Memorandum on the forthcoming Climate Conference 2025 in Brazil

I. Executive Summary

The remaining moist tropical forests, the "Green Lungs of the Earth", (the Amazon Basin, the Congo Basin, and Southeast Asia) make an indispensable contribution to global climate stability. They also harbour approximately 80% of the planet's terrestrial biodiversity. No amount of financial or technological effort could ever compensate for their destruction. Yet the loss of tropical forests continues unabated.[1]

The more rainforest disappears, the greater the economic losses for all. Germany and the European Union are likewise threatened by heightened risks of extreme weather events and supply shortages of critical raw materials.[2] We are only beginning to understand the transboundary interconnections, such as the significance of tropical forests for global rainfall regulation.[3] The loss of the Congo Basin forests, for instance, would reduce precipitation in the Nile tributary regions and the Sahel, thereby creating an incalculable security risk for Europe. Meanwhile, ongoing deforestation has brought the Amazon close to an irreversible tipping point for the global climate system.[4] Once this threshold is crossed, the Paris climate targets will become de facto unattainable.

Despite their paramount global importance for the economy, security, climate, water regulation, and biodiversity, the ecological services provided by tropical forests are remunerated minimally. The international community benefits from these services as a "free rider." A dramatic financing gap for tropical forest protection prevails[5] despite the fact, that the conservation of tropical forests offers immense potential for cheap and immediately deployable climate protection. Every dollar invested in tropical forest conservation saves more than five dollars in global climate mitigation expenditures on technical solutions over the period 2030 – 2070.[6] Protecting the tropics is therefore not only ecologically imperative but the only economically rational and cost-effective alternative.

The upcoming United Nations Climate Conference in November 2025 (COP30), to be held in the Brazilian Amazon, constitutes the final opportunity – *the endgame* – for tropical forest preservation. The sudden withdrawal of the world's largest development agency, USAID, from tropical forest funding offers Europe the chance to assume a geopolitical and value-based leadership role. To exercise this leadership in safeguarding the tropical forests, the following measures must be implemented in combination:

a) **Support for the Brazilian proposal of a "Tropical Forest Forever Facility" (TFFF):** A German investment of at least €1 billion (leveraged via KfW as equity capital) would secure participation rights in shaping this surplus-return facility. The TFFF could

[1] Forest Declaration Assessment 2025.
[2] World Economic Forum, Global Risk Report 2025.
[3] Global Commission on the Economics of Water, Report 2025.
[4] Flores et al, Critical transitions in the Amazon forest system 2024.
[5] UNEP, State of Finance for Forests 2025.
[6] Fuss/et al., The economic value of tropical forests, Cambridge University Press, 2020.

generate up to USD 4 billion annually from private capital. However, the Facility must already incorporate a forward-looking mechanism for raising its level of ambition over time. In addition, technical and financial start-up assistance will be required for the least developed tropical forest countries.

b) **Improved integration of national REDD+ programmes** for the protection of standing tropical forests into the architecture of the Paris Agreement, particularly through the Article 6(4) mechanism.

c) **Flexibilisation of the EU Emissions Trading System (EU ETS)** in favour of tropical forest protection. These low-cost credits (€10-15 versus approximately €70 under the EU ETS) would create a win-win situation for European industry as well as for climate and forest protection. Alternatively, a share of auction revenues could be earmarked for forest conservation.

d) **Regulation and standardisation of the certification of carbon credit** from forest conservation projects and their trade on voluntary carbon markets – for instance through the World Bank or UNIDO – to ensure integrity and market oversight.

e) **Enhanced promotion of nature-based solutions** within National Adaptation Plans, and improved interlinkages among the UNFCCC, the Convention on Biological Diversity (CBD), and the UN Convention to Combat Desertification (UNCCD).

f) **Full implementation of the EU Deforestation Regulation (EUDR)** and promotion of deforestation-free supply chains, in order to establish Europe as a global frontrunner and create competitive advantages on international markets.

g) **Adaptation of capital market and financial supervisory regulations** to ensure that biodiversity and climate risks of enterprises are appropriately priced. At the same time, tropical forests should be recognised as national assets of the tropical forest countries, with potential support for issuing sovereign bonds linked to forestry performance indicators.

h) **Strategic partnership with the People's Republic of China** to strengthen cooperation on tropical forest protection and sustainable supply chains. Such cooperation could be initiated by a letter from the German Federal Chancellor to the Chinese Head of State.

i) **Continuation and restructuring of proven instruments of financial and technical cooperation**, such as the Legacy Landscapes Fund, while simultaneously restoring effective international division of labour and coordination.

