

Which financing strategies can unleash forest-based industries engagement for ecosystem restoration?

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Abstract (max 300 words)

The forest-based industries create tens of millions of jobs globally and production forests represent more than 25% of total forest area (FRA, 2020). Forest-based industries are major players in forest products value chains. The sector's success involves multiple small and medium enterprises, land owners and smallholders, thus making forest-based industries one of the pillars of rural development and enabler of the transition to a circular bioeconomy.

The UN Decade on Ecosystem Restoration (2021-2030) aims to prevent, halt and reverse the degradation of ecosystems. Beyond the environmental and social benefits ecosystem restoration brings to society, engaging in ecosystem restoration also has a strong economic rationale.

Some forest companies are engaged in ecosystem conservation and restoration. Despite this it is our understanding that no forest-based industries are official partners of ecosystem restoration initiatives and commitments. In the context of the UN Decade on Ecosystem Restoration, the article identifies the drivers for forest-based industries engagement in ecosystem conservation and restoration. Based on case study analysis and a series of interviews with forest companies' leaders, the research focuses on the financing approaches and strategies that the private forest sector has developed to mobilize resources for ecosystem conservation and restoration.

Drivers identified in our research form a virtuous circle through: increased available biomass and forest products; improved market access and product value with sustainable certifications; risk mitigation measures and avoided costs; alternative revenue streams including from the valorization of forest ecosystem services; commitments to sustainability in value chains; and sustainable finance mobilization, for example through corporate green bonds.

The article highlights how good practices of ecosystem services valuation, disclosure of climate and nature related risks and the design of relevant financing instruments and mechanisms (such as forestry funds) may represent catalyzers for the contribution of forest-based industries for ecosystem conservation and restoration.