



Interview Christian del Valle

Mary Grady of Winrock's American Carbon Registry (ACR) interviews Christian del Valle, director of environmental markets & forestry at BNP Paribas and ACR Advisory Council member, regarding the challenges for scaling up investments in REDD.

Mary: As a banker, how did you become interested in REDD?

Christian: Well, the first part of my career was focused on energy trading and marketing in the UK in natural gas and electricity. The work was dynamic and exciting, nevertheless had very little application to the things in life that are important to me, and I had begun to ask myself questions about how 'satisfaction' might be defined. I knew that I wanted something more fulfilling than a paycheck and indulgently wanted to align my career with the things I was passionate about, such as wildlife.

On my first trip to Africa about ten years ago, I was blown away by the challenges facing the people on the ground and the tapestry of wildlife and humanity interwoven with tragedy and despair. In retrospect, that trip really was a catalyst for my change in direction. Relatively quickly- impulsively in the eyes of some- I took a career 'sabbatical' and spent about a year doing voluntary work in conservation with a community focus in east and southern Africa. I formalized my focus by doing a Masters in Conservation Biology at Durrell Institute of Conservation and Ecology at the University of Kent, which also included field work in Botswana's Okavango Delta. When I finished my Masters and



began to re-think my career, the emerging carbon markets offered the opportunity to apply my skills towards what was at the time an innovative and experimental initiative attempting to build linkages between commerce, the environment and sustainability.

Mary: What was the chain of events that led you to recently announce one of the first major REDD investments by a global financial institution?

Christian: Kyoto completely ignored natural forests and under-incorporated land use, and this glaring omission had to be corrected eventually considering

the sector is the source of nearly one-fifth of global emissions. In December 2007 in Bali, I was impressed, and very pleased, that forests and REDD were seen as vital and credible. And by the end of 2008, I began to convey the business case to BNPP that being involved at the early stage to build the REDD+ marketplace was worthy of attention and we could learn by doing.

I was asked to identify the right opportunity for the bank to test the waters on this new asset class. There was zero margin for error: It was critical to get it right and select a project that brought together the highest environmental and social attributes, with the best possibility for financial return. The reconnaissance period was lengthy and rigorous, and finally we selected Wildlife Works' Kasigau Corridor REDD project in Kenya. Wildlife Works' complimentary abilities to interface with local communities and implement the technical field work were impressive. BNPP's investment into the Kasigau Corridor project was one of the first major interventions by a top tier financial institution after Bali.

Having successfully completed that process, the team and senior management were left with strong impressions about the emerging REDD market. We feel that credible mitigation and adaptation must involve the forest sector in a meaningful way, and that a large portion of the burden will be met by private sector in partnership with public sector.

Mary: What signals need to be sent to more effectively mobilize private capital for transformative emissions reduction projects such as REDD?

Christian: Market risk in REDD is inextricably linked to regulatory risk, and we are operating in a vacuum of coherent global policy. We do have the technical ability via new standards such as ACR and VCS for these projects to deliver high quality reductions. But what's the route to monetization and how predictable is it? Policymakers at the UN and in governments need to understand that the primary requirement to catalyze these investments in land use is an accessible price signal. The price for intact forests must stand alongside the price for extractive uses, and we need to be realistic about the future value of forest ecosystems. It is important to recognize the complexity of land use. There are many challenging issues, but once the price signal exists, many of the issues will begin to solve themselves.

Mary: Recently in the U.S., since the financial crisis, we've been experiencing a widespread lack of faith in market mechanisms. What is needed to regain the faith?

Christian: Historically market-based approaches have had a spiritual home in the Anglo-American sphere, and there's been a more cautious approach to market-based mechanisms in continental Europe. That said, European policymakers have shown real leadership in the climate policy arena

and have demonstrated support for markets via the EU ETS (European Union Emissions Trading Scheme) and belief in its ability to deliver results. Of course improvements are needed, and the European Commission addresses that through ongoing review. Markets are part of, but not all of, the solution to managing climate. Rejecting a market-based approach is tying one hand behind your back. And for those who don't like markets, they'll hate taxes!

Mary: What should governments be doing to more effectively engage the private sector?

Christian: Governments should support not only supply side initiatives such as REDD, but also demand side measures and regulations which focus on what type of practices are acceptable in the supply chain of products sold in the west. The U.S. Lacey Act and similar efforts in the UK and Europe are important to ensure that the supply chain for forest products doesn't include illegal sourcing and, for ultimate success, should even go as far as requiring sustainable sourcing. It is unfair for consumers to have to choose between expensive eco-friendly products and less expensive non eco-friendly ones. It is the responsibility of policy-makers and regulatory bodies to ensure that consumers don't have to make those choices. Soon, in the west, we may find that every product derived from natural resources from sensitive ecosystems is produced in accordance with high sustainability criteria. Once we've put those regulations in place, we will have made a huge dent in solving unnecessary deforestation.

