



**“It’s not like a donor that gives money. They were more focused on how we make you a better team. I like that.”**

## **Conversation with Jeffrey Chatellier, chief executive officer, Forest Carbon**

**Sanne Breimer**

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**Sanne Breimer: Please tell me the story of your venture and what makes it distinctive.**

**Jeffrey Chatellier:** Forest Carbon was founded in 2010, and at that time, there was a lot of interest in accessing or utilizing environmental markets as a way to sustainably finance large-scale rainforest restoration and conservation. Indonesia, in 2007, hosted the UNFCCC climate negotiations and that is when the framework REDD+ came about. Protecting standing forests was going to be an allowable climate mitigation activity that countries and the private sector could use as a way to finance the protection of nature at a scale that no one had seen in the world.

I was in grad school from '06 to '09 at the Yale School of Forestry and using REDD+ in environmental markets and more broadly for environmental protection was just starting. I was writing papers about it and I took some bootcamp classes on environmental markets. Yale was a place with a lot of entrepreneurial spirit, and many of my classmates have gone on to create other companies within this sector.

When I finished my graduate degree, I was hired to come to Indonesia and work on an energy-efficient cooking stove project. That was an extension of my time in the Peace Corps, where I was an agroforestry extension agent in Senegal. I worked with farmers to integrate different types of tree crops into their agricultural systems. That, for me, personally, was where I started asking lots of questions around the environment, sustainability, because I lived in a community in a mud hut with no running water, electricity for almost three years.

People talk about sustainability, but I got to see what it means when your life depends on it, when you are completely dependent upon a forest for your livelihoods, your resources. There was a forest next to the village where I lived, and it was called the

Fathala Forest in Senegal. Fathala means “get out” in Mandinka, the language I learned while I was there. It was very much a “get out” style of conservation, a relic of colonial times. Even though the local people still called it Fathala, it has this feeling of, it's not ours, it's owned by the government.

Ultimately, I left the Peace Corps with more questions than I had answers. That was why I went to grad school. When I heard about environmental markets and as a way of creating sustainable financing that benefits local people, it resonated with everything that I had just gone through. So I went to Indonesia, which was an exciting place to be around environmental markets. I ended up meeting a former Peace Corps volunteer, who was about 20 years older than myself, who was working in conservation in Indonesia.

We were three environmentalists with economics, forestry, and environmental science backgrounds. We decided to create Forest Carbon to be a technical service provider to forestry companies that were looking to build and access environmental markets. That's the story of how it all came together and my own personal connection to environmental stewardship and sustainability.

We worked as advisors on a number of projects. In Indonesia, we worked on the first environmental market project to protect nature. We then worked on a project in Cambodia with the Wildlife Conservation Society. We built our skills as a company doing technical forestry advisory work, remote sensing, mapping, all of the building blocks that you need to manage large-scale rainforest management or restoration projects at scale.

We started to really hone our skills. We built trust in the market. Being an advisor is tough because it's like having a child, and giving it away, and saying, "Yes, good luck." We wanted to be part of it for the long term. We made a decision to develop our own projects and started looking for our own financing. 2017 was a critical year because one of our former advisory clients from PWC was now running a \$100 million impact investment fund focused on nature.

We were able to launch the Sumatra Merang Peatland Project, which is a 23,000-hectare peatland restoration project, because we had paid our dues and we gained the trust of the market. We knew how to do the work. We could bring all the players together. We had the investors, we had forestry clients that had forest concessions, and we had the technical know-how.

When we started, it was a burnt-out wasteland. The investor, when he first saw the place, said, "It looks like Mordor," the mythical wasteland from *Lord of the Rings*. With a \$6 million loan, it was our job to bring that rainforest back to life, and we've done that. It's now a thriving rainforest with tigers, clouded leopards, sunbirds, gibbons. Importantly, we've created a real green economy around this area.

Going back to my Peace Corps experience, this is not “get out” conservation, but is about bringing communities in. How do we work with them to create a business around the protection of nature? After working on that project for nine years, we knew we had a

model that worked. In 2020, we did a Series A investment with AXA, the French insurance company, that happened to be a limited partner on the \$100 million fund that had already given us money.