II. Status Quo

The remaining tropical forests (Amazon Basin, the Congo Basin, and Southeast Asia) play an irreplaceable role in stabilising the global climate. By storing and absorbing carbon dioxide (CO_2), they contribute at least 25% to global efforts to mitigate climate change. Their destruction could not be compensated by any conceivable financial or technological measures by industrialised nations. Beyond their carbon function, tropical forests regulate rainfall

patterns across vast regions of the planet. We are only beginning to understand the transboundary and even intercontinental linkages.[7] The loss of the Congo Basin forests, for example, would reduce rainfall in the Nile tributary regions and the Sahel, posing a significant and unpredictable security risk to Europe.

Furthermore, tropical forests harbour approximately 80% of terrestrial biodiversity – an unparalleled natural heritage that must be preserved, not only for ecological but also for economic reasons.

Given the imminent risk of surpassing several climate tipping points, any further delay in action, or in implementing necessary measures, would entail significant risks and impose immense costs and challenges upon both the German and the global economy.

While the rising marginal costs of additional emission reductions in industrialised countries increasingly constrain their macroeconomic capacity to act, the conservation of tropical forests remains the most cost-efficient and natural form of climate and biodiversity protection. Every dollar invested in tropical forest protection saves more than five dollar in global mitigation costs for technical solutions during the period 2030-2070[8] – and this calculation does not even include the benefits of biodiversity conservation. International efforts to protect forests are therefore also in Germany's and the European Union's own economic interest and contribute directly to *intergenerational equity*.

Conversely, the growing risks associated with tropical forest loss – such as extreme weather events – endanger human life, property, and critical infrastructure. Potential supply shortages of essential raw materials could disrupt German industrial supply chains even in the short term. The latest Global Risk Report lists as three gravest global risks over the next decade: (1) extreme weather events, (2) biodiversity loss and ecosystem collapse, and (3) critical changes to natural ecosystems.[9] Once these risks materialise, their reversal or mitigation would take decades, imposing long-term burdens on economic productivity and human welfare for generations.

Moreover, the continuing reduction of rainfall in the Nile tributary regions and the Sahel – resulting from the destruction of the Congo Basin forests – represents a severe and unpredictable security threat to Europe. The same holds true for the loss of globally significant agricultural production zones that currently depend on water regulation provided by the Amazon and Congo basins.

Despite their crucial role in maintaining global climate and hydrological stability, the ecological services provided by tropical forests are only minimally compensated for by the international community. Short-term economic gains continue to outweigh long-term sustainability. From the short-term perspective of forest-holding nations, these services are economically undervalued or even "worthless."

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[7] Global Commission on the Economics of Water, Report 2025.
[8] Fuss/et al., The economic value of tropical forests, Cambridge University Press, 2020.
[9] Weltwirtschaftsforum, Global Risk Report 2025.

Past UN climate conferences have largely neglected the ecological and global public-good services of tropical forests.[10] A massive climate financing gap persists. The Independent High-Level Expert Group on Climate Finance (IHLEG) estimates that global investment in natural capital must increase from USD 46 billion in 2022 to approximately USD 400 billion per year by 2030, and further to USD 480–580 billion annually by 2035. Thus, a tenfold increase would be necessary to effectively protect tropical forests![11] The urgency of taking action is reinforced by the fact that prevention and conservation are always cheaper than restoration. In reality however, this financing deficit stands in stark contrast to the approximately USD 3 trillion that continue to flow each year into environmentally harmful subsidies for fossil fuels and agriculture.

Against this backdrop, tropical deforestation proceeds unchecked – reaching a tragic record in 2024: an area of 6.7 million hectares, roughly the combined size of Bavaria and Baden-Württemberg, was lost. Approximately 2.2 million hectares of annual deforestation are directly attributable to agricultural subsidies. Every four seconds, one hectare of forest disappears, and between 130 and 150 species go extinct each day. Forests have already lost two-thirds of their capacity to absorb additional CO_2 annually. Currently, the forests of the Congo Basin are the only ones that still function as a net carbon sink, absorbing significant amounts of CO_2 every year.

Given the near-total withdrawal of the United States and USAID from international climate and tropical forest protection, Europe and other leading world regions must assume greater responsibility for climate action, to ensure both their own security and to safeguard long-term economic stability and welfare. The COP30 in November 2025 in Brazil represents a decisive forum. The European Union is already pioneer and global leader in climate policy, while Germany, with its status as the world's third-largest economy, is a reliable and established partner and leading donor in the protection of tropical forests and biodiversity. Both possess strong strategic partnerships with many tropical forest nations and significant influence over the international governance landscape. After all, the EU is responsible for around 20% of global deforestation due to its consumption and trade patterns – a fact that should not be overlooked.

