

Investable Entities for REDD+

September/2014

Context

- Key features of REDD+ investable entities:
 - navigate the myriad of bilateral and multilateral access modalities;
 - but also be able to attract private sector financing
- International and national public climate and REDD+ finance limited
 - vs. amount of investments needed;
 - often disbursed to readiness and preparatory activities (land tenure, governance and participation in decision-making, lawmaking, etc.)
- Explore alternatives for private sector involvement
 - go beyond non-reimbursable instruments
 - not only carbon credits;
 - steadily growing demand for low to zero deforestation products/raw material

Types of public entities

- Public entities can make use of different vehicles and financing mechanisms to attract investment, depending on the legal regime under which the entity operates

Public Law Regime

Operates under an a predominantly public law regime

Limited in forms of interaction with the private sector (have no economic finality)

- may create public trusts or endowment funds, accept donations and/or give out concessions for public services/areas

Less flexible, as it requires to tender and procurement procedures for engaging advisors, validators, verifiers, registries, and for selling REDD+ assets...

Private Law Regime

Publicly created, but may operate under a private law regime

Act directly stimulating a new forestry economy (have an economic finality)

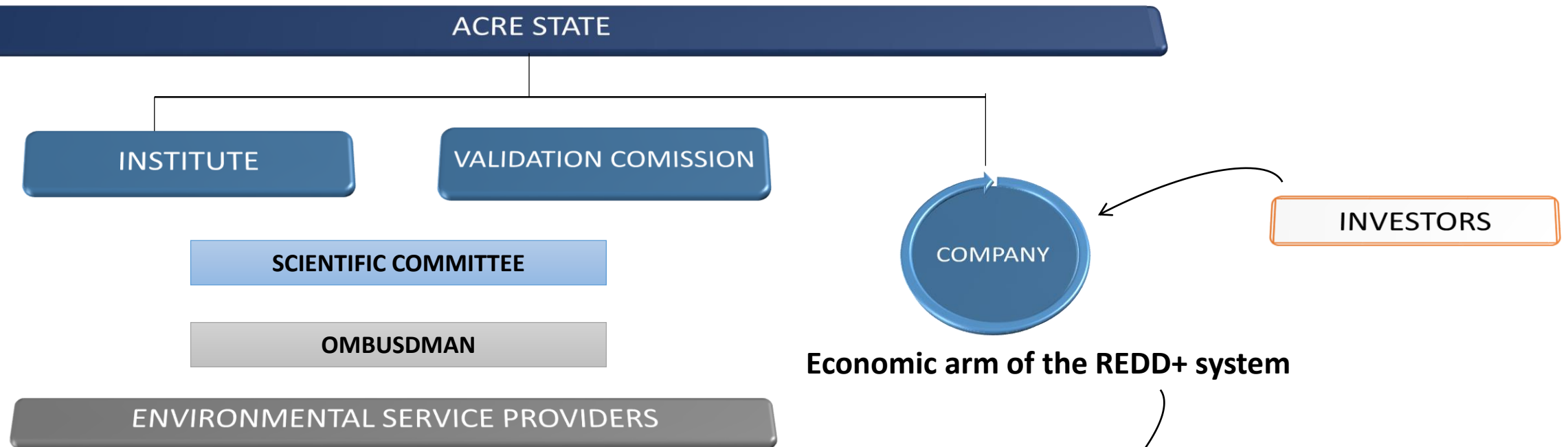
May enter into equity joint-ventures and partnerships seeking profit

May raise debt (use environmental assets as collateral)

Could create spin-off entities

May not need to follow public procurement procedures and spending rules

Acre's REDD+ System Governance Structure



- Fund raising, including both donations and investments that seek capital return;
- Implementation of programs, subprograms and projects, alone or in partnerships with the private sector;
- Advisory to private entities willing to implement nested REDD+ projects;
- Management and marketing of environmental assets.

