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INTERVIEW

Forests as a *climate change mitigation tool* calls for wise decisions

Forests hold enormous potential for contributing to the urgent call for climate action. Likewise, forest investment strategies are diverse and comprise different opportunities for climate, ecosystems, and investors.

- Interview with Anders Pagh, Director of Impact Timberland Investments

"Forests have a crucial role to play in mitigating *climate change.* However, in order to drive real, meaningful change, we must act wisely, and efforts need to be broad," Anders Pagh, Director of Impact Timberland Investments at The International Woodland Company (IWC), explains.

Efforts needed on multiple fronts

For thousands of years forests have demonstrated their formidable ability to adapt to the surrounding environment, creating unique ecosystems. Moreover, forests have provided important livelihood opportunities for millions of people around the world. "We now find ourselves at a critical point in time where forests in some regions are under severe pressure from population growth, which calls for **unambiguous responses and new ways of protecting the remaining natural forests while at the same time increasing the output from sustainably managed forests** in order to provide new, green alternatives to a growing global population," Anders Pagh stresses.

Recent reports from the United Nations' Intergovernmental Panel on Climate Change (IPCC) and others point to the urgent need for large scale forest landscape restoration as part of the global climate change mitigation and adaptation efforts. The International Union for Conservation of Nature (IUCN) estimates that approx. 2 billion hectares of degraded areas can support some form of forest landscape restoration. "We often see forest stakeholders debate whether new forests should be established with the purpose of being 1) left untouched for ecological restoration purposes or 2) managed sustainably and be used to produce green materials for future generations. In my view, the answer is straightforward; the establishment of new forests should address both purposes", Anders Pagh attests.

By definition, **Sustainable Forest Management** balances economic, social, and ecological functions for the longer term. "By carefully integrating productive forest systems into the broader landscape we build economically viable forests with the capacity to support the ongoing improvement of ecological functions and livelihood opportunities in currently degraded landscapes," Anders Pagh adds.

New plantation establishment as a complement to existing natural forests and a substitution to carbon-heavy materials in construction

"When it comes to carbon sequestration and storage potential it is important to distinguish between 1) existing natural forests and 2) new plantation establishment," Anders Pagh notes. "Existing natural forests are important existing carbon sinks and are often in a state of equilibrium, in which they release just as much CO_2 to the atmosphere as they sequester - i.e. a net zero! New plantation establishment, on the other hand, has the potential to **remove significant amounts of the historically high CO_2 emissions from the atmosphere and store these in the new productive landscapes**".

"But it does not end here," Anders Pagh continues. "The green renewable products coming from these new productive forests will simultaneously function as carbon sinks for decades, if not centuries, to come. Wooden floors or timber roof trusses in buildings are but a few examples of such long-term carbon sinks. Lastly, and perhaps most importantly, these green materials will effectively replace other carbon-heavy alternatives such as concrete, steel, and plastic. The so-called **substitution effect**," Anders Pagh points out.

In sum, "the positive climate effects achieved when all three elements are carried out in combination - 1) the newly established biological carbon sinks (i.e. the new forests), 2) wood products working as long-term carbon sinks (e.g. timber used in construction), and 3) the substitution/ displacement of big CO_2 emitters such as concrete, steel, and plastic - make **new sustainable plantation establishment second to none when we talk about climate change mitigation tools**", Anders Pagh concludes.

The end products derived from forest investments have the ability to displace high emitting products, such as construction materials and petrochemical products.

Anders joined IWC in 2010 and is heading the Impact Timberland Investments team responsible for developing IWC's direct impact investment mandates. Anders is also responsible for the direct timberland investment mandates in Europe and emerging markets. This includes the role as Fund Manager in the Capricorn Forest Fund.

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