

HAFL Master's Thesis Abstract

Year: 2021

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English Title: **Feasibility study for the incorporation of the forestry sector into the Paris Agreement Capital Transition Assessment (PACTA) tool**

English Summary: Immediate action is needed to avoid negative impacts of climate change and limit global warming, as set out in the Paris Agreement (PA). Forests are the only direct CO₂ sink humankind can influence in short-term. Yet, finance that harms forests far outweighs finance that creates the opposite effect. To maintain the world's forests, increase their climate contribution, and thus achieve international climate commitments and targets requires significant financial resources, which are lacking.

This thesis aims to study the feasibility of incorporating the forestry sector in the PACTA tool. By the inclusion in the tool, green finance in forestry could be analyzed and leveraged. This first of its kind study is based on qualitative research. A variety of experts from international organizations, research, public, and private sector were consulted for expertise. Supplemented with theoretical research, a design of the PACTA tool forestry sector (PACTA FS) was developed, and the private sector assessed as target group.

The results display that private finance in forestry broadly seeks to generate a financial return. However, there is a growing trend in environmental awareness, portfolio decarbonization efforts, and the desire to positively impact nature among finance sources and their clients. The developed PACTA FS design can meet this trend by analyzing the current portfolio exposure to forestry, creating visibility and transparency, and reducing reputational risks. By providing an approach to quantify the total emissions mitigated by finance in the sector, its impact could be measured and monitored, and impact risks decreased.

In conclusion, it is possible to integrate the forestry sector in the PACTA tool if limitations and remaining issues from the PACTA FS design are accepted and addressed. The PACTA FS design is thus preliminary. Nevertheless, it provides considerable potential for the future by analysing and attracting finance in the forestry sector and leveraging needed financial resources. Due to the tool's potential and its crucial role, the private sector should be the target group.

Keywords: "PACTA tool", "forestry sector", "finance", "climate change"

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