

# Scaling Forest Finance with ITMOs

*The Case for Using ITMOs to Scale Forest Finance, & Meet the Paris Agreement & Kunming–Montreal Biodiversity Goals*

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## Key Insights

- **\$150tn**  
Value of Forest Services including carbon sequestration.
- **0%**  
Percentage of banks committed to ending all activities that finance deforestation by 2025
- **\$50bn**  
Global Market Value of ITMOs by 2030

In September 2024, Forest Declaration Assessment wrote a report entitled *Emerging Forest Finance Instruments* exploring all the various finance forest mechanisms that can be used by investors and governments. Unfortunately they did not include ITMOs, probably because the world’s first ITMOs was publicly launched in August 2024.(1) This insight report aims to explain how ITMOs fit all these Emerging Forest Finance instruments and why it probably is the most scalable, innovative and inclusive financial mechanism as it solves all the challenges addressed by the Forest Declaration Assessment, while meeting the UNFCCC Paris Agreement and the UN Biodiversity goals.(2)(3)

## Forests Finance & ITMOs

The planet’s health and ecosystem are highly dependent on forests as they mitigate and sequester carbon, regulate our climate, protect biodiversity, and support livelihoods. These ecological services provide a wealth of economic benefits and WWF estimates that forests directly generate USD 150 trillion per year when carbon sequestration potential is included.(4)

***Forests directly generate \$150 trillion per year when the carbon sequestration potential is included.***

WWF Forest Pathways Report 2023

Unfortunately, forest finance has fallen short of these estimates and are not in line with reaching the UNFCCC and the UN Biodiversity 2030 objectives:

1. **International pledges:** to protect, conserve, and restore forests (“green” finance) from 2021-25 amount to just USD 29 billion, averaging less than USD 6 billion per year.(5)

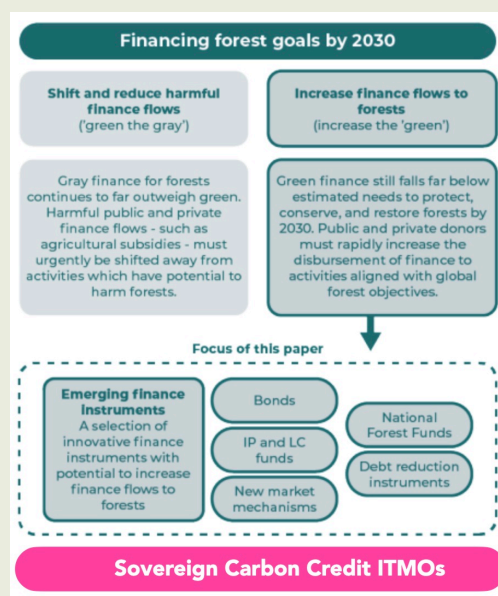
2. **Public finance:** for activities with the potential to drive deforestation or forest degradation (“gray” finance) are much larger in magnitude. From 2013-18, gray public finance flows were estimated to range between USD 378 to USD 635 billion per year, globally.(6)
3. **Deforestation Private Capital:** Global Canopy in 2022 found that private financial institutions were providing USD 6.1 trillion in active financing to companies most exposed to deforestation risk in their supply chains.(7)
4. **Zero Commitments by Banks:** 0% of banks are committed to phasing out all financing for coal activities in line with 1.5°C warming.(8)

In September 2024, Forest Declaration Assessment wrote a report entitled Emerging Forest Finance Instruments exploring all mechanisms financing forests, where it identified that in the last few years, a plethora of new public and private initiatives have emerged with the potential to contribute to the goal of ending and reversing forest loss by 2030, as set out in the Glasgow Leaders’ Declaration on Forests and Land Use.(9)

However, the “Sovereign Carbon Credit ITMOs” model was not included, probably because of its recent Suriname’s ITMOs public launch in August 2024.(1) So we included it in pink in their graphics to explain that ITMOs cover all the current financial instruments identified, from *Green Bonds* to *Indigenous Peoples Funds*. For the purpose of this paper, we will focus solely on Sovereign Carbon Credit ITMOs, not Sovereign ITMOs Green Bond format, which we will delve into a future report.(10)

### What are ITMOs?

ITMOs (Internationally Transferred Mitigation Outcomes) are a new globally-compliant sovereign asset class (carbon credit) that are issued by a country under the global compliance of the UNFCCC Paris Agreement-Article 6 to incentivise both, country and all 196 parties to reach their respective national and global net-zero targets by 2030 and 2050.(11)



**Graph 1:** Financing Forest Goals 2030  
Source: Forest Declaration Assessment

### How do ITMOs fit Emerging Forest Finance Instruments?

ITMOs can be used by all of the emerging finance mechanisms pointed out by the Emerging Forest Finance Instruments report. Here we are using as a reference the recent ITMO issuance by Suriname:

1. **Bonds:** BancTrust is currently issuing an ITMOs Green Bond format.(1)
2. **Forest Funds:** ITMOs revenues are directed towards protecting forests.
3. **Debt Reduction:** Part of ITMOs are directed towards the national debt reduction of Suriname
4. **New Market-Based Mechanism:** ITMOs are a new market-based mechanism under the Paris Agreement
5. **Indigenous Peoples and Community-led Funds:** Part of the ITMOs revenues have to go to the Indigenous Peoples.



