

## Statement for the Carbon Fund

We'd like to make this statement on behalf of Mexico, the Democratic Republic of Congo (DRC), Ghana, and Nepal.

In the Carbon Fund ninth meeting of April, in Brussels, the participants of the Carbon Fund continued discussions about the pricing approach for the Carbon Fund. Since that meeting, some issues regarding the establishment of a uniform carbon price for all the ER-Programs have come to our attention.

We'd like to give our input as REDD+ countries' representatives, highlighting some of the issues we have identified in this pricing approach.

We understand that the Carbon Fund was created to help countries move from phase 1 towards phase 3 of REDD+. In other words, the activities to be undertaken through the ER-Programs as well as the piloting of payments for results are results-based demonstration activities. According to the objectives (b) and (d)<sup>1</sup> of the charter as well as the principles (b) and (c)<sup>2</sup>, the approach of a uniform price for the Carbon Fund implementation is inconsistent with the mandate and spirit of the FCPF.

To pilot the performance-based payment for results demonstration activities, we consider that having different approaches and price proposals would give a higher learning value. The different experiences of the countries in the carbon fund will be crucial to share best practices and inform other international processes.

The pricing approach should consider information from different countries. Setting individual prices for ER-Programs would show the diversity of REDD+ country circumstances and program design. If the carbon price considers information and circumstances in each country, it will give time for REDD+ countries to advance in the information we need to have a better sense of the price range at the national and subnational level.

If a uniform carbon price is established at this meeting, it will prevent countries from advancing in their estimations of price and cost analysis to be realistically negotiated when signing the ERPA.

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<sup>1</sup> (b) To pilot a performance-based payment system for Emission Reductions generated from REDD activities, with a view to ensuring equitable benefit sharing and promoting future large scale positive incentives for REDD; (d) To disseminate broadly the knowledge gained in the development of the Facility and implementation of Readiness Preparation Proposals and Emission Reductions Programs.

<sup>2</sup> (b) Recognizing the pilot nature of the Facility, follow a "learning by doing" approach; (c) Seek to ensure consistency with the UNFCCC Guidance on REDD;

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On the other hand, if the price is negotiated when the ER-Program is put forward or during the signing of the ERPA, REDD+ countries as well as donors will have more information that will help establish a price that is based on information, national context and the approach taken for the emission reductions.

The cost analysis and financial viability needed to estimate price can be done during the preparation on the ER-Program by REDD+ countries. At the last meeting of the Carbon Fund, there was an agreement from the World Bank to share the cost analytical tool to help REDD+ countries to do this analysis and estimate the price

It is also important to note that a uniform price for every ER-Program may have an impact on the quality of the emission reductions. A lower price will mean higher amount of emission reductions. However, we want to bring to your attention that a higher volume does not always mean that there is environmental integrity, and this aspect is crucial for the activities undertaken with the Carbon Fund.

Finally, establishing a price for all ER-Programs is not consistent with the Methodological Framework which states in the pricing element 3 of informed negotiation:

*“The ERPA price should be determined by negotiations between the CF Participants, as buyer, and the ER Program entity, as seller, based on their respective willingness to pay or to receive payment. This negotiation process should be informed by relevant information such as market surveys or transaction benchmarks”.*

For all the previous reasons, we suggest that the best approach is establishing the price individually, at a discussion with each country when negotiating the signature of the ERPA.

There are rules and processes to guide the operation of the Carbon Fund. These rules and processes were created by Carbon Fund participants. In the perspective of the REDD+ countries, the Carbon Fund should not disregard previous rules as well as the guidance established in the Methodological Framework, as this can bring lack of transparency to the process.

Thank you co-chair