

**Forest Carbon Partnership Facility (FCPF)
Fifteenth Meeting of the Carbon Fund (CF15)
Washington, DC, December 12-15, 2016
Chair's Summary**

Dear Carbon Fund Participants and Observers,

I would like to thank Carbon Fund Participants (CFPs), delegations from REDD Country Participants, and Observers from REDD Country Participants, Indigenous Peoples' organizations, civil society and the private sector, who took part in the fifteenth meeting of the FCPF Carbon Fund (CF15) on December 12-15, 2016 in Washington, DC.

Please find below the main conclusions from the meeting. All background materials, presentations, resolutions and this summary are available on the FCPF website at <https://www.forestcarbonpartnership.org/CF15>

Setting the stage for ER-PD selection

The Facility Management Team (FMT) recalled the [two decision points for selecting Emission Reductions programs](#) into the Carbon Fund:

- i. Selection into the pipeline of the Carbon Fund based on an Emission Reductions Program Idea Note (ER-PIN) (concept stage). This leads to the signing of a Letter of Intent (LoI) that confirms the Carbon Fund and country's intention to proceed with development of the program;
- ii. Selection into the portfolio of the Carbon Fund based on the Emission Reductions Program Document (ER-PD) (full proposal). This leads to the negotiation and signing of an Emission Reductions Payment Agreement (ERPA), a contract to pay for ERs generated by the program.

CFPs previously selected 19 ER-PINs into the pipeline, and provisionally selected the first two ER-PDs (from Costa Rica and the Democratic Republic of Congo) into the portfolio.

Selection of ER-PDs at CF15

[Chile](#), [Mexico](#) and [Vietnam](#) presented ER-PDs for selection into the Carbon Fund portfolio. ER-PDs presented took into consideration comments received during the technical assessment from the Technical Advisory Panel (TAP), CFPs, and Observers, as applicable.

Portfolio selection is done on a first come first served basis, while taking into account the quality of the program proposal and selection criteria as considered at ER-PIN selection stage, including consistency of the ER-PD with the Methodological Framework (MF).

CFPs selected the ER Program from [Chile](#) and provisionally selected the ER-Program from [Mexico](#) into the Carbon Fund portfolio. ERPA negotiations will proceed subject to completion of the World Bank's due diligence on the programs and, in the case of Mexico, fulfillment of conditions as stated in the respective [resolution](#).

CFPs invited Vietnam to revise the ER Program as per points identified below and to present a revised ER-PD at the next possible Carbon Fund meeting, ideally by CF17.

Chile

CFPs commended Chile on an ambitious ER Program that is well aligned with national strategies and contributes to the government's climate change ambitions outlined in Chile's NDC. CFPs noted the impressive amount of high quality information, including a strong analysis of drivers and a detailed description of existing instruments that have proven positive impact in promoting reforestation and on which the program will build.

CFPs encouraged Chile to further develop the following issues under its ER Program and inform the FMT about corresponding developments, if any, to be shared with CFPs and Observers, prior to ERPA signature:

- Address TAP comments on indicators 7.1, 7.2, and 8.1 following the course of action indicated by Chile during the facilitated discussion group.
- Provide additional clarification on the National Forest Commission's (CONAF's) authorization to negotiate an ERPA for the ER Program, including but not limited to an official authorization letter by the competent government authority, prior to ERPA negotiations.
- Consider, during the implementation of the ER Program, synergies and complementarity with related programs including those that may be supported by the Green Climate Fund.
- Inform on any further progress made in harmonizing the two reference periods for the construction of the Reference Level (RL). However, CFPs also noted that although Chile uses two reference periods for the construction of their RL, neither period is inconsistent with the MF.
- Make available additional information in the benefit sharing plan on the implications of the applicable land and resource tenure regime on the benefit sharing mechanism, in particular with regard to access to benefits that may be generated through this ER Program from public land and indigenous territories.

Mexico

CFPs commended Mexico on a well-defined ER Program aimed to transform landscapes through policy instruments, institutional reforms and capacity-building and designed based on a highly participatory and consultative process. CFPs noted Mexico's strong track record of community-based forest management on which the program builds as well as the robust inter-institutional coordination across sectors.

CFPs encouraged Mexico to further develop the following issues under its ER Program and inform the FMT about corresponding developments, if any, to be shared with CFPs and Observers, prior to ERPA signature:

- Noting Mexico's intention to perform a sensitivity analysis to detect and quantify relative sources of uncertainties and errors, provide the results of this analysis to CFPs.
- Include information on how the design and implementation of the Benefit Sharing Plan complies with relevant international conventions and agreements in the section of the ER-PD related to indicator 33.1, including the information currently included in Annex 4.
- Noting TAP comments on Indicators 36.2 and 36.3, provide prior to ERPA signature, but no later than ER transfer, sufficient evidence demonstrating the right to ERs, and the ability to transfer title to these ERs to the Carbon Fund as per the MF.
- Noting the National Forest Commission's (CONAFOR's) acceptance of the CSO and IP's invitation, convene a multi-stakeholder technical discussion on ER ownership and ER title transfer through the Technical Committee of Forest and Climate Change of the 'Consejo Nacional Forestal'.

