



Forest Carbon Partnership Facility

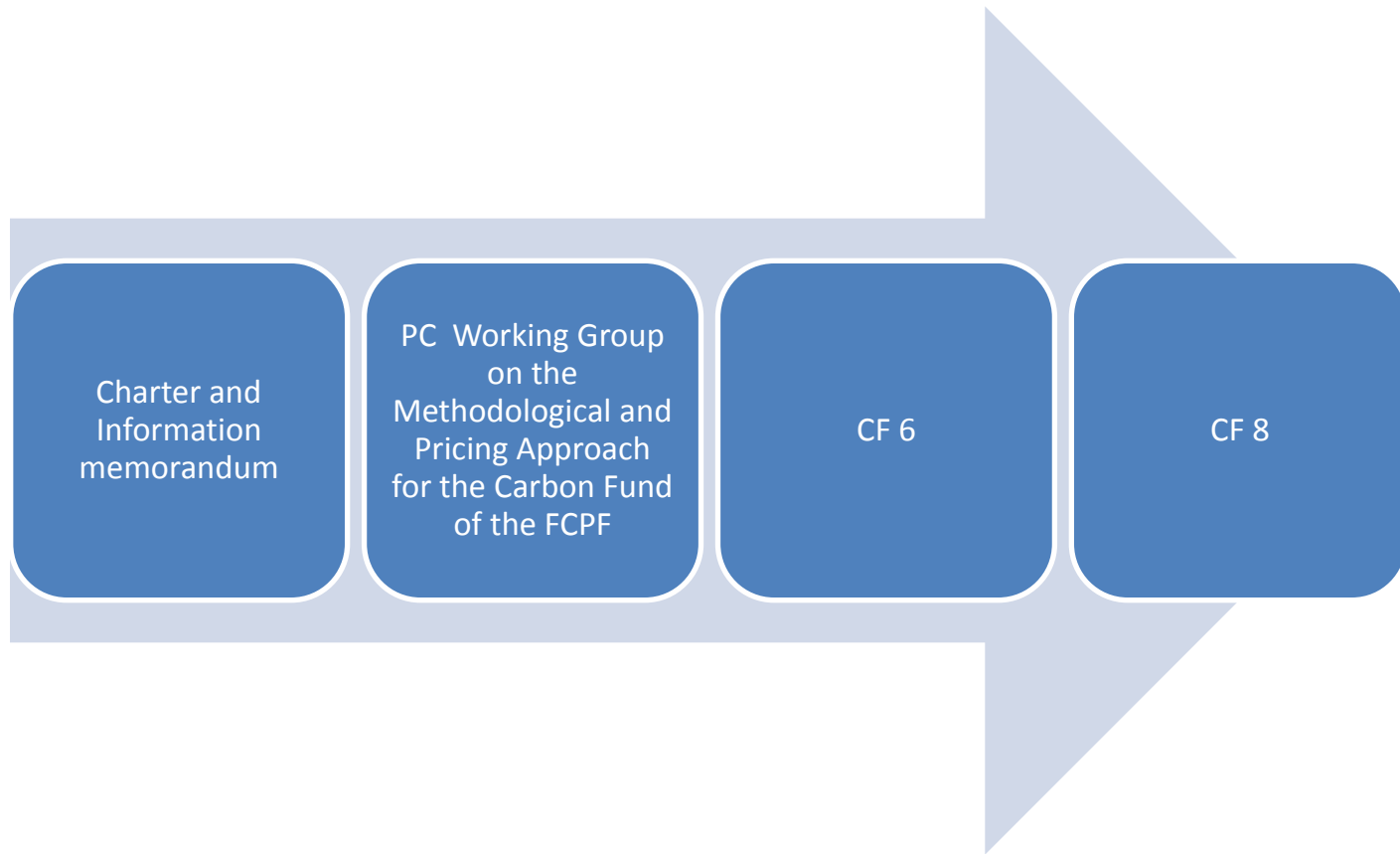
Update on Pricing Approach

Ninth meeting of the Carbon Fund (CF9)