They already knew us from the original project and all of the investors made money on that first project. They capitalized us with an \$11 million investment, combined debt and equity. As we expanded in Indonesia, we knew we wanted to bring in more Indonesian investment into the company. In 2022 and 2023, we did two separate rounds of investment with the Indonesian private equity group called Saratoga.

Then AXA also came in on a combined round with Saratoga to increase the investment by another \$13.5 million. We decided to build out a portfolio and set a target of 1 million hectares. We chose one million hectares not just because it's a large number, but because the largest extractive forestry companies in the country have always maxed out around 1 million. We want to show that we can be at the same scale to show the financial markets that restoration and conservation are just as attractive as these extractive businesses.

That's a big criticism or complaint about environmental markets: it's cute, it's niche, it can't scale, or it's taking too long to scale. That's our ambitious goal. We started with 23,000 hectares. We're now 10 times that size, which is a quarter of a million hectares. We're also looking at other types of ecosystems. We have a marine-protected area project in Eastern Indonesia and Papua to show how to use environmental markets to finance that type of conservation project.

That's where we are as a company. We've sold our carbon credits to some of the biggest brands in the world, like Chanel, L'Oreal, BMW, Microsoft, Natixis Bank in France, AXA, Mott MacDonald, London Heathrow Airport. We really have been able to gain the trust of the market. Carbon credit rating agencies have consistently given us the top ratings of projects around the world. The World Economic Forum selected our flagship project in Sumatra as a lighthouse project indicating that it's best in class, a project that others should emulate.

That's where we are as a company. Rippleworks has been there with us for a number of years, always providing the advice and inputs that we need at the right time and our growth as a company.

**Sanne Breimer: It's a very impressive story that you've shared. Could you share one specific example of an actual individual who has been positively impacted by the work that you're doing.**

**Jeffrey Chatellier:** There's a few stories on the individuals. A number of people who have worked for Forest Carbon have come up to me and said, I was able to get married and build a house. I've heard that story almost more than 10 times.

**Sanne Breimer: For the people who work for your company?**

**Jeffrey Chatellier:** Yes, at different levels from people in our headquarters to forest patrol officers. A young gentleman named Ari has been with the Sumatra Merang Peatland project from the beginning. He started out as a patrol officer, and then he worked on managing facilities. He is from one of the neighboring villages. He has gotten married, had a child, and built his house. He didn't have to leave his village and go to one of the big urban centers of Indonesia.

I've seen his mother and she's thanked me a number of times. There was a couple who met at our project, and then had their baby in the health facility that we renovated. We also cover the cost of the health professionals who live in that area. That, I think, was mind blowing that they were able to have a safe delivery in the village where they're from. We've had women come back from studying nursing in the city and we've hired them. They live in the community and are able to give back and provide health services.

Hundreds of people have gone through our adult education programs. A boy named Jody received his high school degree. He is a patrol officer who started working with us without a high school degree. He went through the night school program. He now has his diploma. He's also gotten married and built a house in his community. Those are a few, but there's a big list.

**Sanne Breimer: How many employees does Forest Carbon have at the moment?**

**Jeffrey Chatellier:** In headquarters, there's roughly 40 people, but at the project sites, such as Sumatra, there's roughly 60 people involved in that project. Our project in Kalimantan, which is the island of Borneo, there are around 40 people in the community who are involved. That's an early-stage project. We have a village forest next to our flagship project and we already have 15 people working there full-time. We're about to add another 13. I do see employment as important to our work.

Having done Peace Corps, I know that poor rural communities really want consistent salaried positions. Once that comes into play, they're able to do more planning for their families, for themselves. Subsistence agriculture is tough. If you're a rubber farmer, rubber prices go up and down. You don't know where they're going to be. You don't have the information. I think creating full-time employment is one of the key performance indicators we look at. If we're not creating jobs, we're not going to be able to succeed in what we do.

**Sanne Breimer: That makes sense. You create security for people and opportunities for them to plan other things in their life.**

**Jeffrey Chatellier:** Totally. We've also seen it work from what I call a "social fencing" standpoint. These forest areas are too big to fence because again it's not "get out" conservation. But a community leader won't give out authorizations to clear land in the project area because his son works as a patrol officer, and he is getting a scholarship to go to college. Creating benefits that trickle down to everybody is the only way to protect the forests. It's a different value proposition than let's cut it all down and plant palm oil

trees. That's what we're always dealing with: how does our value proposition match up against the market?

