

# Financing Forests: Complementarities Between TFFF and Jurisdictional REDD+

*How two distinct mechanisms could jointly close  
over half the tropical forest finance gap by 2030*

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## ABSTRACT

The Tropical Forests Forever Facility (TFFF) and Jurisdictional REDD+ (JREDD+) are two distinct yet highly complementary forest finance mechanisms that strengthen global efforts to conserve tropical forests and reduce their loss. While REDD+ provides payments for measurable GHG emissions reductions from deforestation and degradation and for carbon removals from restoration (carbon flows), the TFFF is expected to provide long-term, continuous payments for the conservation of standing tropical and subtropical forests based on forests area measured in hectares (forest stocks).

The two mechanisms differ in operational metrics, funding sources, and geographic focus. JREDD+ reports on carbon emission reductions and removals, relies on results-based finance through carbon markets or Official Development Assistance (ODA) and has been working most effectively for high-deforestation jurisdictions. The TFFF, in turn, is expected to pay for hectares of standing or restored tropical forests (with deductions for deforested and degraded areas), provide continuous results-based funding through an endowment-like fund (i.e. excess returns in financial markets are distributed to tropical forest countries) and is especially suited to low-deforestation countries as it pays for all standing forests (conserved, sustainably managed, restored), regardless of immediate threat levels, and it creates greater incentives for lower deforestation countries. Importantly, if existing efforts to reduce deforestation succeed, payments under JREDD+ will decline, further emphasizing the importance of establishing a permanent financing mechanism to support standing forests, both to maintain existing tropical forest cover and to incentivize its expansion.

Together, they create a robust forest finance ecosystem capable of addressing both short-term emissions mitigation and long-term continued conservation needs. As they assess different metrics, quantify different results (one is GHG related, the other not) pay for different forest ‘activities’ (TFFF is focused on conservation and JREDD+ on reduced deforestation and degradation), finance flowing from both mechanisms cannot lead to double accounting or double payment. By combining REDD+ and TFFF, countries can mobilise complementary finance flows to address the costs of reducing deforestation and degradation, forest restoration, and conserving forests over the long run.

As tropical countries pursue integrated forest strategies in the lead-up to COP30, recognising and leveraging the complementarity between TFFF and REDD+ will be essential to scale up forest finance, reduce implementation gaps, and align public, private, and multilateral efforts toward lasting forest protection and sustainable development.

## Financing tropical forests at scale: A menu of options towards COP30

Tropical forests are the planet's “green infrastructure”, functioning quietly in the background, regulating our climate and hydrological cycles, providing habitat to millions of species, and a source of global economic prosperity. Recent research<sup>1</sup> shows that accounting for their non-carbon benefits increases tropical forests' estimated contribution to global cooling by as much as 50% beyond what is accounted for by carbon emissions and sequestrations alone, while also moderating extreme temperatures and rainfall variability in ways that are crucial for a stable climate. Despite their value to people and the economy globally, tropical forests continue to be under high pressure for conversion into other more profitable land uses such as agriculture and livestock, leading to high deforestation.

The volume of financing available to keep these ecosystems standing remains far below what is required, and a menu of financing mechanisms is needed to address this gap. To address this financial shortfall, the Government of Brazil proposed the Tropical Forests Forever Facility (TFFF) to provide long-term, continuous funding to forest conservation based on results. The TFFF is expected to pay a fixed price per hectare of standing forests, while heavily discounting payments for deforested and degraded areas.

Complementarily, REDD+ (Reduced Emissions from Deforestation and Degradation) has advanced significantly as a financing mechanism to reward mainly reduced emissions from deforestation and forest degradation, as well as forest restoration. Several countries have been awarded payments at national and subnational levels, which have contributed to the fight against deforestation and forest degradation.

