

Forest Carbon Partnership Facility
Twenty-sixth Meeting of the Carbon Fund (CF26)
Rome, Italy | May 30-June 1, 2023
Chair's Summary

Dear Carbon Fund Participants and Observers,

We would like to thank the Carbon Fund Participants and Observers – from REDD Country Participants, Indigenous Peoples' organizations, civil society, UNFCCC, and the private sector – who took part in the 26th FCPF Carbon Fund meeting from May 30th to June 1st. We would also like to thank the FAO for hosting us.

Please find below the main conclusions from the meeting. All relevant materials from this meeting (including this summary as well as background resources, presentations, and resolutions) are available on the FCPF website at

<https://www.forestcarbonpartnership.org/meetings>.

UPDATE ON CARBON FUND PROGRESS

The FMT presented progress made under the Carbon Fund since CF25, including updates on the FCPF portfolio, progress and activities related to social inclusion of IPLCs, MRV, CATS, CORSIA, as well as communications and knowledge management. There were some discussions and clarifications regarding third party monitoring of benefit sharing plans and around the development of the FCPF Standard and options for countries generating excess emission reductions (ERs).

EVALUATION UPDATE

The FMT presented [progress](#) on the third FCPF evaluation since the last Carbon Fund meeting. The selected independent evaluation firm, Baastel, provided an overview of the evaluation team, objectives, proposed methods and approach, timeline, sampling criteria, and proposed selections for country and thematic case studies, and next steps.

Participants discussed the scope of the evaluation, including coverage of both Readiness Fund and Carbon Fund countries in the country case studies and other analyses, as well as channels for continued input on evaluation plans and results through the Evaluation Oversight Committee. Final results of the evaluation will be presented at the next Carbon Fund meeting.

PORTFOLIO MANAGEMENT UPDATE & MONTE CARLO/RISK ASSESSMENT

The FMT presented an [update](#) on the implementation status of the 15 ER Programs under the FCPF Carbon Fund, the financial status, and long-term plan. Implementation status updates included those related to submission of ER Monitoring Reports, Validation and Verification status, payments made to date and upcoming payments through the end of calendar year 2023. An update was also provided on the improvements being made to the portfolio delivery risk assessment and Monte Carlo model. Results and projections based on these improvements will be presented at the next Carbon Fund meeting.

FCPF STANDARD

The FMT shared proposals for changes to the FCPF requirements that will apply to current ER programs in the Carbon Fund portfolio. These included 1) a cumulative uncertainty discount, 2) additional guidance of the assessment of reversal risk factors, 3) allowing separation between results from increased removals and decreased emissions, and 4) accommodating changes to the ability to transfer title to ERs.

CFPs agreed to adopt the proposed revisions, as described and referenced in the Resolution CFM/26/2023/2. The relevant FCPF documents will be revised by the FMT following further consultations with CFPs regarding the reporting of increased removals and taking into account comments received from FCPF Carbon Fund countries (i.e. Guatemala) prior to CF26, and will be submitted to the CFPs for a three-week no objection period.

The FMT also presented three options for the development of a stand-alone FCPF Standard that could also be used in the new SCALE trust fund and/or by others outside the World Bank. CFPs generally supported the option to develop a stand-alone standard for use in SCALE [option 1]

while the FMT further explores demand and possibilities for a standard that could also be used outside World Bank managed funds.

FCPF STANDARD COMMUNICATIONS AND OUTREACH

FMT and Marchmont Communications [presented](#) a communications strategy and plan for the FCPF Standard and broader REDD+ engagement. The plan includes audience-focused insights gathering and planning, and targeted outreach including to third party prospective buyers via a range of channels, as well as planning for potentially critical lines of inquiry from stakeholders including media.

Participants welcomed the presentation, noting its timeliness given the increased stakeholder interest in and scrutiny of REDD+ and that the plans will support their own communications work. Several CFPs shared ideas around focus of message and theme within the communications. It was also noted that updates and additional information on website traffic, Q&A and messaging (including defensive lines), and other materials will be shared as they become available.

EXCESS ERs AND THIRD-PARTY BUYERS

The FMT presented the current solutions (mechanisms/platforms) and ongoing initiatives to support countries in the monetization and transfer of excess ERs to third-party buyers. Updates were provided on the work related to the use of Verra Registry to host FCPF issued ERs, the auction mechanism, and country workshops. The session also provided updates on CATS 2.0, CORSIA, and ICROA. Participants noted the importance of transparency in the parameters on price. It was also clarified that the auction mechanism for FCPF excess ERs is a pilot phase and there is flexibility in the future to accommodate aspects such as sector interests and buyer priorities.

ADOPTION OF RESOLUTIONS FOR REVISIONS TO THE FCPF STANDARD AND CARBON FUND BUDGET FOR FY24

- [Resolution CFM/26/2023/2](#) on the revision of selected (current) FCPF Requirements for the FCPF Carbon Fund was adopted.

- [Resolution CFM/26/2023/1](#) on the Carbon Fund Budget for FY24 was also adopted.

KNOWLEDGE SHARING SESSIONS ON KEY ISSUES IN DELIVERING REDD+: LESSONS ON BENEFIT SHARING, HIGH INTEGRITY MRV, AND CARBON ACCOUNTING INFRASTRUCTURE

- REDD+ countries, private sector and CSO Observers as well as World Bank and FAO shared insights and lessons on impactful benefit sharing arrangements in REDD+. Discussion themes included the importance of balancing efficiency, effectiveness and equity, starting early to build capacity for BSP implementation, and ensuring inclusive participation in BSP design and implementation.
- REDD+ countries as well as World Bank and FAO discussed key factors for ensuring high-integrity MRV in REDD+ programs. Main points included ensuring accuracy and environmental integrity through multiple measurement approaches and new technologies, support for building institutional capacity and infrastructure, and learning by doing.
- REDD+ countries, private sector and CSO Observers as well as World Bank and FAO discussed experiences and lessons in building national carbon accounting frameworks and infrastructure. Discussions highlighted the importance of robust legal and regulatory frameworks, clear institutional arrangements, relevant technical capacity and specifications of tools and platforms, and complementarity with other related systems.

NEXT MEETING

The 27th Carbon Fund meeting is tentatively scheduled for October 2023. The FMT will determine the location of the meeting as soon as possible.

IN CLOSING

- CF26 was another major step forward for the FCPF Carbon Fund: the submission of Monitoring Reports by 13 countries - totaling over 60 million of potential contract ERs, - is testament to the extent of that progress. Carbon Fund countries are on track to reach

payment milestones, therefore ‘proving the concept’ that could enable them to access carbon markets. This also signals a new phase through the implementation of benefit sharing across several Carbon Fund countries, which will bring new challenges, additional lessons learned, and will enable piloting transformational change through socially inclusive benefit sharing and catalyzing the realization of REDD+ at scale.

- We look forward to seeing continued progress under the Carbon Fund, where the focus will be the completion of verifications and payments for reported emission reductions, the implementation of benefit sharing arrangements, and supporting countries to access carbon markets.

If you have any questions or concerns, please feel free to contact the FCPF FMT at fcpfsecretariat@worldbank.org.

Sincerely,

Utkarsh Agarwal

BP

CF26 Chair