

Forest Carbon Partnership Facility (FCPF)

Working Group on the Methodological and Pricing Approach for the Carbon Fund of the FCPF

Terms of Reference

Background

Section 11.1(f) of the Charter Establishing the Forest Carbon Partnership Facility (Charter) provides that the Participants Committee (PC) shall adopt policy guidance on pricing methodologies for Emission Reductions Payment Agreements; and

Section 11.1(i) of the Charter states that the PC shall, on the basis of the recommendations from the Facility Management Team (FMT), provide guiding principles on the key methodological framework.

Based on this, the Participants Committee during its 10th meeting (PC10) requested the FMT to establish a working group on the methodological and pricing approach for the Carbon Fund of the FCPF (Working Group), and invite designated REDD Country Participants, Donor Participants, Carbon Fund Participants and Observers, with the aim of making recommendations to the PC for consideration and adoption of guiding principles on the key methodological framework and policy guidance on a pricing approach at its twelfth meeting (PC12).

Scope of the Working Group

The scope of the Working Group is to make recommendations to the PC on broad, overarching guiding principles for the key methodological framework and policy guidance on pricing methodologies as a proposal to the PC, to meet the Carbon Fund's strategic objective to pilot performance-based payment systems for Emission Reductions generated from REDD+ activities, with a view to ensuring equitable benefit sharing and promoting future large-scale positive incentives for REDD+. The guiding principles for the methodological framework should reflect some or all of the following elements: (i) carbon accounting; (ii) programmatic characteristics, including inherent social and environmental benefits; and (iii) additional social and environmental benefits beyond carbon, to guide assessment and decision making. The World Bank safeguard policies will not be part of the methodological framework or policy guidance on pricing, as they have to be met by each and every Emission Reductions Program (ER Program) for an Emission Reductions Payment Agreement (ERPA) to be signed.

Work Plan

1. The WG will consist of 3 financial contributors to the Readiness Fund or the Carbon Fund, and 3 REDD Country Participants, 1 civil society observer, 1 indigenous peoples and other forest dwellers observer, and 1 private sector observer. The FMT will invite the financial contributors and REDD Country Participants to express interest in participating in this WG. In the case of

more participants expressing interest than the above numbers, the FMT will consult with interested participants and the PC Bureau, if necessary, to agree on the WG members.

2. The WG members shall agree on 2 co-chairs for the group, including 1 from financial contributors to the Readiness Fund or the Carbon Fund and 1 from REDD Country Participants.
3. Work will be conducted within a single Working Group on both the methodological framework and the pricing guidance.
4. Work will be conducted via conference calls and/or emails, and if necessary, one face-to-face meeting organized by the FMT, tentatively in the margins of PC11 in March 2012, and a presentation on the outcome of the Working Group to PC11 in March, 2012, if feasible, or to PC12 in June, 2012.

The working language of the WG is English.