### TFFF as a Complement to Jurisdictional REDD+

Introduced by the Government of Brazil at COP28, the TFFF aims to reward the conservation of tropical forests based on monitored and reported results. The TFFF will pay for **conservation of forest area, rather than emission reductions and removals, which is the focus of REDD+.**

Hence, the TFFF emerges as a new financing mechanism that does not seek to quantify specific ecosystem services such as carbon storage. The TFFF also acknowledges the vital role of Indigenous Peoples and Local Communities (IPLCs) in forest conservation by requiring that a minimum of 20% of payments going to each tropical forest country be set aside to IPLCs.

The TFFF will provide long-term, continuous financing to tropical countries, as they bear the opportunity and implementation costs of conserving forests, even once deforestation and forest degradation are brought under control, while the benefits are enjoyed by the whole world. In other words, the TFFF attempts to address the market failure that tropical forests provide ecosystem services at the global scale, but their conservation costs are borne nationally.

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<sup>1</sup> Lawrence, D.; Coe, M.; Walker, W.; Verchot, L.; Vandecar, K. (2022) The unseen effects of deforestation: biophysical effects on climate. *Frontiers in Forests and Global Change* 5: 756115. ISSN: 2624-893X

Seymour, F., Wolosin, M. and Gray, E. (2022) *Not Just Carbon: Capturing All the Benefits of Forests for Stabilizing the Climate from Local to Global Scales*. Washington, DC: World Resources Institute. Available at: <https://doi.org/10.46830/wriipt.19.00004>

REDD+, in turn, was conceptualised within the UNFCCC as a climate mitigation mechanism to operate at the national or (for a transitional period) subnational level. It was designed to support a holistic set of actions: reducing emissions from deforestation and forest degradation, conserving forest carbon stocks, sustainably managing forests, and enhancing forest carbon stocks. Despite this comprehensive scope, REDD+ in practice has so far focused on reduced emissions from deforestation and forest degradation, and to some extent forest restoration and sustainable management of forests, without rewards to forest conservation, which is the focus of TFFF. Moreover, REDD+ early implementation in practice was dominated by project-based approaches, focused on specific sites, often without integration into national systems or broader governance systems. As a result, much of the initial global discussion came to associate REDD+ primarily with individual projects.

Jurisdictional REDD+ (JREDD+) emerged to address the challenges of project-level REDD+ and represents both a significant evolution and a re-orientation back toward that original vision. By taking a national or large-scale subnational approach, JREDD+ enables holistic, coordinated, government-led action across entire jurisdictions. Standards for JREDD+ have emerged in recent years. Specifically, the World Bank's Forest Carbon Partnership Facility (FCPF) and ART-TREES are already issuing JREDD+ credits. Overall, REDD+ is now primarily implemented through jurisdictional approaches.

JREDD+, in turn, has focused primarily on “closing the leak”, that is, reducing GHG emissions by preventing deforestation and forest degradation. As a result, JREDD+ tends to favour jurisdictions that have experienced higher deforestation and degradation rates and are working to address these. Some JREDD+ standards allow for a few largely forested countries with low deforestation rates (known as High Forest and Low Deforestation countries or HFLD countries) to get rewards from maintaining low deforestation rates, which would have otherwise increased, as the case of Guyana shows. However, only few countries would be eligible for this option and such countries have noted that such approach does not fully recognize all the climate benefits generated, so forest conservation is a critical activity not financed by REDD+. In this context, TFFF provides a complementary tool by focusing on and rewarding activities (conservation) that REDD+ has not.

The TFFF focus on conservation of tropical forests makes it highly complementary to JREDD+, but **both mechanisms have different operational metrics, geographic focus, and funding sources**. Regarding **metrics to measure and reward results**, the TFFF is expected to pay for hectares of tropical forest hectares (a proxy for overall ecosystem services that forests provide), while JREDD+ (as a carbon market mechanism) uses tons of tCO<sub>2</sub>e. TFFF payments are expected to reward the full range of ecosystem services provided by conserved forests (with payment deductions for deforested and degraded areas), while JREDD+ pays for the carbon benefits of forest interventions, via payments to emissions reductions.