Brussels

April 9-11, 2014

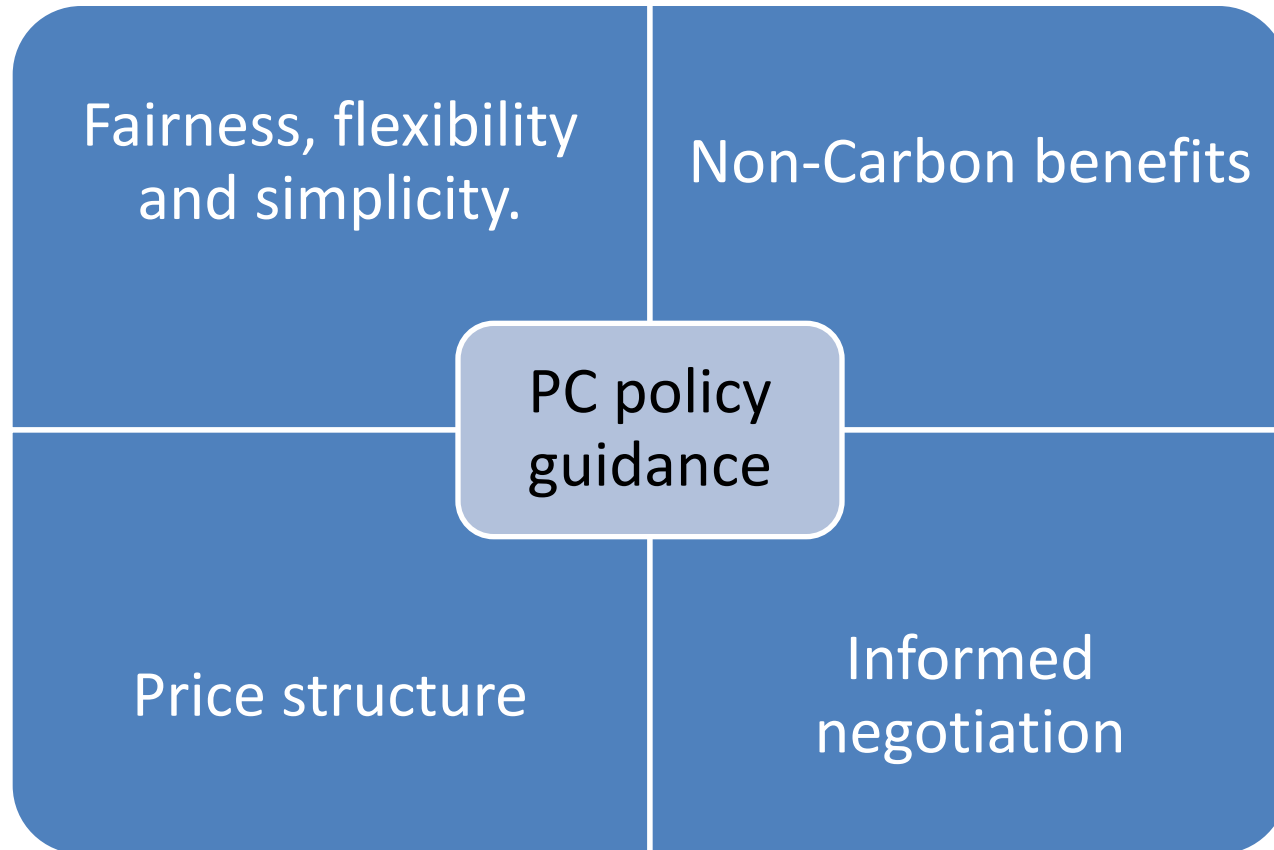
History of pricing discussion



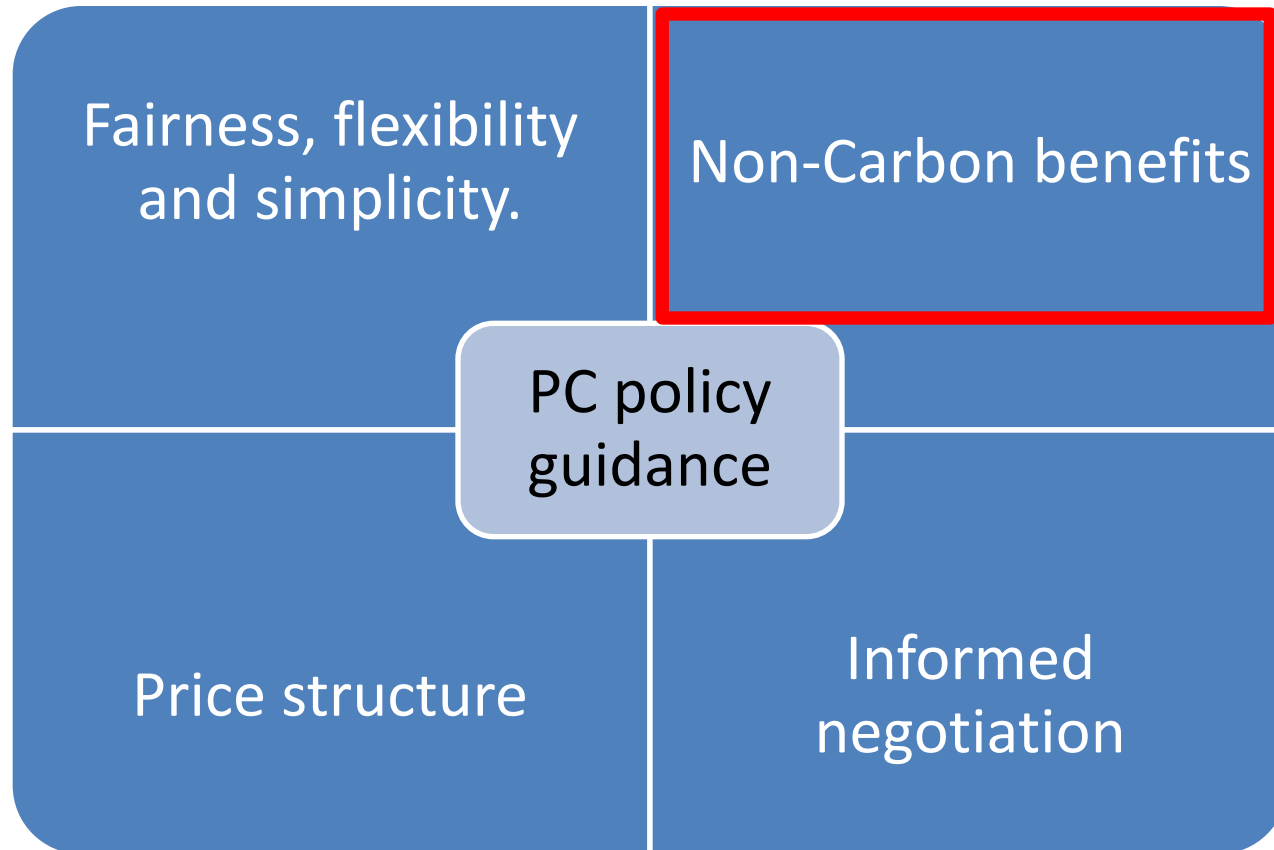
PC policy guidance on pricing methodologies

- **Fairness, flexibility and simplicity:** Pricing should be fair and flexible, be kept as simple as possible and protect both parties from extreme price fluctuations.
- **Price structure:** The ERPA price should be a combination of fixed and floating portions, where feasible
- **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
- **Non-Carbon benefits:** The ERPA price negotiation process offers an opportunity for non-carbon benefits to be taken into consideration, although there would be no systematic quantification of non-carbon benefits for pricing under the Carbon Fund.

