Landscape and Jurisdictional Approaches

Opportunities to finance a nature-positive net-zero transition

December 2022

This factsheet provides a high-level overview of what landscape and jurisdictional approaches (LA/JA) are and why they are important for financial institutions in meeting sustainability commitments, minimizing risks, and maximizing positive socio-environmental impacts, and provides examples of opportunities for financial institutions to finance sustainable landscapes. While LA/JA are relevant to many actors and sustainability areas, this factsheet focuses on how companies and financial institutions can benefit from adopting these approaches.

Key takeaways

1 The private sector risks failure to meet environmental commitments if actors do not account for spatial, landscape-level considerations in their investment decisions.

2 To meet environmental commitments, companies can complement individual supply chain strategies with collective landscape partnerships, known as LA/JA, that can improve sustainability actions and impacts.

3 Landscape approaches and innovative mechanisms to finance them will be critical for financial institutions to hedge against the nested, landscape-level risks that are present in their portfolios, and to meet their own net-zero, biodiversity, and no-deforestation commitments.

4 Furthermore, LA/JA present an opportunity for leveraging mechanisms like blended finance to generate both financial returns and positive environmental impacts. Financial institutions must shift capital and can use existing indirect and direct mechanisms to support the flow of capital towards sustainable landscapes.

5 CDP can support its stakeholders in their efforts to engage in, collaborate on, and invest in LA /JA through means such as data and knowledge-sharing.

What are landscape and jurisdictional approaches?

Landscape approaches, including jurisdictional approaches, are a means of improving sustainability performance at scale through coordination, collaboration, and monitoring actions at the spatial level of a landscape. When the landscape area is defined by administrative boundaries (e.g. a subnational state) and government is highly involved in implementation, then the landscape approach is considered a jurisdictional one. These approaches leverage partnerships between actors involved in each landscape, including companies, financial institutions, governments, associations, local communities, and indigenous peoples, to mitigate risks and maximize impacts.

Landscape Approaches (LA)

A place-based management approach that involves the collaboration of stakeholders in a landscape to advance shared sustainability goals and build resilience. It aims to reconcile and optimize multiple social, economic, and environmental objectives across multiple economic sectors and land uses. Such approaches are implemented through land-use plans, policies, initiatives, long-term investments, and other interventions.

Jurisdictional Approaches (JA)

A type of landscape approach to advance shared sustainability goals where the landscape is defined by administrative boundaries of subnational or national governments and the approach is implemented with a high level of government involvement.

The Coalition for Sustainable Livelihoods

A landscape approach

The Coalition for Sustainable Livelihoods (CSL) is an initiative focused on enhancing collaboration and collective action to achieve shared goals for strengthening smallholder livelihoods, sustainable production, and natural resources management in the Indonesian provinces of North Sumatra and Aceh. Many leading companies pursuing sustainable supply chains and “No Deforestation, No Peat, No Exploitation (NDPE)” objectives in the region have faced significant challenges and are recognizing the need for greater alignment, investment, and stronger leadership by government. By aligning landscape and supply chain efforts with existing national and regional platforms and policies, CSL aims to create a needed pathway to scale sustainable production on the ground while also generating lasting social, economic, and environmental benefits in the two provinces. This will bring tangible gains for smallholder producers, improve their access to markets seeking sustainable products, and help generate additional investments — ultimately creating sustainable commodity value chains that ensure business and livelihood opportunities for the people of North Sumatra and Aceh.

Initial supporters, who contributed funding, technical support, and/or guidance to the development of CSL included: Barry Callebaut, Conservation International (CI), Earthworm Foundation, The Sustainable Trade Initiative (IDH), Yayasan Konservasi Indonesia, The Livelihoods Fund, Mars Wrigley, Mondelēz International, PepsiCo, Unilever, the United Nations Development Program (UNDP), and Walmart Foundation. A few companies have already begun reporting their engagements in CSL through CDP’s forests questionnaire in 2022. The initiative demonstrates collective action on sustainable shared goals, long-term engagements, action plans aligned with development policies, social inclusion, and systems to monitor progress.