Regarding the **geographic focus**, the TFFF is expected to be more relevant in countries that have low deforestation rates - as a matter of fact, an entry condition for countries to access the TFFF is that the deforestation rates of their tropical forests are below the global average (currently set at 0.5%). JREDD+, on the other hand, is more relevant in countries and sub-national entities that

are actively reducing their deforestation and forest degradation rates. Additionally, while the TFFF is focused on tropical forests, JREDD+ can also cover other types of forests (even though dry forests, because of their lower carbon stocks, stand to get less payment). In this regard, JREDD+ can bring in much-needed finance to other types of forests beyond moist tropical forests, which are not covered by the TFFF. Crucially, as efforts to reduce deforestation and forest degradation succeed (JREDD+), it is essential that a permanent financing source (TFFF) is established to continuously reward tropical countries for conserving their forests.

The **funding sources** for TFFF and JREDD+ are entirely different. JREDD+ mobilizes funding from carbon market players (sovereigns, companies, and others) seeking carbon credits to support their climate strategies - the price of carbon credits fluctuates being a function of supply and demand, or from limited non-market initiatives paying emission reductions through Official Development Assistance (ODA) to support country's climate objectives. The TFFF introduces an entirely new and different income stream from return-seeking investors, which are expected to purchase low-risk, low-return bonds, and from sovereigns who can provide low-interest loans and guarantees to the Facility to make up the Facility capital, which is in turn invested in capital markets with higher return. The difference in the return secured in the markets and the payment back to investors is distributed to tropical countries, through a fixed price per hectare. As such, the two initiatives are not competing for funding, but rather bring in urgently needed climate finance from distinct sources.

Although complementary, the TFFF and JREDD+ differ significantly and **double-counting and double payment** cannot happen. Differently from JREDD+, the TFFF does not generate any rights to the underlying forest asset for those who invest in it, given it will remunerate its investors through returns in financial markets. When it comes to additionality, TFFF payments are designed to support all ecosystem benefits, including those that fall outside traditional market mechanisms (particularly carbon). The TFFF does not require *additionality* as it is expected to pay for all eligible tropical forest areas. Very importantly, TFFF payments do not affect *additionality* of an existing JREDD+ program. Firstly, because TFFF payments are not part of the business as usual scenario. TFFF payments are part of the tools and financial sources that governments have available to implement their REDD+ Strategies Secondly, TFFF payments by themselves cannot render a JREDD+ program non-additional. Although payments are substantial, they would not be able by their own address the finance required to address the drivers of deforestation and forest degradation, particularly in countries with high deforestation rates with more needs. Thirdly, additionality in JREDD+ programs is guaranteed by extremely conservative baselines well below the business-as-usual scenario. Baselines are revised regularly making them more ambitious with time, so the positive impact from TFFF payments would make future baselines even more ambitious.

## REDD+ and TFFF: An overview of their complementarities

|                            | REDD+  | TFFF  |
|----------------------------|--|---|
| <b>Primary Objective</b>   | Reduction in GHG emissions from deforestation and forest degradation, and forest carbon stock removal.   | Long-term tropical forest conservation.   |
| <b>Geography</b>           | Mostly in countries and jurisdictions actively reducing deforestation and forest degradation, especially with high deforestation rates   | Tropical and subtropical forest countries, especially with low deforestation rates.   |
| <b>Scope</b>               | National and subnational, all forest types.  | National, covering tropical forests.  |
| <b>Eligible activities</b> | Activities that reduce GHG emissions and enhance carbon removal.   | Forest conservation and forest restoration.   |
| <b>Metric for RBP</b>      | Tons of CO <sub>2</sub> e  | Hectares of tropical forests.   |
| <b>Sources of funding</b>  | Carbon market buyers (sovereigns, private companies, others). Buyers purchase an ‘asset’ (carbon credits).<br>Non-market initiatives paying emission reductions through Official Development Assistance (ODA) to support country’s climate objectives. | Sovereign investors, institutional investors (i.e. sovereign wealth funds and pension funds). Returns to investors via financial instruments. |