III. Solutions

1. The COP30 as a Breakthrough for the Preservation of Green Infrastructure

The COP30 in November 2025 in the Amazon region must finally achieve a global breakthrough in recognising the value of the remaining green infrastructure (that is, nature-based solutions) and must therefore be regarded as the last opportunity to lay the foundations for the long-term preservation of tropical forests. It is essential to firmly anchor the protection

[10] With the exception of COP 26 (Glasgow 2021), which addressed them on German initiative.
[11] Bhattacharya/ et al., Raising Ambition and Accelerating Delivery of Climate Finance, Grantham Research Institute on Climate Change and the Environment, 2024, 16 et seq.

of this green infrastructure – including tropical forests as well as other ecosystems such as coral reefs – in the Nationally Determined Contributions (NDCs) and national adaptation plans.

Furthermore, Brazil should be supported in its efforts to promote the overdue interlinkage of the three still-separate international conventions: the United Nations Framework Convention on Climate Change (UNFCCC), the Convention on Biological Diversity (CBD), and the United Nations Convention to Combat Desertification (UNCCD).

In addition, the Conference in Belém should mark the starting point for a long-term and reliable agreement between tropical forest nations and the international community – an agreement ensuring fair remuneration for the ecological services provided by intact, protected tropical forests, as envisioned in the Glasgow 2021 Conference. Such remuneration would constitute an essential financial basis for sustainable and nature-compatible economic development in tropical forest countries.

The approach promoted by Brazil for remunerating the ecological services of intact tropical forests represents a promising entry point for a long-term framework of reciprocal commitments. Given constrained public budgets, the mobilisation of private capital in favour of tropical forest conservation is likewise indispensable. Numerous independent NGOs and think tanks based in Germany regard the proposed Tropical Forest Forever Facility (TFFF) as a potential game-changer and an innovative instrument for international climate and biodiversity protection. Germany and the EU should therefore endorse this initiative and contribute a substantial financial share to secure participation rights in shaping its design and governance.

The current ambition level of the TFFF (around USD 4 per hectare per year) can serve as an initial step towards a fair remuneration scheme for the ecological services of standing forests, granting tropical forest countries greater fiscal scope for implementing effective conservation measures. However, the Facility should from the outset include a mechanism to increase disbursements in subsequent years and decades. This would allow the TFFF to evolve from a support instrument for forest protection into a system of recognition and fair payment for the key ecosystem services provided by tropical forests.

Furthermore, regarding participation criteria, tropical forest nations with high deforestation rates and limited administrative capacity will require technical, administrative, and financial assistance, which might include transitional provisions within the TFFF framework.

Beyond TFFF, negotiations in Brazil should aim to integrate tropical forest conservation particularly REDD+ activities under Article 5 – more effectively into the overall Paris Agreement architecture. This requires prioritising the standardisation of REDD+ programmes for the conservation of standing forests in the elaboration of the Article 6(4) mechanism.

2. Using the Flexibilisation of the EU ETS

The ongoing reform of the EU Emissions Trading System (EU ETS) could and should be leveraged in support of the world's green lungs. The planned flexibilisation auf the EU ETS would allow operators to offset emissions by purchasing carbon credits – so-called "offsetting" – certified under the yet-to-be-operational Article 6(4) mechanism of the Paris Agreement.

These credits are expected to be considerably cheaper (€10–15) than EU ETS allowances (approximately €70).

This price differential presents an opportunity to create a win-win situation for both European industry and tropical forest protection – while maintaining environmental integrity. Two feasible policy options arise:

a) To ensure that the EU ETS's move towards greater flexibility benefits tropical forests, it should be ensured that carbon credits stemming from projects conserving standing forests will be included. Accordingly, a minimum quota for carbon credits from such projects should be introduced. Furthermore, the unique importance of tropical forests for climate, biodiversity, and security should explicitly be recognised in the recitals of the amending regulation.
   A risk-adjustment factor could be applied to credits from forest projects to address concerns regarding the inclusion of land-use-based offsets. For example, if the discount rate were 50%, operators would need to surrender credits equivalent to storing or avoiding two tonnes of CO_2 in order to replace one EU ETS allowance (equivalent to one tonne of CO_2). Despite this adjustment, the cost to operators would remain significantly below current EU ETS prices. Therefore, this solution would provide economic relief while simultaneously generating positive climate impacts and directing financing towards forest protection.

b) Alternatively, instead of applying a risk discount, a fixed surcharge or contribution could be levied whenever a carbon credit is purchased under the EU ETS. The proceeds would be earmarked for forest protection projects in specific areas. This approach would safeguard the climate-critical green infrastructure while easing the financial burden on European industry, without relying on disputed carbon credits from forest projects.
   The surcharge could be fixed or indexed to the carbon-credit price. At a carbon-credit price of €15 and an additional €15 surcharge, regulated entities would still operate well below the current EU ETS price level. Revenues should be channelled into large-scale global initiatives open to investment by third-country partners – such as the Kunming-Montreal Global Biodiversity Framework or to enhance the TFFF's ambition level.

