



Sustainable cattle in the Amazon

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What impact is intended?

1. Expansion of cattle ranching continues to play a significant role in the destruction and degradation of the Amazon. Degraded pastures and soil means ranch productivity is low and the output is falling short of the market's expectations. Large swathes of the Amazon are therefore caught in a low investment, low technology and poor performance trap. The result has been rolling forest clearance and associated loss of biodiversity and ecosystems that underpin rural economies, as well as significant emissions of greenhouse gases.
2. The Novo Campo program intends to break this trap by providing ranchers in the Amazon with access to capital and technical expertise at reasonable costs in exchange for profit sharing (results-based payment). Degraded lands are restored through sustainable intensification (no feedlots) and product quality is improved through better animal nutrition and health, considerably increasing the economic, social and environmental performance of farms. For ranchers this boosts profitability significantly. Crucially, in terms of environmental impact every hectare of ranch land reformed avoids indirect deforestation of up to four hectares of remaining standing Amazon forest.
3. In 2015 Althelia helped Novo Campo transform from a grant-based venture to a commercial offering. We provided EUR 11.5 million to Novo Campo to reform 10,000 ha. of pastures and prove the model at a commercial scale. Today we are looking for investment to take the program to ten times that scale. It will be one of the first landscape restoration and avoided deforestation program producing traceable deforestation free beef globally.
4. We are creating innovation into two main areas: First we have secured support from public financiers to provide first loss capital to catalyse private side investment. The Amazon Production Protection Fund (with support of IDH and the Norwegian Climate and Forestry Initiative) will provide subordinated debt and reduce financial risk for private investors.
5. Second, Althelia and the Government of Mato Grosso are developing the structure for a possible Feed-in-Tariff to help accelerate the program by enhancing the up-side return to investors. Through this structure, public finance furthers the project return and helps leverage additional private sector investment. For each 1 USD put through the structure, it can attract 2-3 x that level in private investment.
6. In summary: To stay below 2 degree Celsius global warming, urgent action is needed to scale such innovative landscape programs: the forest and land use sector currently contributes to 20 % of global emissions but if we act quickly, it can actually be a net sink, securing 1/3 of the required near term emission reductions for a 2 degree future.

What financial leverage can be realised?

- Using USD 50 million public funding put in our Novo Campo Amazon Sustainable Beef Fund would be able to catalyse 150 million USD private sector investment – this money could be used through either mechanism described above.
- This will result in 150 Mt CO₂ avoided, 100,000 ha restored pasture, 400,000 ha forest preserved and over 1000 jobs created.

What are the strengths of the proposal?

- A strong model whereby ODA can leverage private sector finance.
- Contributing to climate change adaptation, mitigation in developing countries and the fulfilment of the national climate ambitions of these countries.
- Contributing to the fulfillment of the commitment of the Dutch Government to contribute to climate finance with 1.2 billion per year by 2020.
- Creating a link between climate finance and the financing of the SDGs.
- Addressing tropical deforestation and contributing to solid benefits for indigenous and local communities as well as biodiversity conservation.
- Help companies fulfill their zero-deforestation commitments in their value chains.

Requested input:

What we need from the MoMo team is access to finance that would provide additional funding for such a feed-in-tariff system.