Why do we need landscape approaches?

Landscape approaches support ecosystem services and other benefits from nature that are vital to preserve as they contribute to our well-being and underpin economic production[1]. The level of environmental management that a landscape approach necessitates can support a greater provision of ecosystem services, allowing a healthy and sustainable range of ecological processes, structures, and functions to be maintained[2]. Thus, landscape approaches greatly contribute to the existence of vital ecosystem services that affect the structure in which companies operate, including influencing customer preferences, shareholder expectations, regulatory regimes, institutional policies, and the availability of finance and insurance[3].

Landscape approaches can also be used to support and scale the implementation of nature-based solutions (NbS), as NbS can be deployed at the level of a landscape or jurisdiction. When implemented through landscape approaches, NbS are better integrated into broader ecosystems, leading to larger-scale impact compared to NbS used in isolation and this ensures that the solutions utilized within landscapes are context-specific, monitored effectively, and in the case of jurisdictional approaches, implemented with government involvement[4].

Investments in nature need to increase to an estimated US$8.1 trillion by 2050, nearly four times current investments, if the world is to meet global targets to halt climate change, reverse biodiversity loss, and stop land degradation[5]. Landscape approaches can help close this finance gap for nature, but the public sector needs to create a policy environment that incentivizes the private sector to invest in landscape approaches and NbS. Clear policies, like strong command and control mechanisms to combat deforestation and other illegal activities in regions, are needed to minimize the perception of risk associated with larger-scale interventions and make landscape approaches more economically attractive to the private sector[6]. Nonetheless, significant innovation from financial institutions will be necessary to close the finance gap for nature and reduce the socio-environmental risks that investors and lenders are exposed to when landscape-level factors are not included in investment considerations.

The Produce, Conserve, and Include Institute (PCI), a jurisdictional approach established by Mato Grosso State in Brazil, has an estimated funding gap of US$30 billion to fully finance its strategy by 2030—80% of which needs to be filled by the private sector for activities like pasture restoration and planted forests. If the initiative is able to source the needed investment, Mato Grosso's goals include 6 gigatons of CO_2 reduction, improved social inclusion for over 100,000 family farmers, and more.

1. Millennium Ecosystem Assessment. Ecosystems and Human Well-Being: Opportunities and Challenges for Business and Industry. 2005
2. Müller, Felix; DE GROOT, Rudolf; WILLEMEN, Louise. Ecosystem services at the landscape scale: the need for integrative approaches. Landscape Online, v. 23, p. 1-11. 2010.
3. Millennium Ecosystem Assessment. Ecosystems and Human Well-Being: Opportunities and Challenges for Business and Industry. 2005.
4. Neti, Nikita, Assessment Report: Implementing an integrated landscape system approach for nature-based solutions in Asian deltas. WWF Resilient Asian Deltas initiative. 2021.
5. United Nations Environment Programme (2021). State of Finance for Nature 2021. Nairobi.
6. https://jaresourcehub.org/theory-of-change/

Why are landscape approaches important for financial institutions?

22%

of global emissions come from the Agriculture, Forestry and Other Land Use (AFOLU) sector

26%

of global food supply systems value at risk

Financial institutions are already exposed to significant risks through shareholding and lending activities that contribute to nature degradation, including deforestation, freshwater loss, and biodiversity loss. 508 companies reporting through CDP on water security in 2021 identified a potential financial impact of US$225 billion associated with water-related risks[7]. Similarly, 211 companies reporting on forests identified a total of US$79.2 billion for forests-related risks[8]. These figures are only the tip of the iceberg, as they mostly capture risks within direct operations and value chains, and many companies still do not estimate or disclose financial impacts at all. Even those who do report financial impacts may not be sufficiently accounting for nested risks present in the broader landscapes that their facilities, farms, and supply chains lie in[9]. Such nested risks can contribute to and exacerbate the potential for stranded assets. Conversely, the same way in which partnerships between purchasing companies and suppliers have been utilized to reduce supply chain risks, partnerships between actors within landscapes that include suppliers and local government, communities, NGOs, and businesses, i.e., LA/JA can form a significantly more robust risk-reduction strategy that also generates benefits like increased traceability.