**Sanne Breimer: Palm oil is a powerful industry. Are you going up against them?**

**Jeffrey Chatellier:** I'm not going up against them because we buy their products. People need cooking oil. Instead, I see it more as how do I go up against the market forces. Right now market forces are in their favor. As a result, the rainforest is getting cleared. I have to believe in the markets as a way to value these rainforests so that value gets translated to local people who can decide whether the forests get cut or not and to show the government, who works on spatial planning, let's not have everything be palm oil. Let's maybe have 50-50 or 70-30, or whatever the split. We need to be able to show that. I don't like to say that we're going up against any particular industry. Instead, we are up against the market forces of a consumer-based society.

**Sanne Breimer: It may be difficult to show the impact of sustaining rainforest because often we see this impact only over a long period of time. How do you measure and track the impacts of your projects?**

**Jeffrey Chatellier:** We use international certification standards in order to generate carbon credits. It's not just a pure carbon credit. It's always been a holistic, what I would call, green economy approach. The first part is, on the highly technical climate mitigation monitoring, we collect so much data. We follow a strict scientific methodology. We have to be able to demonstrate chain of custody on our data collection and analysis. That's all reviewed by an outside technical auditor.

That includes scientists who really can dig into that data. On a year-by-year basis, we put out a very technical report. Another section of that report focuses on biodiversity monitoring; understanding how many species are living in our area. Is that number going up? Is it going down? Are some species going up, others down? We have all of the data around the biodiversity health of our project areas. There's a lot of data and third-party auditing.

Then the final one is, what are we doing for community wellbeing and investments? We track a whole series of KPIs (key performance indicators) on different aspects of our community engagement program. We focus our community development and engagement programs on health, access to clean water, and education, including building libraries, the fourth is creating jobs. We also have a rule where we don't build stuff and leave. We ensure that it's being used, and that the condition is always in high performance. We do that on a year-by-year basis. We bring in outside auditors to ensure that the impact is happening. It's all publicly sourced. People can go and read it. I think transparency is a key aspect of that.

**Sanne Breimer: You have already shared your funding journey. But can you be more specific on what funding you started with and how that has diversified over the years? Where does most of your funding come from at the moment and how did that develop over the years?**

**Jeffrey Chatellier:** We started the company with contracts on advisory work. We self-funded and built the company organically for a number of years. In 2016, we secured some grants to build out our projects. One was from an environmental and climate trust fund of Indonesia, and then the other one was from an Indonesian foundation.

Those were very catalytic in preparing one of the projects, which became the Sumatra Merang Peatland Project, with roughly \$500,000. We had a three-year budget with a minimal amount of money, but that was enough to gain trust and to bring our first round of investment, which was in the form of a venture debt loan.

**Sanne Breimer:** Can you describe venture debt loans?

**Jeffrey Chatellier:** Venture debt is, basically, you can't get a real bank loan. So you are loaned the money. You have to pay it back with interest, but you also have to give them a profit share on the project. It's like venture capital, but you've got to pay it back. By 2016, we had our initial foundation grants and then we switched into venture debt. Three years later we moved into venture capital equity with AXA Investment Managers. Then within one year, we became a profitable business within environmental markets.

In 2021 and 2022, we started distributing dividends. We had revenue from the sale of our carbon credits to help expand, but in order to really build out our portfolio, we wanted to take in more equity funding. We had created a valuable entity, and so we were able to raise equity at a scale where we could start to really go big. We developed a relationship with Saratoga in 2022. They became a small shareholder at that time, and then in 2023, AXA and Saratoga came in on a combined round of \$13.5 million.

Equity has helped us get bigger. Then because we are still very much an impact-oriented company, we have seen a shift in foundations. They're willing to finance projects where they can still be catalytic and take a project that may be too risky for us to take on, so they help us de-risk that investment. Then we can take on more traditional venture capital funding or private equity money to build it out. We have been successful in the last couple of years in raising grants from groups like the UBS Foundation, IUCN, Laurence Lien Foundation out of Singapore, and these groups.