Operationalizing the PC guidance on the pricing approach



Operationalizing the PC guidance on the pricing approach

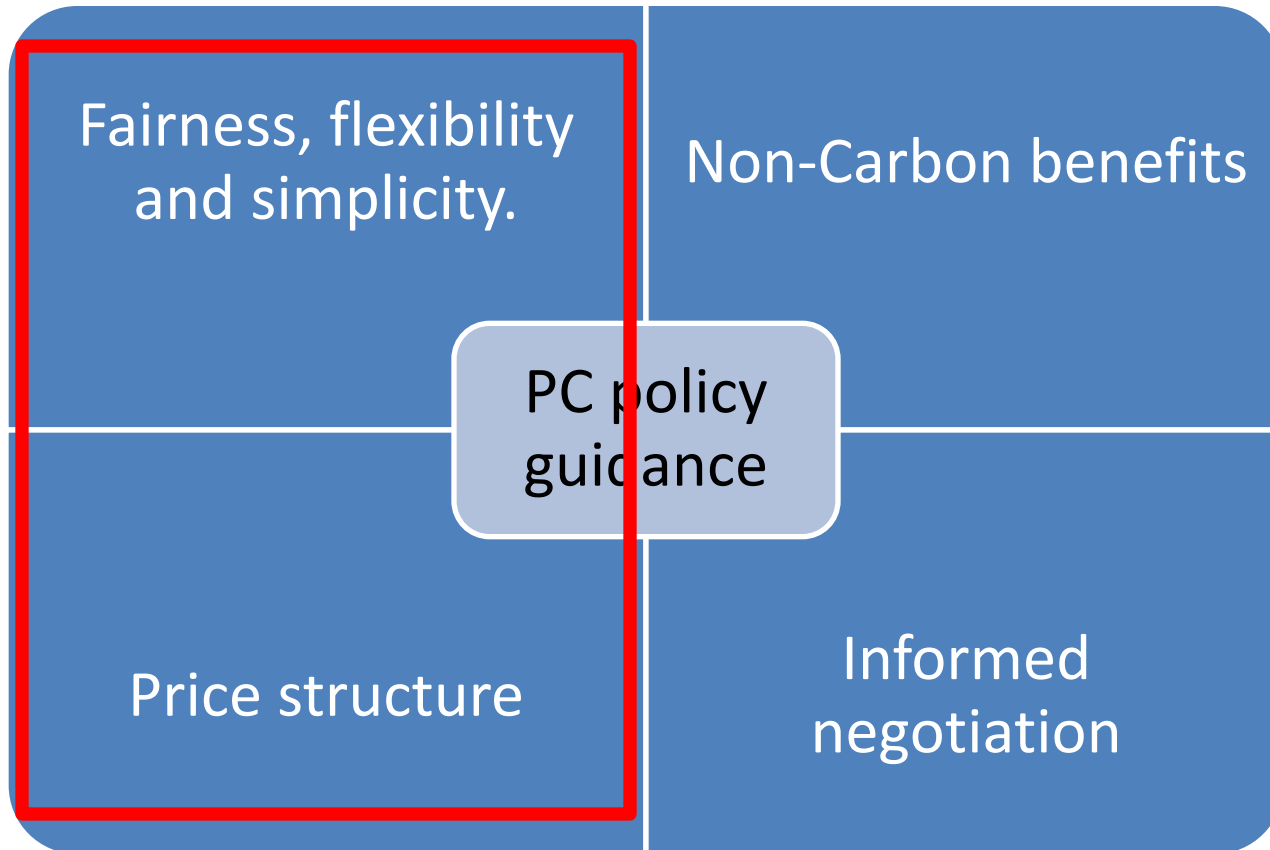


Non-carbon benefits

Decisions made:

- CF 6: A strategic view for the treatment of non-carbon benefits is needed but such a strategic view should not be reflected in the pricing approach. Non-carbon benefits would be negotiated on a case-by-case basis.
- CF 8: Consider non-carbon benefits as part of ER program selection rather than as a price component. The Methodological Framework encourages ER programs to enhance these benefits for broader sustainable development