Though net-zero target-setting from the private sector is increasing, the sustainability commitments made by companies and governments across the globe are interdependent, and it has become clear that there is no stopping the climate crisis without halting and reversing forest and overall nature loss. The Agriculture, Forestry and Other Land Use (AFOLU) sector contributes 22% of global emissions[10]. Simultaneously, forests have immense cost-effective mitigation potential and are key to ensuring the feasibility of a 1.5-degree future, compared to the mitigation potential of non-forest-based interventions[11]. Yet, most critical land-use companies that have set net-zero commitments have failed to make significant strides on deforestation, meaning their net-zero commitments are at risk of not being met[12]. Furthermore, a recent report from Race to Zero found that the forthcoming land-use transition will be comparable to the energy transition and investors are not prepared for the financial implications—companies at the center of the food supply system could experience value loss of up to 26% by 2030[13].

7. https://www.cdp.net/en/research/global-reports/high-and-dry-how-water-issues-are-stranding-assets
8. https://www.cdp.net/en/research/global-reports/global-forests-report-2021
9. Scherr, Sara J., Seth Shames, Lee Gross, Maria Ana Borges, Gerard Bos and Andre Brasser. 2017. Business for Sustainable Landscapes: An Action Agenda to Advance Landscape Partnerships for Sustainable Development. Washington, D.C.: EcoAgriculture Partners and IUCN, on behalf of the Landscapes for People, Food and Nature Initiative.
10. IPCC, 2022: Summary for Policymakers. In: Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [P.R. Shukla, J. Skea, R. Slade, A. Al Khourdajie, R. van Diemen, D. McCollum, M. Pathak, S. Some, P. Vyas, R. Fradera, M. Belkacemi, A. Hasija, G. Lisboa, S. Luz, J. Malley, (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA. doi: 10.1017/9781009157926.001
11. Ibid.
12. https://climatechampions.unfccc.int/wp-content/uploads/2022/06/Why-net-zero-needs-zero-deforestation-now-June-2022.pdf
13. https://climatechampions.unfccc.int/wp-content/uploads/2022/09/Assessing-the-financial-impact-of-the-land-use-transition-on-the-food-and-agriculture-sector.pdf

Companies also struggle to produce or procure deforestation-free supply, evident in failures to meet 2020 deforestation pledges and targets. Individual supply chain strategies will not be sufficient for many companies with land-use footprints, particularly as those strategies tend to ignore one key element: the larger spatial areas (i.e. landscapes) that surround their supply chains. Recognizing this issue, the Consumer Goods Forum's Forest Positive Coalition has grounded its new theory of change in landscape approaches and member companies are committed to supporting collective action in production landscapes[14].

Equipped with existing and emerging guidance from organizations like the Accountability Framework initiative, Taskforce on Nature-related Financial Disclosures, and Science-based Targets Network, companies and financial institutions will be better able to measure, make commitments on, and set targets related to nature to complement their climate efforts. Comprehensive disclosures from companies, financial institutions, and sub-national governments on their landscape-level progress is key to monitoring and incentivizing the transition. Otherwise, companies and investors may be exposed to heightened reputational risks from failures to meet voluntary commitments and regulatory consequences from mandatory efforts that the private sector will increasingly need to comply with. Thus, many companies and governments must engage and invest in landscape approaches to ensure the long-term viability of sourcing/production regions, meet their own goals, and support societal goals.