- Consider during the implementation of the ER Program synergies and complementarity with related programs, including those that may be supported by the Forest and Climate Program, Forest Investment Program, and/or other bilateral or multi-lateral programs.
- Noting that the MadMex system will enter into use in the coming years, make technical corrections to the RL, if necessary; update estimation for 2001; ensure consistency with the monitoring system, including applying IPCC methods for ensuring time-series consistency; and report to CFPs on how these corrections were made. Reporting to the CFPs on these technical corrections should be completed before the first monitoring event.

Vietnam

CFPs commended Vietnam on the high level of political commitment to policies that address climate change and promote sustainable management of forests. The government's strong ambition is clearly reflected in the climate targets defined in Vietnam's Nationally Determined Contribution (NDC).

CFPs praised the high level of commitment demonstrated by the targeting of government resources towards the implementation of Vietnam's ER Program. Further, the strong government leadership is also reflected in the broad and strong support provided by a number of development partners for the implementation of the proposed program.

Vietnam was recognized for its strong commitment to REDD+ readiness and the many policy reforms that have been initiated and implemented and have led to tangible results for forests and the people who depend on them. Such progress was recently underlined internationally by the FCPF Participants Committee's endorsement of Vietnam's Readiness Package.

Vietnam has taken a series of very positive and transformative actions to address illegal logging, which is reflected in the recent signing of a Voluntary Partnership Agreement with the EU on forest law enforcement, governance and trade in timber products. CFPs strongly encourage a sustained effort in this respect going forward.

CFPs see learning value provided by Vietnam's program and the experience that can be shared internationally on the successful and sustainable increase of Vietnam's forest cover in recent decades as an important investment in the country's natural resource base.

The program has potential for strong development benefits to local communities. It is also noteworthy that the proposed program promotes the effective protection of important ecoregions.

CFPs appreciated the robust analysis of drivers of deforestation and forest degradation, which will serve as a strong basis for effective program interventions, and the deliberate focus on promoting economic and livelihood opportunities for ethnic minorities.

CFPs recognized the sound technical work performed by Vietnam to produce the final ER-PD and the high degree of responsiveness to the assessment performed by the TAP.

CFPs encouraged Vietnam to submit a revised ER-PD as soon as possible for consideration to be included in the portfolio at a future meeting of the Carbon Fund. In the revised version, CFPs ask Vietnam to address the following points:

Technical Issues

- Finalize the ongoing work on the design of the RL using an updated reference period of 2005-2015.
- Ensure consistency with IPCC guidance with respect to the estimation of removals from plantations.
- Implement measures to reduce statistical uncertainty associated with the estimation of future ERs generated by the Program, as noted by the TAP.
- Revisit the estimates of leakage and reversal risks as per the feedback of the TAP.
- Provide information on the risks related to potential relocation of drivers of deforestation and forest degradation, particularly related to state owned companies, to outside of the ER program area or to the neighboring countries.
- Describe in more detail arrangements to avoid double counting using the proposed national REDD registry and the existing national land registry.

Program Design

- Describe in detail cross-sector coordination at national and provincial levels and relevant decision-making processes (e.g., steering committees), and clarify the high level of political commitment for cross-sectoral coordination relevant for the ER Program.
- Based on the good analysis of the drivers of deforestation and forest degradation already carried out by Vietnam, identify additional concrete ER Program interventions outside of the forestry sector that would specifically target other key sectors that drive deforestation and forest degradation, in particular agriculture (e.g., rubber) and infrastructure development. This should include positive incentives where relevant.
- Describe how such ER Program interventions (e.g., Provincial REDD+ Action Plan) are fully aligned with the new National REDD+ Action Plan to be adopted.

Safeguards

- Continue development of and operationalization of the Safeguard Information System and Feedback and Grievance Redress Mechanism.
- Based on the good safeguard development work already carried out by Vietnam, provide additional clarification on the measures to address various safeguard risks, specifically: 1) conversion of natural forests to plantations (i.e., more detail on the proposed independent monitoring arrangement); 2) engagement of ethnic minorities and how they benefit from the ER Program i.e., the existing policies and measures to improve their access to forest land while customary rights are not yet recognized by the Land Law; 3) livelihood impacts on the poorest and most vulnerable.