It's the same issue in the oceans. Ultimately we will have to balance conservation with commerce. You can only push this necessity forward for so long. How much do we value our ability to use these vital resources in the future? The trajectory is that we'll not have the resources to feed nine billion mouths. These are the biggest policy issues of our time.

Mary: Since REDD is not currently recognized by any compliance regimes (notwithstanding the future REDD market in California), who are the buyers for the offsets?

Christian: With the issuance of the first REDD credits, I have been very impressed with the level of interest from existing and new voluntary market participants. Corporate brands are facing more scrutiny on the provenance of goods. For example, consumers of Indonesian and Malaysian palm oil have shied away from producers whose environmental, social and governance (ESG) credentials are considered less than ideal in the area of High Conservation Value (HCV) Forests. Voluntary forestry credits which enhance livelihoods, conserve biodiversity and reduce emissions are powerful tools for companies who are seeking to project a positive image to customers and investors.

Mary: Regarding the importance of co-benefits and ESG to voluntary buyers, what is the best means to ensure that indigenous forest communities are direct beneficiaries of funds from REDD projects?

Christian: From the vantage point of an organization that works to enable capital flow into REDD, information flow on environmental, social and governance criteria is absolutely vital. We must be able to demonstrate that the positive ESG attributes are there and that the project continues to deliver the desired outcomes over time. This is critical to investors and credit buyers alike. The rights owners and resource users of forests are equal partners, and as much of the value of the resource should flow back to them as possible.

Mary: What does your crystal ball show regarding whether the EU ETS will open the door for forest carbon and REDD?

Christian: Embedded in the question is whether Europe will increase emissions reduction targets. Beyond that, the opportunity and responsibility falls on the REDD community (host countries and practitioners) to offer an abatement tool that ensures reductions that can be monitored, reported and verified. REDD isn't fungible for compliance today in Europe, but there are conversations taking place in the hallways about how that might happen in the future. The scope already exists for the EU to approve offsets that are recognized under UN mechanisms, so if REDD is approved by the UN, there could be a European demand. And with the Commission stating its interest in linking with California, this provides additional impetus.

Mary: What is the future of REDD – what do you expect to happen in Durban?

Christian: The Cancun agreements triggered the creation of modalities for REDD, and we'd like to see in Durban evidence of meaningful progress in that area. Also, the question of how REDD will be financed and the need to address the role of markets can't be pushed forward any longer. Policymakers are relying on abatement to happen in this sector, so we need to know how it will be funded at scale. The expertise that is being developed in the voluntary markets is indispensable to UNFCCC to demonstrate both the technical capability to achieve MRV as well as positive engagement with stakeholders on the ground.

Mary: What accomplishment are you most proud of and what is next?

Christian: I am pleased at the role I have had in introducing BNPP to the opportunities arising from investing in avoided deforestation, and the side benefits which arise on the ground when local communities are empowered to manage their resources sustainably. The capital that BNPP provided to Wildlife Works' Kasigau Corridor REDD project was transformational for communities in Kenya facing real day-to-day issues involving land use as well as for important wildlife populations.

The challenge is to achieve a framework that will allow us to go at the problem at scale and make transformational investments that deliver value to investors and local communities and also achieve conservation. I hope to be a part of making a credible dent in the daunting task of addressing global climate change with REDD.

About Christian del Valle

Christian del Valle is Director of Environmental Markets & Forestry with BNP Paribas. Christian joined the bank in 2005 to manage and develop the client base for environmental products, with a focus that included EU-ETS business and global emissions reductions projects (CDM/JI). He is now leading BNP Paribas' movement into the Forest Carbon space, with a particular focus on community-based REDD+ in Africa and Latin America. Amongst his recent achievements is the execution of one of the first-ever large private sector interventions in REDD+, through the creation of a \$50m financing framework for African forest carbon projects with Wildlife Works. In addition to structuring, origination and business development, Christian's role extends to regulatory affairs, where working through organizations such as International Emissions Trading Association (IETA) and Carbon Market and Investors Association (CMIA), he has interfaced extensively with policymakers on both sides of the Atlantic. He serves as the Vice-Chair of CMIA's REDD working group and sits on the project board of the World Economic Forum's Project on Sustainable Land Use.