In addition to assessing portfolio risks and opportunities tied to forests and land-use, financial institutions in particular must:

- **Demand that companies and governments support and invest in landscape approaches and;**
- **Invest in landscape approaches through public and private instruments, to hedge against nested risks and advance their own net-zero, biodiversity, and no-deforestation commitments.**

14. https://www.theconsumergoodsforum.com/wp-content/uploads/2021/11/FPC-Landscape-Strategy-2021.pdf

What are opportunities for financial institutions in financing sustainable landscapes?

The conservation finance market, which includes landscape-level finance, is growing rapidly. Survey results published by the Coalition for Private Investment in Conservation (CPIC) in 2021 showed that 70% of respondents planned to increase their conversation investments in 2021 compared to their 2020 investments[15]. **There are many benefits to private sector investment in landscape approaches, including:**

- **Partnerships and cost reductions**
- **Diversification**
- **Improvements in risk management[16]**
- **Maximization of positive social and environmental impacts**

Challenges to attracting and securing mainstream investments in landscapes do exist, such as smaller deal sizes, longer-term investment horizons, lack of investable projects, and risk perceptions. However, increasing demand from large investors for place-based, spatially driven sustainable investments has contributed to increased innovation and opportunity in landscape finance[17]. Furthermore, support from the public sector and developments in climate finance in recent years have demonstrated creative means to address challenges that can be applied to incorporate landscape-friendly strategies.

Development and public finance institutions are also key to mobilizing and attracting mainstream private sector capital, particularly through de-risking mechanisms that improve the risk/return profiles of landscape investments. For example, Development Finance Institutions (DFIs) are increasingly providing guarantees, catalyzing public-private partnerships, and investing capital that can be used as 'junior' or 'first loss' in blended finance vehicles. There are significant opportunities for financial institutions, including both impact and institutional investors, to generate revenue and impact by financing sustainable landscapes through various asset classes and instruments.

Green bonds and environmental impact bonds such as the Forest Resilience Bond have the potential to finance landscape approaches[18]. Green bond issuances with land-use-related use of proceeds grew nearly 60% from US$15 billion in 2020 to US$23.9 billion in 2021[19]. This represents a fraction of overall issuances—posing immense opportunity for green bonds to be issued by companies and governments to support sustainable landscapes and attract institutional investors.

15. http://cpicfinance.com/wp-content/uploads/2021/09/CPIC-Conservation-Finance-Report-2021.pdf
16. Margot Hill Clarvis. "Review of Financing Institutions and Mechanisms," in Financing Strategies for Integrated Landscape Investment, Seth Shames , ed. Washington, DC: EcoAgriculture Partners, on behalf of the Landscapes for People, Food and Nature Initiative. 2014.
17. Shames, Seth, and Sara J. Scherr. 2020. Mobilizing Finance across Sectors and Projects to Achieve Sustainable Landscapes: Emerging Models. Washington, DC: EcoAgriculture Partners.
18. https://www.blueforest.org/forest-resilience-bond
19. https://www.climatebonds.net/market/data/#use-of-proceeds-charts

The Biosphere Integrity Fund
Business case for collective landscape action

A rapid scale up of NbS, including through LA/JA, will require significant additional capital from public and private investors. While concessionary funding will be necessary to achieve this scale, it will not be sufficient on its own—private capital must be mobilized. *The Business Case for Collective Landscape Action* is a partnership supported by USAID between Rainforest Alliance, CDP, Clarmondial and Conservation International that creates the enabling conditions for landscape and jurisdictional investments and through a new blended finance fund developed by Clarmondial, aims to channel private capital into sustainable landscapes.

The fund, named the Biosphere Integrity Fund, will provide a new source of capital for landscape interventions that can help companies in meeting environmental and social commitments, thus advancing the projects they have disclosed through CDP and investors on. The Fund will mobilize capital from institutional investors by incorporating blended finance approaches that build on the innovations in another fund developed by Clarmondial, the Food Securities Fund. Furthermore, climate, biodiversity and social factors will be considered in the Biosphere Integrity Fund's strategy, including in how investments are structured. Investments may consider revenues from carbon credits, claims and NDC-related transactions. Clarmondial is in the process of assessing potential transactions to inform the strategy and is looking to engage with investors to receive feedback on key design features of the Biosphere Integrity Fund and explore potential partnerships.

