is that relating to the financialisation of nature, especially in relation to 'innovative financial mechanisms and instruments'.

⁴ Available at: <https://www.twn.my/title/climate/climateo4.htm>

This was an issue that was discussed at a CBD side-event convened by the governments of Ecuador, India, Japan, Norway, Sweden, and the CBD Secretariat⁵ on the theme of 'Scaling up Biodiversity Finance.'

"Financialisation is used as a term here to describe international trading in abstract and derived products related to biodiversity in contrast to regular trade in goods and products. The financialisation market is defined and driven by the financial sector intermediaries such as special investment firms, hedge funds, banks and insurance companies, which have extensive experience of trading in risk management connected to derivatives and financial transactions. With the increasing complexity of the international financial markets, with multiple levels of transactions and bundling of assets, it is feared that such financing may both divert funding for biodiversity and impose restrictions on the informal user. In this way, financialization can have unintended negative impacts on local communities, biodiversity and the financial system at large, and thus warrants further analysis.⁶"

The concerns raised above in relation to financing biodiversity is also relevant in relation to the financing of NBS.



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⁵ Held in Quito from 6-8 March, 2012

⁶ See Co-chairs's summary at https://whatnext.org/research_pubs/scaling-up-biodiversity-finance-co-chairs-summary-from-quito-i-dialogue-seminar/