**Sanne Breimer:** If I understand it correctly, without these foundations, certain projects would be too risky for you. They de-risk it for you so you can bring in equity financing for these projects as well?

**Jeffrey Chatellier:** That's right. It's like co-financing. If they're giving us \$100,000, we're also putting in \$100,000 of our own money. We're not just asking for them to de-risk, it's almost like a collaborative de-risking activity, and they want to really help us move in that direction.

**Sanne Breimer:** Is this common in funding to have collaboration between foundations, companies, and equity. How does it work and is this a new approach to de-risk projects?

**Jeffrey Chatellier:** People call it blended finance. We saw a lot of donors asking questions such as "Are they spending their money in the right places?" Is there enough donor money to solve the world's nature crisis or climate crisis? A lot of donors said, "We don't have all the money to fund this project, but where could we come in?" Whether it's a foundation or a bilateral organization they ask "What can you do with \$100,000?" We say you can de-risk and unlock an investment of \$10 million for nature with just \$100,000.

I think this trend has been happening as people want to be what they call catalytic. I think we've been able to do that because we have stories of it working over and over again. We're now a trusted partner. They know if they give us a little bit of money, we can turn it into a lot of money, and then a huge amount of impact. That's worked really well with us. I think we tell a compelling story, and we have a track record of implementing successfully on this.

**Sanne Breimer: What part of the support was most helpful for you to scale? Was it blended funding?**

**Jeffrey Chatellier:** Yes. Our story has always been blended funding. We had a foundation before the flagship project. They came in, de-risked it. Then, when we were doing equity rounds, equity rounds were quite expensive. You have to hire lawyers and there's a lot of other costs. When you're an entrepreneur, you just think, "Oh, yes, I'm going to raise a bunch of money," but you actually need to elevate the company's position. You need to have fully audited books. We had a group that said, "We'll pay 50 percent of the cost of these things. You need to hire an auditor in order to unlock this investment. We'll pay for half." I think foundations can play that role. We had skin in the game. We still had to pay as well, but it de-risks even raising equity capital and I think it's an important role that foundations can play more broadly.

**Sanne Breimer: Is there an ideal financial model that you have in mind for the future of the company?**

**Jeffrey Chatellier:** We're in the process of raising more equity. I think environmental markets are still niche and there's not as many traditional debt financiers. But we would like to get to a point where we lock in long-term forward offtakes, and then use that to access traditional bank financing. That would be the overall structure; raise equity for asset acquisition, and then we raise debt financing for operational expenses to implement projects.

**Sanne Breimer: So eventually you want to be more connected to traditional bank financing?**

**Jeffrey Chatellier:** Yes, because it's cheaper. Where venture debt, they get a profit share. The internal rate of return is huge for those types of returns. The reason why traditional banks aren't investing is because the sector is too new. There's regulatory uncertainty and questions about demand. Traditional banks want to see that you have a market for your products. For instance, if you were doing an energy facility, you would

have a power purchasing agreement for the lifetime of that facility. But in environmental services, companies have been doing five-year offtakes (where there is an arrangement between a producer and buyer to purchase or sell portions of the producer's upcoming goods) and ten years is the max.

I think foundations could also play a role of giving long-term offtakes or backing those offtakes. That would be another way to open up debt financing because there are initial contracts, buying the environmental services themselves, stimulating the market.

**Sanne Breimer: What is needed in the funding landscape to truly center the voices closest to the problem?**

**Jeffrey Chatellier:** Our first loan came from a \$100 million fund which had what they call a loss guarantee. That essentially de-risked the fund's limited partners, who are the investors; the people who put their money into the fund. It was a 50% loss guarantee at the fund level. If the fund lost \$50 million, then the insurance mechanism kicked in and this loss guarantee would pay back \$25 million. In the end, they only lost \$25 million from the fund. That was enough to de-risk for groups like BNP Paribas, Credit Suisse, Dutch Development Bank, FMO, AXA to put in that \$100 million because they knew, "Our losses are capped."

I think loss guarantees are catalytic. I think foundations can play that role depending on the exposure of the size. Maybe they could provide limited loss guarantees on a project by project. It depends on the size of the foundation and their resources. At the time, it was the U.S. government that provided this loss guarantee through the Development Finance Corporation. What I learned in the end is that they actually made some money because it's an insurance mechanism. I think that's game-changing.