Operationalizing the PC guidance on the pricing approach



Fairness, flexibility and simplicity and price structure

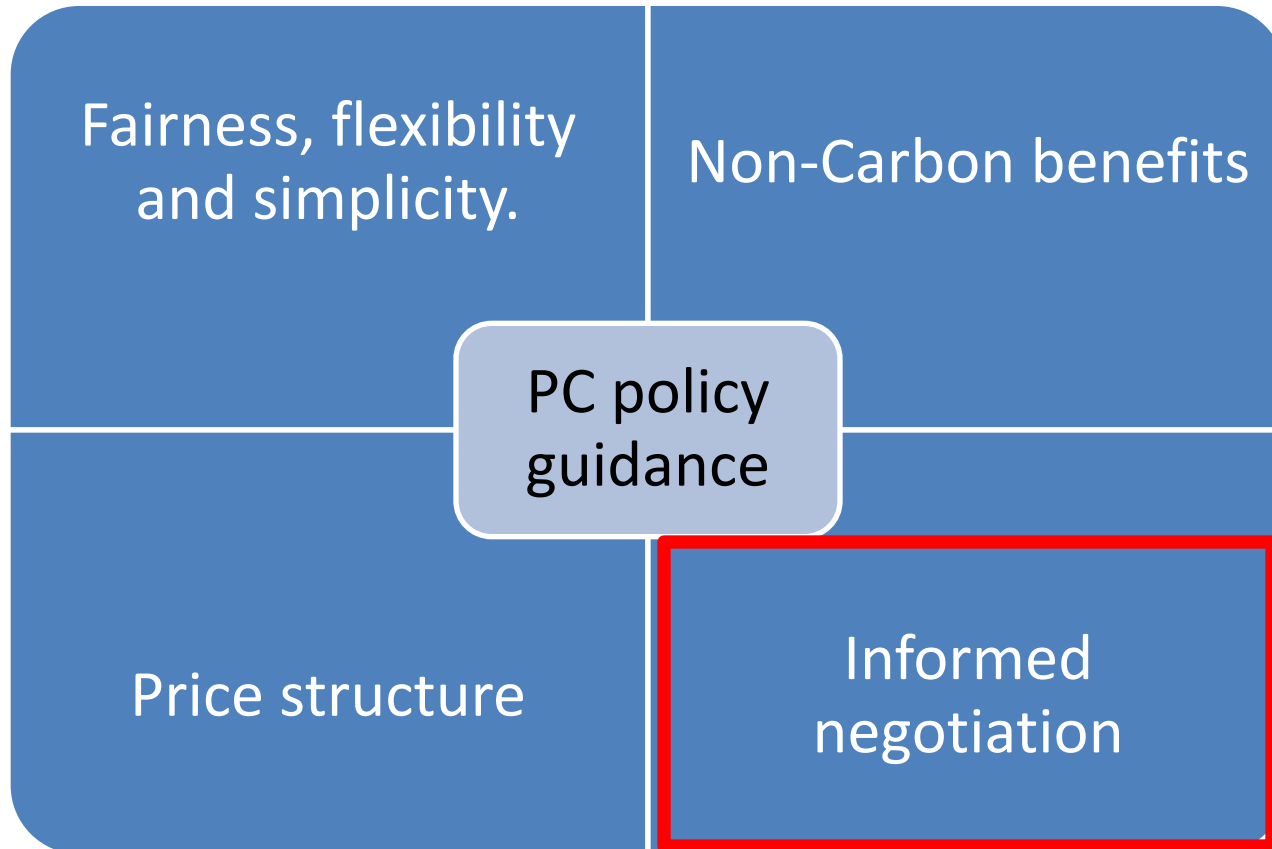
Decisions made:

- CFPs expressed preference for maximizing simplicity and minimizing risk now by using fixed price (i.e. setting the ratio between fixed and floating portions of the price to 100% fixed); but
- Decision on having fixed and/or floating pricing will depend on conditions at the time of ERPA negotiations and the possibility of having a relevant price reference to which a floating portion could be indexed

For discussion at this meeting:

- Is it more fair to have a uniform, predetermined price, to be used across portfolio or to have a fixed price to be negotiated for each ERPA separately?

Operationalizing the PC guidance on the pricing approach



Informed negotiation

Willingness to receive payments:

- Cost analysis and financial viability can be done by the Sellers to assess their willingness to receive payments. The FMT has been developing a tool to help REDD+ Countries to do this analysis
- Some REDD+ Countries have started to provide a price signal in their ER-PINs

Willingness to pay:

- When are the CFPs willing to express their willingness to pay by indicating a (maximum) price or price range? This would help REDD Countries design their ER-Programs and seek other sources of financing



THANK YOU!

www.forestcarbonpartnership.org