



# Forest Carbon Partnership Facility

## Verification process

Sixteenth Meeting of the Carbon Fund (CF16)

Paris, France

June 19-22, 2017

# Verification: Justification

- The General Conditions applicable to ERPA for FCPF ER Programs provide requirements for reporting and verification in order to allow for payments for ERs
- As first ERPAs are signed mid/end 2017, ER programs are expected to proceed to monitoring the second half of 2018
- Need to start defining the specific requirements on reporting and verification so as to allow Countries to prepare
- **June, 2017:** FMT seeking guidance from CFP and Observers on the What, Who and How of verification:
  1. Scope of reporting and verification (What?)
  2. Verification arrangements (Who?)
  3. Verification approach for ERs (How?)

# Verification: Background

- According to the FCPF ERPA General Conditions (Section 8.02)...

*...all ERs generated by the ER Program during each Reporting Period shall be subject to Verification by an Independent Reviewer.*

- Therefore, payment of ERs are conditional on Verification, which is defined as...

*...the periodic assessment by an Independent Reviewer of the amount of ERs generated by the ER Program ...in accordance with the REDD Country Participant's MRV System and the Methodological Framework, and includes the written assurance by the Independent Reviewer that during the relevant Reporting Period the ER Program Measure(s) have achieved the ERs as reported in the Verification Report and "Verified" shall have cognate meaning;*

## Verification: Background (2)

- The Independent Verifier must provide a Verification Report which is..

*...the document setting out the Verification in accordance with the REDD Country Participant's MRV System and the Methodological Framework and includes without limitation:*

- (i) a statement of the amount of Verified ERs the ER Program has generated in the relevant Reporting Period since the previous Verification (or, in the case of the first Verification, since the ER Program Start Date); and*
- (ii) information on such other matters as may be required by the REDD Country Participant's MRV System and the Methodological Framework;*

# Scope of reporting and verification (What?)

- The ERPA General Conditions require the Program Entity to provide an ER Monitoring Report containing:
  - a) the **ERs generated**;
  - b) the occurrence of any **reversal event**;
  - c) the existence of any issue in the **transfer of title** of the previous period and;
  - d) any other data required to be collected by the ER Monitoring Plan.
- The Program Entity is also required to provide in a separate annex:
  - a) evidence that the ER program is implemented in accordance with the **Safeguard Plans**, and that the **Benefit Sharing plans** have been implemented in accordance with its terms (including any **Grievance and Redress Mechanism** set up);
  - b) information on the generation and/or enhancement of **Priority Non-Carbon Benefits** under the ER Program.
- The Program Entity is also required to maintain an **inventory listing** of all Sub-Projects or Sub-Project included in the ER program and to report this.

# Scope of reporting and verification (What?)

- ? • The FMT proposes the following scope based on the presented requirements:

Section MF	Reported	Verified
3.1. Scope and Methods	YES (i.e. ERs)	YES
3.2 Uncertainty	YES (i.e. ERs)	YES
3.4 Measurement, Monitoring and Reporting on Emission Reductions	YES (i.e. ERs, consistency NFMS)	YES
3.5 Accounting for Displacement (Leakage)	YES (i.e. implementation)	YES
3.6 Accounting for Reversals (Non-permanence)	YES (i.e. implementation)	YES
3.7 Calculation of ERs	YES (i.e. ERs)	YES

# Scope of reporting and verification (What?)

Section MF	Reported	Verified
4.1 Actions to Meet World Bank Safeguards and Promote and Support Cancun Safeguards	YES (i.e. Safeguards Plans, FGRM)	NO*
5.2 Benefit Sharing	YES (i.e. benefit sharing plans)	NO*
5.3 Non-Carbon Benefits	YES (i.e. Priority NC benefits)	NO**
6.1 ERPA Signing Authority and Transfer of Title to ERs	YES (i.e. transfer of title and changes)	NO*
6.2 Data Management and ER Transaction Registries	YES	YES
Sub-Project inventory	YES	NO***

\*under discussions within the WB. May be covered by WB due diligence

\*\*Trustee checks. ER programs are only “encouraged” to generate priority NCB so no remedies attached

\*\*\*Trustee checks and WB checks as part of supervision missions.



# Verification arrangements (Who?)

- According to the FCPF General Conditions (Section 8.02) Independent reviewer means...