Even though we weren't involved in it, we were a recipient of money that was de-risked. The financial world had faith to give us that funds. If you track who's more catalytic, you know where it goes. The foundation in Indonesia was catalytic. The US government with the DFC and its loss guarantee mechanism, that was catalytic. Thinking about having that, and then pitching it to the bigger European players, I think it was a perfect storm of different styles of financing solutions that allowed our project to get off the ground.

**Sanne Breimer: Have the cuts in foreign aid had an impact on your work or not?**

**Jeffrey Chatellier:** Our company was created because we didn't think bilateral assistance programs were sustainable. It's not to say that we didn't think USAID should cease to exist, but from a theoretical perspective, we didn't believe in that style because it wasn't catalytic enough. They had a few home run hits, but they also had a lot of failures too. I think if USAID, when it comes back, was more focused on loss guarantees for sustainable investments. I think that would be fantastic to see rethinking aid.

I had a USAID officer say to me years ago before Trump: "We just spent \$50 million on forestry projects and I don't even know what there's to show for." He said, "You only needed \$6 million for this one project. If we had just funded 10 of those, everyone would've thought that we've used our money, and then we created something that



makes more money year by year. USAID projects were time-bound to a five-year program, and then it ended.

Our types of projects last 30 or 40 years. That's how they're designed. I think, if anything, we may see more money flow into environmental markets with a reduction of bilateral assistance. That was always the thing, we can't solve the climate crisis with bilateral assistance. It's just not going to move the needle. We need to tap into something bigger. That's always been our approach. We've benefited greatly from different bilateral groups. I won't lie about that. I think we need these organizations, but I think they could be restructured in different ways to be more effective.

**Sanne Breimer: Rippleworks provided talent grants, leader studio, project support and capacity building. Can you share a little bit more about that? How did you experience that support?**

**Jeffrey Chatellier:** Through the talent grant, we've been able to bring in key positions, build out HR, and focus more on communications. I would say, again, it was catalytic. As an entrepreneur, you're always trying to keep your costs down, but there are positions that you need in order to grow and to scale. Even though the sector is risky, I'm risk averse. I don't like to overextend in terms of hiring. The talent grant allowed that to be de-risked. Then once we had that, I realized "how did I ever live without it?" Each time it unlocks so much more value that I didn't know was going to be there. That type of support was important for us to grow our team and hire the right people.

**Sanne Breimer: Did you get a personal one-on-one mentoring for this and how did it change your vision about hiring?**

**Jeffrey Chatellier:** The first one was on management, but the expert that worked with also was in advertising, PR, and marketing. That really helped us to bring on the right brand design group. We rebranded recently. Our stories of our impacts are being told. It's resonating so widely amongst our clients, our partners. People who I've never met are now saying, "I love the stories you're telling about the impact of your work." We continue to communicate with that person at Rippleworks. It just helped us change our whole thinking around how we communicate our brand and our work. We just concluded the work and launched the new branding at the start of the year. We then had a retreat in Indonesia where we brought the management together to discuss how we restructure, how we communicate internally, how we hire, and we got a lot of great inputs on core functions of a business. That's helped us grow.

**Sanne Breimer: Was that the first time that the management team came together?**

**Jeffrey Chatellier:** I would say it's the first time we opened it up to a wider audience. It wasn't just senior-level people. We broadened the engagement. That really helped create communication company-wide.

**Sanne Breimer: What other support did you receive?**

**Jeffrey Chatellier:** We focused on the smaller executive team. We hired all these people, and we were working on stuff, but the executive team was overloaded. We were focusing on the things that were most important. The rest of the company didn't even know what we were doing. It sounds like a simple fix, but it really helped us set priorities, and then communicate them down throughout the whole team, so people knew exactly where the company was going and what we needed to do on a quarterly, six-month, and yearly basis.

Our board also was saying, "We love what you guys do, but we don't really know your overall strategy. You're always bringing great news, you're always delivering." They thought there was a lack of a clear strategy and north star for the company. That's because it lived in the heads of a small group of three to four people. But it wasn't clear to our investors and it wasn't clear to our entire team.