Portfolio Considerations

The Carbon Fund pipeline includes a total of 19 ER-PINs, and the portfolio includes four ER-PDs. CFPs considered strategic [portfolio management](#), including currently available capital of \$681 million for purchase of ERs, the term of the Carbon Fund until 2025, estimated volume of ERs that could be generated by ER Programs within the term of the fund, variables that affect ER volumes and the Monte Carlo analysis to simulate potential portfolio outcomes.

In this context, the FMT provided information on a [new Emission Reduction Delivery Risk Assessment model for the Carbon Fund](#) that is currently in the final stages of development. The model builds on the World Bank's Systematic Operations Risk-rating Tool (SORT) and is designed to inform ERPA contracting, business planning and portfolio management.

CFPs welcomed the new ER Delivery Risk Assessment model but suggested to also continue the use of the Monte Carlo analysis for portfolio simulation in order to learn and consider the limitations of each tool. As such, the FMT will continue to use both tools to inform portfolio management discussions.

Double Counting

The General Conditions state that contracted ERs may not be double counted. Considering that host countries/Program Entities may request to use contracted ERs from the ER Programs to meet contributions included in their NDCs, CFPs discussed the issue of double counting. The FMT presented [several possible options for how to avoid double counting](#) in such an event, also taking into account that Tranche A and Tranche B Participants may have different preferences.

CFPs agreed that the options presented served as a good starting point for a discussion that will need to be continued.

Progress Update

The FMT of the FCPF provided an [update on progress](#) made since the last meeting in June 2016. CFPs welcomed the comprehensive progress update that covered *inter alia* portfolio development, progress against interim milestones, updates on ongoing technical assessments, technical guidance developed and trainings delivered, and upcoming deliverables and decisions.

CFPs encouraged the FMT to continue engagement in the ICAO process and to facilitate participation of country representatives in the process.

Observers representing civil society and Indigenous Peoples particularly appreciated a global CSO/IP workshop organized by the FMT in October 2016 that facilitated immersion in the process and proceedings of the Carbon Fund and also contributed to better coordination amongst CSO and IP representatives from different regions. It was suggested that the FMT continue facilitation of such South-South exchanges amongst CSOs and IPs going forward, yet to also include government representation in such exchanges.

Observers further underscored that around 20% of carbon stocks are found in forests located in indigenous territories, yet that currently less than 1% of funds from the FCPF are directly allocated to Indigenous Peoples. As such it was requested that additional funds be dedicated specifically to Indigenous Peoples.

Additional Observers

The FMT presented a request that emerged from the global CSO/IP workshop, to increase the number of Southern CSO and IP Observers to the Carbon Fund. CFPs emphasized that the diverse viewpoints and contributions from CSO and IP observers add much value to the overall discussion. CFPs felt that representation from additional observers would be most effective if such additional observers were to bring knowledge and expertise on the specific countries that present ER-PDs at a given Carbon Fund meeting, rather than adding more fixed Observers.

As such, CFPs agreed to support participation of additional observers on a case-by-case basis as per the [Rules of Procedure](#), but to otherwise maintain the [status quo and continue with ten fixed observers](#). CFPs further suggested that the FMT, in coordination with selected CSO and IP Observers to the Carbon Fund, actively facilitates identification and invitation of relevant regional CSO and IP observers for future Carbon Fund meetings based on each meeting's agenda.

Next meeting

The sixteenth Carbon Fund meeting will be in Paris on June 19-22, 2017.

In closing

For the FCPF Carbon Fund, 2016 was an important year that saw the results of years of countries' preparatory work in national REDD+ readiness and ER Program development. At CF15 an additional two ER Programs were selected for a total of four programs now in the portfolio of the Carbon Fund. Accordingly, the proceedings of the Carbon Fund meetings have changed significantly and are now almost entirely focused on technical aspects of countries' ER Programs as well as broader portfolio management considerations.

Portfolio development and diversification will continue in 2017 when additional countries will present their ER Programs for potential selection. Meanwhile the first ERPA negotiations are expected to commence in 2017 resulting in the first contract for a large-scale transaction from REDD+. Such progress will provide important lessons and experiences for 'proving the concept' of REDD+ and will continue to accelerate momentum for REDD+ at scale. Most importantly though, ER Program implementation will contribute to realize national commitments to combat global climate change and to transform forest landscapes for the benefit of people and the environment, and for the sustainable low-carbon development of national economies.

If you have any questions or concerns, please do not hesitate to contact me at VerdieckJD@state.gov or the FCPF FMT at fcpfsecretariat@worldbank.org.

Sincerely,

John Verdieck
United States
CF15 Chair