*...an entity that is independent from the World Bank, the Trustee, the Program Entity, any participant of the Facility or any body established under the Facility and that has been approved by the Facility's participants committee and agreed on by the Program Entity and the Trustee to carry out an ex post Verification of the ER Monitoring Reports to verify the actual amount of ERs generated under the ER Program during a given Reporting Period in accordance with the REDD Country Participant's MRV System and the Methodological Framework;*

- Two general options of Independent Reviewers are considered:
  1. **Verification entity;**
  2. **Technical Advisory Panel.**



# Verification approach for ERs (How?)

- There are two different general approaches for the verification of ERs:
  - **Audit approach:** Verification is done following industry standards, such as ISO14064-3, as done in market based mechanisms
  - **Non-Audit approach:** Verification is done not following industry standards as done in UNFCCC Technical assessments
- The two options of Independent Reviewers are generally related to the above approaches:
  - Verification entity → audit approach
  - TAP → Non-audit approach

Options	PROS	CONS
<b>1. Ver. Entity</b>	<ul style="list-style-type: none"> <li>- Higher perceived independence</li> <li>- Higher accountability/liability</li> <li>- More in line with market based approach</li> <li>- If auditing firm (DOE, VVB), stronger auditing approach and stronger in assessing reported ERs</li> <li>- If auditing firm, support in setting modalities for verification</li> </ul>	<ul style="list-style-type: none"> <li>- More costly</li> <li>- Difficult to build-up teams</li> <li>- Great confusion if the basis of the verification (i.e. objectives, scope, level of assurance,...) and other modalities (i.e. way of addressing findings) are not defined</li> <li>- Risk of too intrusive assessment, especially if accounting methodology is not clear (not clear framework)</li> <li>- Less in line with UNFCCC process</li> </ul>
<b>2. TAP</b>	<ul style="list-style-type: none"> <li>- Less costly</li> <li>- Less intrusive, i.e. Potentially could use same teams that participated in previous assessment</li> <li>- Easier to provide guidance and steer</li> <li>- Easier to build-up teams</li> </ul>	<ul style="list-style-type: none"> <li>- Perceived lower independence</li> <li>- Lower accountability/liability</li> <li>- No auditing skills</li> <li>- No support to setting the framework for verification</li> <li>- Not in line with market based approach</li> </ul>

# Verification arrangements and approach (Who? How?)

- Other experiences:
  - **UNFCCC**: Expert reviewers selected from a roster of experts (similar to TAP). Non-audit approach.
  - **REDD+ projects (CDM A/R, VCS, ...)**: Accredited validation and verification entities following audit approach.
  - **Bilateral agreement Norway – Guyana**: Verification entity not necessarily accredited but following audit approach.
  - **REDD Early Movers**: Independent party. Approach defined in a case by case basis.
  - **VCS JNR**: Accredited validation and verification entities + Expert review panel. Mix of audit and non-audit approaches

# Verification arrangements and approach (Who? How?)

1. The FMT is seeking the CFPs opinion on the two proposed options (Verification entity, TAP)
2. The FMT is seeking the CFPs opinion on the two proposed verification approaches (Audit, non-audit)
3. The FMT proposes to test Option 1 (verification entity), at least administratively, with the technical assessment of upcoming ER programs

# Verification arrangements (Who?)

- According to the **FCPF Charter** (Section 1.1) Independent third party, that conducts the verification, means...

*...an entity, approved by the Participants Committee for the purpose of undertaking activities, including without limitation,...Ex Ante Assessments, ex post monitoring, or Verification for the Emission Reductions Program...*



- If using an entity, the FMT will need to have Independent Reviewer/Independent Third Party approved by the PC

# Proposed next steps

The following next steps are proposed that will integrate the feedback received to this presentation:

1. Preparation of a draft monitoring report template and presentation to CF17;
2. Proposal of TORs for the selection of an Independent Reviewer and presentation to CF18
3. Proposal of revised process guidelines including monitoring, verification and issuance and presentation prior to CF18.

**Note:** As part of GFOI, a report on “Collecting lessons learned from REDD+ reviews” will be available by April 2018 and it will feed into the preparation of 2 and 3 above.

# Recap of questions

What?

- ? • The FMT proposes the following scope based on the presented requirements:
  - 3.1 – 3.7 (accounting) and 6.2 (registries): reported and verified
  - 4.1 – 6.1: Reported and not verified

Who? How?

- ? 1. The FMT is seeking the CFPs opinion on the two proposed options (Verification entity, TAP)
- ? 2. The FMT is seeking the CFPs opinion on the two proposed verification approaches (Audit, non-audit)
- ? 3. The FMT proposes to test Option 1 (verification entity), at least administratively, with the technical assessment of upcoming ER programs

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**Thank you!**