The most recent one that really helped us transform how we communicate the priorities. We wrote our strategy. We mapped out other key hires that we're going to be working on, and we've presented that to the board, and it was super compelling. They're also thinking about putting more money into the company as a result of that work too.

It's been compelling to other investors who haven't joined in yet. The last engagement was great for me personally where some of the other projects other team members were benefiting more. But this one delivered a lot of great value for me as an executive who is running the company. I was more involved in this one as well where some of the other support was geared at other parts of the company.

**Sanne Breimer:** Is there something that you wish you knew at the start of the partnership with Rippleworks?

**Jeffrey Chatellier:** I would have been more active on the first round because I loved the one where I was more engaged. There were a lot of people engaged on the first one because it was focused on different roles in the company. I would have been more active in that first phase. They are also good at managing the partnership. The meetings are concise. They're focused. They have a facilitator to make sure the work gets done. They are flexible on scheduling, which is good. Time is precious.

**Sanne Breimer:** Yes, so overall, good experience?

**Jeffrey Chatellier:** Yes, because it's different. It's not like a donor that gives money. It was more focused on how we make you a better team. I like that.

**Sanne Breimer:** I would love to hear from you the top three things you need to unlock for your ability to scale and sustain.

**Jeffrey Chatellier:** We need to raise more money. That's one. I think unlocking different types of financing is going to be key. I talked about unlocking more traditional debt financing. I think structures around catalytic support, whether it's loss guarantees or other structures, is going to be important. The other one is market commitments and working with our clients or finding new clients that will sign on for long-term offtakes of

environmental services is really important. That will have a cascading effect of opening up other financing, like I mentioned, and gives the financial stability in the market too because it shows we're moving into long-term structural demand.

And on the company side, I think having the executive team learning and getting the right talents for the right tasks. We will be focusing on building a strong resilient team as we scale as well.

Then I think on the demand side, it's a market commitment from buyers, a market signal that there's going to be long-term structural demand for environmental services. That could be from compliance markets in countries like Japan, Singapore, Colombia, where they have carbon taxes and where companies can buy carbon offsets or environmental services in lieu of paying the tax. I think that type of thing happening in the market will really take environmental markets into the mainstream.

**Sanne Breimer:** Oh, that's interesting. Tell me more.

**Jeffrey Chatellier:** It's a compliance market with a carbon tax. Instead of paying the tax, you can buy offsets. Then the price of the offset tracks essentially to what the carbon price is because the delta is the savings for the company. That becomes an incentive for the companies to buy the offsets.

**Sanne Breimer:** Singapore does that already?

**Jeffrey Chatellier:** They do that. That's right.

**Sanne Breimer:** They're pioneering this?

**Jeffrey Chatellier:** Yes. Very much so and Colombia as well.

**Sanne Breimer:** And Japan as you were mentioning.

**Jeffrey Chatellier:** Yes. This is what we call the convergence of voluntary environmental markets that link to compliance markets. Markets where companies are forced to buy environmental market credits. I'm specifically saying non-carbon because I do see an emerging market for environmental services more broadly beyond just carbon.

**Sanne Breimer:** And my final question: What is the main environmental service that you offer with your company?

**Jeffrey Chatellier:** We have two. One is a carbon offset. Again, that has a community and biodiversity component attached to it. We call that a Verified Carbon Unit, and it uses Verra certification, and then we also do environmental impact units, which are more around insetting. These are for companies who are looking to offset their emissions but have more flexibility on the standard that they use. They want to make investments into nature in the areas where they source commodities as part of their

supply chain. It's value creation within their supply chain areas. That's one of our other products.

*Sanne Breimer (she/her) is a freelance journalism trainer, project manager and adviser for international media organizations including SembraMedia, Thomson Reuters Foundation (TRF), European Journalism Centre, Thibi, and the Asia-Pacific Broadcasting Union (ABU). She founded Inclusive Journalism, aiming to educate (primarily) Western journalists about media representation and decolonisation through a weekly newsletter, online courses and retreats. Sanne works remotely and divides her time between Europe and South East Asia. Before moving into training, Sanne worked at a managerial level in national public broadcasting in the Netherlands for almost 13 years, focusing on radio, digital media and innovation. She is Dutch with Frisian roots.*

*\* This interview has been edited and condensed.*