

Scaling up Investments in Carbon Sinks Projects

EDFI Carbon Sinks

Who We Are

EDFI Management Company (EDFI MC) is an impact-driven financial service provider, created by the European Development Finance Institutions (EDFIs) and supported by the European Union. We manage EU-funded investment facilities and EU guarantee programmes. The latter is backed by the European Fund for Sustainable Development Plus (EFSD+), the EU's main financing arm of the Global Gateway strategy that mobilise private capital in developing and emerging markets.

What We Do

We manage a portfolio of different EU external action guarantees that reduce the EDFIs' and co-investors risk of investing in underserved markets. The EFSD+ guarantee support provided by the EU covers a percentage of the investment in case of debt default/investment loss at exit.

One of these programmes is **EDFI Carbon Sinks**, a new pioneering programme that supports EDFIs and their private and public co-investors to invest **equity and equity-like financial** instruments into funds and corporates (including EU companies based in the eligible regions) supporting climate change mitigation, and therefore help scale-up global investments **in forestry and regenerative agribusiness companies**.

Why It Matters

One of the five priority areas of the EU Global Gateway strategy is Climate (mitigation and adaptation). This reflects the European Union's commitment to tackling the global climate crisis in line with its obligations under the Paris Agreement and its dedication to achieving the United Nations Sustainable Development Goals (SDGs).

A carbon sink project absorbs and stores carbon dioxide or other greenhouse gases from the atmosphere (the ocean, soil and forests are the world's largest carbon sinks). According to the Intergovernmental Panel on Climate Change – IPCC (2023) investments in carbon sinks need to be three to six times greater than current levels to limit global warming to 2°C or 1.5°C. The current level of investments in nature-based solutions amount to USD 154 billion/year of which solely 17% comes from private capital.



How It Works

1. A European DFI sources an existing fund or corporate which fulfils the eligibility of the EDFI Carbon Sinks programme/ (eligible country/ financial instrument etc).
2. The European DFI then applies for EU guarantee cover under EDFI Carbon Sinks from EDFI MC. The request is then assessed by EDFI MC.
3. Following eligibility/additionality checks by EDFI MC, a Back-to-Back agreement is signed between EDFI MC and the European DFI mirroring the obligations signed between the European Commission and EDFI MC.

Why Guarantees? Why Now?

EU external action Guarantees supported by the EFSD+ for EU Global Gateway are a powerful tool to mobilise private investment in challenging markets. Under the **Global Gateway**, the EU is scaling up its use of guarantees to:

- Drive sustainable development
- Support climate resilience and inclusive growth
- Enable DFIs to take on more risk and reach further geographies

Programme Snapshot

Feature	Details
Total Size	€366 million
Type of guarantee	Unconditional, irrevocable, on-demand guarantee
Eligible investors covered by the guarantee	EU pillar-assessed European Development Financial Institution
Eligible Regions	Sub-Saharan Africa, Latin America, the Caribbean and Asia Pacific and the Western Balkans
End beneficiaries	Companies or funds in the following sectors: <ul style="list-style-type: none"> • Natural forests and natural marine ecosystems, • Outgrower schemes & smallholder forestry and algaculture, • Agricultural and other carbon sink investments such as blue carbon projects, • Plantation forestry, • Forest and ocean related product processing for prolonged carbon storage.
Instruments	Direct or indirect equity and equity-like
Investment Period	2024 - 2027
Cover period	18 years

For more details: <https://edfmc.eu/what-we-do/edfi-carbon-sinks/>