**Graph 2:** Different Emerging Forest Financial Instruments  
Source: Forest Declaration Assessment

### How ITMOs address Emerging Forest Finance Objectives

The Emerging Forest Finance Instruments Report correctly indicates that “To achieve the Forest goals, countries that rely on the extraction and consumption of natural resources must be replaced by a fiscal and regulatory environment that mandates and incentivizes the protection, restoration, and the equitable and just management of forests and ecosystems.”(p.34) This is exactly what ITMOs do, when a country fulfils its national and international processes to issue ITMOs.(12)

Furthermore the ITMOs emerging financial instrument presented has the potential to contribute to all the objectives addressed by the Emerging Forest Finance Instruments and offer the following new economic opportunities:

- **Account for the economic value of intact forests.**
  - >> ITMOs account for every single tree in the country under Article 5 of the Paris Agreement.(13)
- **Incentivize private sector investment into activities that restore and maintain healthy forests**
  - >> ITMOs can be sold or invested in by the private sector and the capital markets under Article 6 of the Paris Agreement.(11)
- **Deliver finance to high-impact activities, such as the protection and sustainable management of high-integrity forests**
  - >> ITMOs deliver money directly to high-impact activities nationally through the UNFCCC REDD+ mechanism.(14)
- **Enable the most effective forest guardians – Indigenous Peoples and local communities (IP and LCs) – to independently determine how to fund and manage their forest ecosystems**
  - >> ITMOs contribute to the Local Communities (LCs) and Indigenous Peoples (IPs) through the Cancun Safeguards.(14)
- **Meet the triple objective of sustainable development, conservation, and restoration of biodiversity and carbon sinks**
  - >> ITMOs contribute to the Sustainable Development Goals (SDGs) and Biodiversity Goals through the Cancun Safeguards. (14)
- **Disincentivize activities that act as drivers of deforestation or other unsustainable activities**
  - >> ITMOs By financing ITMOs a country finances the opportunity cost of cutting down trees from other activities such as mining, forestry, livestock or intensive monoculture agriculture (e.g. Soya beans or Palm Oil).

#### Emerging Forest Finance Challenges that ITMOs solve

The Emerging Forest Finance Instruments Report also identified 6 Principles for forest financing and Achieving the 2030 forest goals. ITMOs addresses all these principles:

1. **Align fiscal policies and incentives with forest and sustainable development goals.**
  - >> ITMOs: When a country issues ITMOs, it needs to respect all of its SDGs.(14)
2. **Ramp up forest financing from industrialized to developing countries that is accessible, affordable, and long-term.**
  - >> ITMOs: Most of the demand for carbon reduction and removal credits will come from industrialised countries such as the EU's demand to deliver the European Green Deal.(15)
3. **Attract new and additional private finance by lowering risks of conservation with blended finance instruments.**
  - >> ITMOs: ITMOs carry very little risk as the carbon impact has happened already. In addition, ITMOs issuance has to go through two thorough globally compliant verification process, Article 5.2 and Article 6.2 of the Paris Agreement.(12)
4. **Prioritize building capacities and channeling funds to mechanisms that are directly funding local actors, especially IPs and LCs.**
  - >> ITMOs: ITMOs include IPs and LCs when they are issued under the UNFCCC Cancun Safeguards.(14)
5. **Reform sovereign debt to create fiscal space for conservation.**
  - >>ITMOs: ITMOs can be used to serve foreign debt by the issuing government. In fact the current issuance of the world's first ITMOs by Suriname does exactly that. (Please ask for reference document)
6. **Link financial instruments to emerging measures to reduce the import of deforestation-linked commodities**
  - >>ITMOs: under Article 5.2, the UNFCCC REDD+ mechanism is a tool to stop deforestation. Therefore an investor, commodity house or corporation that buys ITMOs are guaranteed that they are not linked to deforestation.(13)

#### In Conclusion

There are many Forest Finance instruments and Forest Declaration Assessment has done a great job at identifying most of these financial options for investors in their Emerging Forest Finance Instruments report. But to be able to do it at scale requires a solution that is flexible in its financial formats and fulfils global compliance of existing international agreements such as the UNFCCC Paris Agreement and the UN Convention on Biological Diversity (CBD) goals. This report showcased how investors, corporations and governments can do so by using globally-compliant Sovereign ITMOs, which was, unfortunately, not included in their report, but does fulfil both international agreements.

ITMOs (Internationally Transferred Mitigation Outcomes) are a new globally-compliant sovereign asset class (carbon credit) that are issued by a country under the global compliance of the UNFCCC Paris Agreement-

Article 6 to incentivise both, country and all 196 parties to reach their respective national and global net-zero targets by 2030 and 2050.

In addition to providing a globally compliant institutional asset class at scale, ITMOs address all the economic opportunities identified in the [Emerging Forest Finance Instruments](#) report, and the 6 Principles for forest financing and achieving the 2030 forest goals. We invite you to explore ITMOs in more details and scale ITMOs globally. Please ask us to have access to our [Virtual Data Room](#).

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