In either scenario, the EU would demonstrate responsibility and leadership in the global context, advancing both climate and biodiversity protection while disarming debates over the pros and cons of offsetting under the EU ETS.

3. Voluntary Carbon Markets and "Nature Credits"

Voluntary carbon markets hold significant potential for mobilising private finance for tropical forest protection, particularly for REDD+ projects. However, several improvements are necessary to unlock this potential. Above all, stronger regulation and standardisation of certification for carbon credits from forest-based projects are required.

A robust, high-quality certification framework could be achieved by harmonising and further developing existing standards (e.g., ART TREES). The EU and Germany should therefore join the LEAF Coalition, while international institutions such as the World Bank or UNIDO could assume leading roles in the certification and standardisation of these markets.

In addition, the development of “Nature Credits” or “Biodiversity Credits” should be advanced to enable private capital to contribute to global biodiversity conservation. The EU has already taken initial steps through its Roadmap towards Nature Credits, designed to account for biodiversity value via certification. The establishment of such certification mechanisms should be accelerated, and market demand should be incentivised, for example by easing reporting obligations for participating companies.

It is crucial, however, that certification will not be restricted to projects within the EU. Tropical forests (harbouring over 80 % of terrestrial biodiversity) must be eligible as well.

In order to maintain and foster demand for carbon and nature credits, the core elements of the EU’s sustainability reporting obligations should be preserved, while a greater emphasis shole be placed on biodiversity and deforestation. In parallel, fiscal incentives should be introduced for enterprises that can demonstrably contribute to the preservation of global biodiversity.

4. Trade Policy

For the long-term protection of the remaining green lungs, European trade policy must act in a supportive, not contradictory, manner.

Accordingly, the EU Deforestation Regulation (EUDR) must retain its current level of ambition which is also endorsed by major German corporations such as Allianz. A stable and predictable regulatory framework for sustainable supply chains is indispensable for business planning. Sector-specific alliances between relevant ministries, enterprises, financial institutions, and civil society should be established to implement the EUDR and to manage supply-chain risks. Promoting deforestation-free supply chains also allows the EU to set global market standards and gain competitive advantages as a pioneer on international markets.

In parallel with this regulatory framework, the EU and Germany should assist tropical forest countries in the ecological restructuring of key economic sectors – including agriculture, mining, and sustainable certified forestry – through both financial support and the transfer of know-how. Public guarantees and risk-sharing instruments could help to leverage private investment.

In this respect, a strategic partnership with the People’s Republic of China should be pursued to enhance cooperation in tropical forest protection and sustainable forest utilisation.

In collaboration with the financial sector (including the European Central Bank’s Banking Supervision and rating agencies) biodiversity and climate-related risks should receive stronger consideration and appropriate pricing. At present, climate risks are insufficiently assessed and biodiversity loss is not accounted for at all, allowing environmentally harmful activities to access capital at artificially low cost – while society bears the externalities.

Simultaneously, tropical forests should be recognised as national assets of forest-rich states. These assets should be valued accordingly on the international financial markets (i.e. by reforming sovereign debt instruments to reflect the value of tropical forests). Within a debt-restructuring framework, sovereign green or forest bonds could be issued that are linked to measurable forestry performance indicators. These bonds could be supported through international cooperation, potentially including bilateral guarantees to secure an AAA rating.

5. Development Cooperation

Support and cooperation with tropical forest countries must remain (or become) a central pillar of German and European development cooperation, both bilaterally and multilaterally.

Proven instruments of financial and technical cooperation should be continued and scaled up. An exemplary mechanism is the German-initiated Legacy Landscapes Fund (LLF), which provides long-term, efficient financing for biodiversity hotspots by leveraging private capital. Its rapid and cost-effective expansion should proceed in parallel with the TFFF, ensuring that the most critical intact tropical forest core areas are effectively protected.

Many Germany-based NGOs and foundations make vital contributions to tropical forest conservation, working alongside public implementing agencies such as the KfW Development Bank and the GIZ.

However, there is an urgent need for stronger coordination and consolidation of efforts nationally and internationally. To halt the destruction of the Green Lungs, holistic and cross-sectoral measures are required. Beyond political leadership, improved coordination and a clear division of labour among actors and institutions are essential to counter fragmentation. Given the magnitude of the task, efficiency in both national and international cooperation is paramount.