EMERGENT TO PILOT ADVANCE PAYMENTS FOR LEAF COALITION TRANSACTIONS

- **New advance payment model to be piloted for forest governments signing LEAF Coalition agreements.**
- **Payments to support governments in putting in place jurisdictional REDD+ programs, complementing existing technical assistance funding.**
- **Initial funding to be provided by UK Government and ZOMA LAB, with Emergent seeking additional sources of finance to expand payments in future.**
- **Emergent supported by Environment Defense Fund in concept development and program design.**

16th November: Emergent today announced it will launch a pilot to make advance payments available to forest governments that sign binding Emissions Reduction Purchase Agreements (ERPAs) to supply the LEAF Coalition.

LEAF, a public-private sector partnership focused on mobilizing finance at scale to tackle deforestation, has created a strong demand signal for high-integrity emissions reductions credits. However, many forest governments still face significant challenges including funding gaps to implement jurisdictional REDD+ programs, progress to signing ERPAs and issue credits. While LEAF is focused on a rewards-based approach, these payments are designed to help address this issue, building on and complementing the range of grant based technical assistance programs available from organisations such as UN-REDD and a range of NGOs.

Whereas technical assistance grants are typically provided to help forest governments build technical capacity, LEAF advance payments will be made to governments to cover the initial implementation costs of generating high-integrity credits from programs tackling deforestation. The flexible approach gives forest governments freedom to use the funding to support their specific needs. Examples could include supporting the development of Benefit Sharing Plans in consultation with Indigenous Peoples and Local Communities, legal support to strengthen policy frameworks and contracts, fees for Verification & Validation Bodies and building stronger implementation teams.

The LEAF Advance payment approach was developed by Emergent with support from the Environmental Defense Fund (EDF), which provided significant input and expertise as part of the overall concept definition and technical design.

Advance payment amounts will be agreed with forest governments during ERPA negotiations on a case-by-case basis, with payments made as agreed milestones are met. The use of advanced payments will be governed and monitored under the same Investment Framework for all LEAF payments. Funding will be disbursed directly to implementing agencies through the appointed Financial Intermediary. Finance for the pilot phase will come from two sources, using different models.

1. The UK Government has made **£17.5m** of its existing LEAF commitment available for advance payments to forest nations, following the signing of an ERPA, and in line with specific milestones. The funding will be used to pay upfront for up to 10% of the agreed portion of the credits covered by the UK purchase guarantee. Payment for the remaining credits will be made on issuance.

2. ZOMALAB has contributed an initial capital commitment of **$5m** to enable Emergent to establish a facility to make payments in advance of credit issuance. When credits are issued and transferred to Emergent, final payment, less the advance payment amount, is made to the forest government and other beneficiaries via a Financial Intermediary. The advance payment amount is returned to the fund for potential re-use with additional forest governments on agreement with ZOMA LAB. The principal will be repaid to ZOMA LAB at the end of the agreed term.

Emergent plans to seek additional sources of funding to expand its capacity to make advance payments in the future. Approaches will potentially include advance payments from corporate buyers and finance from philanthropies and other private entities, including return-seeking investors.

'LEAF is designed to be catalytic. But it also needs to be flexible to the changing needs of stakeholders. As such, it is key that we listen and adjust the design and delivery of LEAF as it develops,' said Eron Bloomgarden, CEO of Emergent. 'The advance payments facility is just one example of how we are doing this. We heard from forest country partners that they were facing an important funding gap to cover initial implementation costs. The advance payment initiative is a practical response to that feedback.'

Brian McPeek, Director of the Global Permanence Fund, an initiative of ZOMALAB, said, 'Tackling climate change requires innovative financial solutions. The LEAF Coalition's approach to mobilizing finance at scale for forest protection has the potential to be transformational. We are delighted to help unlock this by providing financial support. Our hope is that this proves catalytic to attracting other sources of investment for advance payments, particularly from the private sector once the approach has been proven.'

Mark Moroge, Vice President, Natural Climate Solutions at the Environmental Defense Fund said: "The LEAF advanced payments model is an important innovation in jurisdictional REDD+ development. These payments can play a critical role, alongside complementary capacity building and technical assistance tools, in providing the up-front financing and support so urgently needed. Combined, these approaches can help tropical forest countries and their partners deliver on their high ambition goals for climate, people and forests. EDF is pleased to have been a partner to develop this model and looks forward to continuing to collaborate with all key stakeholders to fulfil the potential of high-quality jurisdictional REDD+."

Emergent expects to make the first advance payments to forest governments in 2024, following signing of ERPAs.

- Ends -

Notes to Editors

The LEAF Coalition

Established at the World Leader's Summit on Climate at COP26 in Glasgow, the LEAF Coalition aims to build a market for high integrity REDD+ emissions reduction credits from large scale schemes operated by national or sub national governments (known as the jurisdictional approach). LEAF ensures the highest environmental and social integrity of REDD+ results by only purchasing credits issued by ART as verified to meet requirements of its TREES Standard for jurisdictional REDD+ emissions reductions and removals. This builds buyer confidence and trust by ensuring the highest levels of environmental integrity and social safeguards, particularly for Indigenous peoples and local communities.

Emergent

Emergent is a U.S. non-profit that serves as an intermediary engaging between tropical forest countries and the private sector to mobilize finance to support emissions reductions in deforestation. It does this by developing and bringing practical, credible and largescale forest protection solutions

to market. Emergent serves as the coordinator of the LEAF Coalition. Launched during President Biden's Leaders' Summit on Climate in April 2021, LEAF is a public private initiative designed to accelerate climate action by providing results-based finance to countries committed to protecting their tropical forests. Its participants, which include the US, UK and Norwegian governments, together with 25 global companies, have already mobilized more than $1.5 billion.

ART TREES

ART is a standalone, independent program that develops and administers standardized procedures for crediting emission reductions and removals from national and large sub-national REDD+ programs. ART's standard for the measurement, monitoring, reporting and verification of emission reductions and removals from the forest sector — The REDD+ Environmental Excellence Standard, known as TREES — represents the next step in the evolution of global efforts to protect and restore tropical forests. TREES supports transformational climate action at scale, while upholding rigorous social and environmental integrity.