## Building on JREDD+ Foundations

Jurisdictional REDD+ has advanced the institutional foundations on which countries can build to meet TFFF eligibility, reducing transaction costs when ascending to TFFF and speeding implementation:

### 1. National Forest Strategies & Investment Plans

Over the last decade, many countries have developed comprehensive forest strategies, investment plans and regulatory frameworks, which countries may decide to finance with TFFF payments. TFFF is expected to finance policies and programs that promote forest conservation and its sustainable use.

## 2. National Forest Monitoring Systems (NFMS)

Several countries have developed forest monitoring capacity through JREDD+ readiness programmes. The TFFF encourages countries to use national systems and data, including to report on forest cover, deforestation and degradation. Hence, the systems developed with JREDD+ readiness support will significantly support TFFF reporting.

## 3. Safeguards systems including Benefit-Sharing Mechanisms

JREDD+ standards (including the Cancun Safeguards negotiated under the UNFCCC) include requirements related to social and environmental safeguards, including participation of IPLCs and benefit sharing mechanism. Several countries have developed inclusive and transparent arrangements to ensure the participation of IPLCs, including ensuring a share of funds goes to these communities (e.g. through IPLCs subprogrammes focused both on monetary benefits and on providing capacity building to communities). These national or subnational systems can be built on to ensure the participation of IPLCs, and allocate TFFF funding, including potentially the minimum 20% dedicated to IPLCs.

## An Expanded View<sup>2</sup> for an Ecosystem of Forest Finance<sup>3</sup>

By 2030, the annual investment needs in forest protection in tropical forest regions are estimated at USD 15.8 billion<sup>4</sup>. The TFFF alone could mobilise USD 4 billion per year toward this objective, covering approximately 25.3% of the financing gap, and thus represents a major step forward in securing the resources required to keep forests standing.

Meanwhile, JREDD+ credits (projected at 300 million tonnes of CO<sub>2</sub> at an assumed price of USD 15 per tonne) could generate up to USD 4.5 billion annually<sup>5</sup> by 2030, meeting roughly 28.5% of the same investment needs by directly rewarding emission reductions. Taken together, TFFF and JREDD+ have the potential to supply about 53.8% of the funding required for forest protection by 2030, hence providing enough finance to cover over half of the entire gap on this critical front. Combining the TFFF with JREDD+ is not only possible but essential.

By aligning complementarities across the forest finance mechanisms, each with its own metric and incentive structure and rewarding different activities, tropical forests can be given fair chance to survive in the global competition for the allocation of finance.

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<sup>2</sup> Although not addressed in detail in this paper due to its scope, private sector capital mobilisation, including impact investment in restoration and carbon markets for removals, also holds great potential. In the Brazilian case, for example, carbon prices above USD 20 per ton of CO<sub>2</sub> could play a key role, with the sale of carbon credits potentially amounting to USD 320 billion over 30 years. (Assunção, J. & Scheinkman, A. (2023) Carbono e o destino da Amazônia. Climate Policy Initiative. Available at: <https://www.climatepolicyinitiative.org/pt-br/publication/carbono-e-o-destino-da-amazonia/>).

<sup>3</sup> Figures on investment needs on tropical forest regions in this section are based on a UN Environment Programme analysis done following a request from the Brazilian Government (2025). The analysis was based on the MAGPIE model.

<sup>4</sup> Figures on investment needs for forest protection on tropical forest regions in these sections are based on a UN Environment Programme analysis done following a request from the Brazilian Government (2025). The analysis was based on the MAGPIE model. Forest protection is interpreted in such analysis as the conjunction of three key fronts: avoided deforestation, avoided forest peatland conversion, and protected areas management.

<sup>5</sup> EDF, 2024