

## Deutsche Bank and Coalition for Rainforest Nations launch White Paper on Nature-Based Sovereign Carbon to Reverse Deforestation at Scale

- Sovereign Carbon is a new financial asset class allowing institutional investors and corporates to align their Net-Zero targets with the Paris Agreement
- It offers multi-gigaton nature-based carbon credits every year with a potential multi-billion dollar market
- Sovereign Carbon also includes other important benefits to reverse deforestation such as biodiversity, Sustainable Development Goals (SDGs), climate equity for Indigenous Peoples' rights and local communities.

**October 11, 2022 (London/New York/Frankfurt)** - Today Deutsche Bank and the Coalition for Rainforest Nations launch the Sovereign Carbon White Paper "*UNFCCC REDD+ and the Power of Sovereign Carbon*". It aims to educate investors on how they can reverse deforestation at scale through the capital markets.

In its 2022 report AR6<sup>1</sup> the United Nations' IPCC concluded that it is impossible to meet the Paris Agreement 1.5c target without protecting Nature, and in particular Rainforests, as it is the third largest carbon emitter globally >6GtCO<sub>2</sub>e/year, if it were a country (behind China & USA).<sup>2</sup>

In their current form, the Voluntary Carbon Markets (VCM) have not been able to provide the necessary scale (they represent carbon credits equal to just 0.7% of global emissions)<sup>3</sup>, integrity (emissions reductions are not accounted for within Paris Agreement), and transparency (carbon price and revenue allocation) required by institutional investors. Nor do they unlock the hundreds of billions needed each year to reverse global rainforest deforestation. Sovereign carbon is a new institutional asset class that seeks to bridge that gap, offering institutional investors and corporates the ability to reverse deforestation at scale, through Paris Agreement-Compliant carbon credits.

"Nature-based solutions have the potential to address some of our challenges with climate, biodiversity and ensuring a 'just' transition. UNFCCC REDD+ sovereign carbon credit represents such an asset, evidencing carbon sequestration and supporting entire ecosystems, and thereby allowing capital to flow where it is most needed." -- Claire Coustar, Global Head of ESG and Sustainable Finance, Deutsche Bank Investment Bank – Fixed Income and Currencies

The Article 6 rulebook drafted at COP26 in 2021<sup>4</sup> determined that countries may issue carbon credits under the framework of the Paris Agreement. In that context, sovereign credits are considered Internationally Transferred Mitigation Outcomes (ITMOs). UNFCCC REDD+ sovereign credits issued under Article 5 in the Paris Agreement, generated from 2021 onwards, are considered ITMOs. Those issued prior still work seamlessly with Paris Agreement national greenhouse gas (GHG) accounting.

### The Sovereign Carbon White Paper aims to:

- Introduce the sovereign carbon asset class and highlight its institutional advantages over purely voluntary carbon offsets.
- Educate financial markets about how sovereign credits can be purchased and used in a Paris Agreement-compliant manner.
- Explain the biodiversity, SDGs, and risk management benefits of this multi-gigaton market.

Deutsche Bank's Private Bank ESG Chief Investment Officer (CIO) and Global Head of the CIO Office, Markus Müller said: "Nature-based solutions are an important part of climate mitigation and adaptation. Without nature's help, we won't be able to combat climate change. The systemic value of nature must become an integral part of macroeconomic policy, and incorporated into markets and business decision-making."

The potential dollar size of the market for sovereign carbon is in the multi billion-dollar range, the White Paper finds, as multiple-gigaton of carbon credits generated by the five REDD+ activities are available through the UNFCCC REDD+ system.

<sup>1</sup> United Nations IPCC AR6 WG3, 2022 - [https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC\\_AR6\\_WGIII\\_SPM.pdf](https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_SPM.pdf)

<sup>2</sup> World Resources Institute - <https://www.wri.org/insights/numbers-value-tropical-forests-climate-change-equation>

<sup>3</sup> Ecosystem Marketplace - State of Voluntary Carbon Markets 2021 <https://www.ecosystemmarketplace.com/publications/state-of-the-voluntary-carbon-markets-2021/>

<sup>4</sup> UNFCCC COP26 - Article 6 - Agreement: <https://unfccc.int/process-and-meetings/the-paris-agreement/the-glasgow-climate-pact/cop26-outcomes-market-mechanisms-and-non-market-approaches-article-6>

“Rainforest Nations need properly functioning markets if they are to continue their work saving forests. These carbon credits represent the work already done by developed nations and the scale required to reverse deforestation. They cannot continue to remove atmospheric carbon for free.” -- Federica Bietta, Managing Director, Coalition for Rainforest Nations

The Coalition for Rainforest Nations welcomes institutional investors and corporates to learn more about the purchase and trading of sovereign carbon credits. Sovereign carbon will be the focus of several upcoming industry events -- in London (Carbon Forward), Washington, D.C. (IMF’s Annual Meeting 2022), and at COP27, in Egypt at the Rainforest Pavilion in the UN Blue Zone, Nov. 6-18.

“The billions necessary to reverse rainforest deforestation will only come from one source: the capital markets. Investors and corporates, can use them to meet Paris Agreement targets and their Net-Zero plans.” Alistair Mullen, Co-Founder & Director, REDD+Capital

**Download Deutsche Bank White Paper here:** <https://deutschewealth.com/en/insights/sustainability/biodiversity/unfccc-redd-sovereign-carbon.html>

**About Deutsche Bank**

Deutsche Bank provides retail and private banking, corporate and transaction banking, lending, asset and wealth management products and services as well as focused investment banking to private individuals, small and medium-sized companies, corporations, governments and institutional investors. Deutsche Bank is the leading bank in Germany with strong European roots and a global network.

**About Coalition for Rainforest Nations**

CfRN helps rainforest nations preserve their rainforests and transition to sustainable economies. Originators of the Reducing Emissions from Deforestation and Degradation mechanism (REDD+), CfRN offers countries policy, technical training, and direct finance support. It is a US 501c3 not-for-profit, based in New York. For more information, contact [info@rainforestcoalition.org](mailto:info@rainforestcoalition.org)

**About REDD+Capital**

REDD+Capital is a nature capital solutions provider that structures and distributes nature-based financial products to corporates, institutional investors, and governments. Its first structured product is Sovereign Carbon.

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