Features of the Acre Company

Acre
Public-
Private
Company

has its own legal personality

has legal predictability

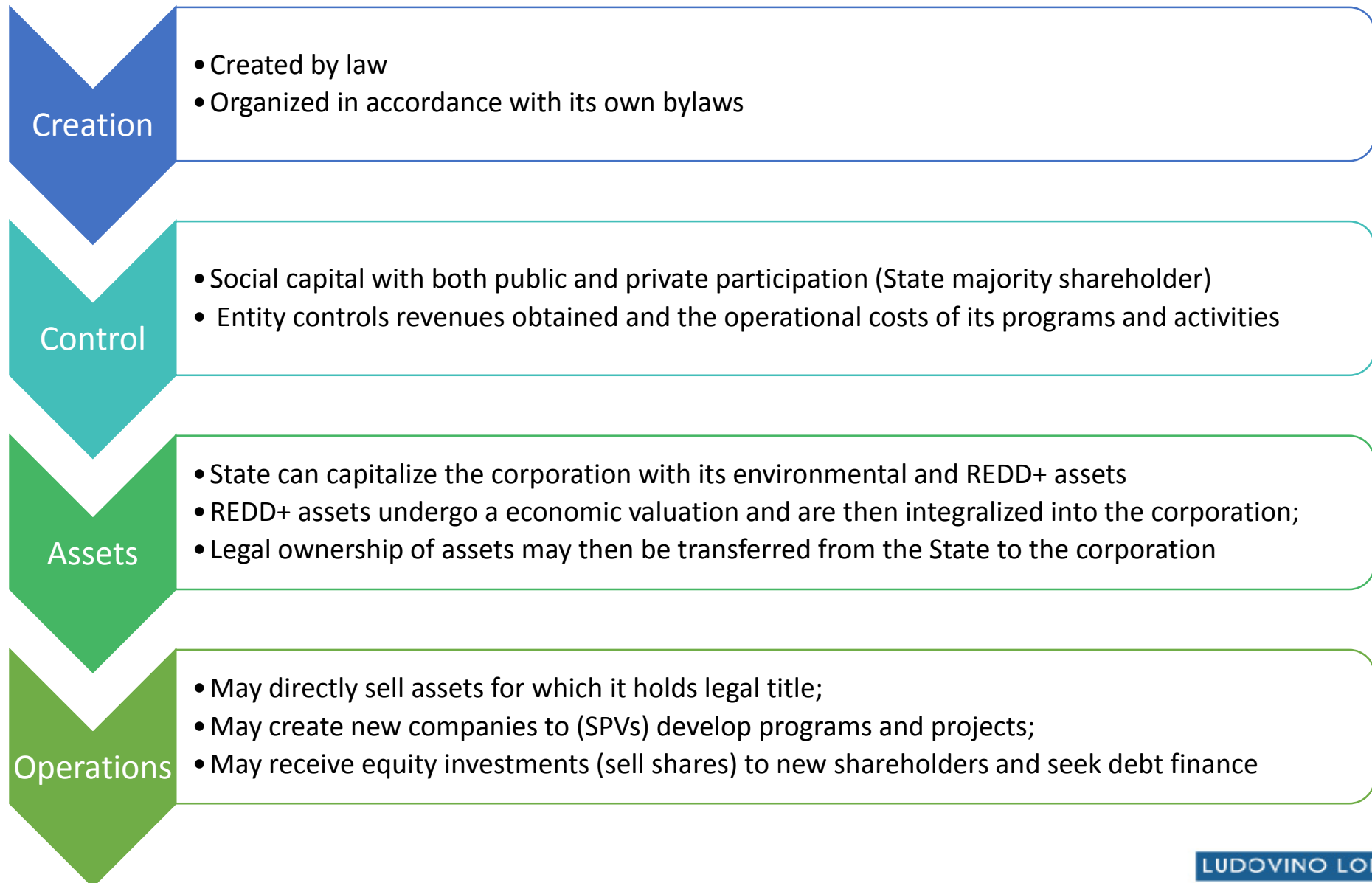
has an economic finality

follows fiduciary standards

has additional flexibility to operate

not restricted to REDD+

Constitutive steps and procedures



Advantages of the model

- Reduces dependence on already limited public/budgetary resources;
 - While may receive grants in its initial phases, it is more likely to achieve financial sustainability;
 - Better aligned with the third-phase of REDD+
- Operates in more flexible way
 - Less restrictive rules;
 - Increase the pool of financing opportunities and investors
- Corporation model coupled with management of environmental assets
 - No initial cash expenditure by the State (integralization of REDD+ assets into the corporation);
 - Revenues of the corporation are not mingled with revenues of the government
 - Gain private sector know-how to operate in the environmental markets

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Thank you

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