Figure 2. Examples of existing and potential mechanisms to finance landscapes

	Impact investors	Institutional investors
Direct mechanisms	**Impact investors can create innovative revenue-generating funds or other vehicles that invest in projects and businesses adopting landscape approaches** **Comparable examples include:** - &Green Fund requires clients to commit to transitioning to sustainable agriculture and creating plans for protecting wider landscapes from deforestation. - Land Degradation Neutrality Fund finances sustainable land-use projects that improve land degradation through sustainable agriculture and other land-use sectors.	**Pension funds, insurers, and other asset owners are generally well-placed to commit capital to mature landscape projects and landscape-aligned impact funds.** **Commercial banks and other lenders can use sustainability-linked loans that incorporate landscape-related indicators.** - This strategy is increasingly deployed in relation to climate. HSBC, Walmart, and CDP collaborated on the purchasing company's supply chain finance program to incentivize climate action from its suppliers. **Asset managers can partner with companies to launch vehicles that invest in landscape-aligned projects** - A similar concept was recently announced by AXA, Unilever, and Tikehau Capital who plan to create a fund that accelerates regenerative agriculture.
Indirect mechanisms	**Both impact and institutional investors can integrate the topic of landscape approaches into corporate engagement efforts and encourage participation in LA/JA.** They can also incorporate landscape-level action and performance into credit and equity portfolio screens, i.e. landscape-friendly screening criteria. As a starting point, they can utilize whether companies are participating in LA/JA to assess exposures and conduct engagement with portfolio companies. Asset owners can encourage asset managers to innovate and engage with the public sector on financing landscape approaches. Asset owners already work together to drive climate innovation, for example, through the Net-Zero Asset Owners Alliance's call for asset managers to support blended finance	

How can CDP's data support capital flows towards sustainable landscapes?

191

companies reported being engaged in landscape and jurisdictional approaches in 2022

Over

90

additional companies reported that they plan to engage in the next two years

CDP's data can catalyze both direct and indirect mechanisms for driving finance into sustainable landscapes. New data from CDP's 2022 forests questionnaire helps identify leaders and laggards on landscape-level action. 191 companies, or nearly 20% of forests questionnaire responders in 2022, reported being engaged in LA/JA, and over 90 additional companies reported that they plan to engage in the next two years. Our disclosure mechanism supports the pipeline of LA/JA by incentivizing companies and subnational governments to engage in landscape approaches and by tracking their progress. Over time, the resulting data will enable a clearer picture of actors involved in landscapes and resilience across the globe, within the context of critical environmental goals like no-deforestation and net-zero. We encourage the capital markets and other actors to drive disclosure on landscape approaches and use CDP data to support the flow of capital towards sustainable landscapes. Reach out to CDP to learn more about our work on LA/JA supported by USAID and Walmart Foundation, and the support we can provide financial institutions on forests-related issues through our Forest Champions cohort.

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About CDP

CDP is a global environmental non-profit that runs the world's environmental disclosure system for investors, companies, cities and governments to assess their impact and take urgent action to build a truly sustainable economy. Founded in 2000 and working with more than 680 financial institutions with over $130 trillion in assets, CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, and to reduce greenhouse gas emissions, safeguard water resources and protect forests. Nearly 20,000 organizations around the world disclosed data through CDP in 2022, including more than 18,700 companies worth half of global market capitalization, and over 1,100 cities, states and regions. Fully TCFD aligned, CDP holds the largest environmental database in the world, and CDP scores are widely used to drive investment and procurement decisions towards a zero carbon, sustainable and resilient economy. CDP is a founding member of the Science Based Targets initiative, We Mean Business Coalition, The Investor Agenda and the Net Zero Asset Managers initiative.

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