Forest Carbon Partnership Facility (FCPF)

Carbon Fund

Consideration of reporting periods under the CF

September 17, 2018

This note discusses topics related to the definition of reporting periods at the time of ERPA negotiations and provides guidance for the definition of the reporting period and implications in terms of monitoring.

Background

The General Conditions applicable to the ERPA define the "Reporting Period" as the time period specified in the ERPA for which the Program Entity has to measure and report on ERs generated under the ER Program in the form of ER Monitoring Reports. However the General Conditions do not prescribe the length of reporting periods.

The FCPF Methodological Framework (MF) also does not prescribe the length of the reporting periods under the Carbon Fund. Indicator 14.2 indicates that activity data should be determined at least twice during the Term of the ERPA, with the implicit assumption that this also results in at least two reporting periods. In addition, Criterion 22 implies that monitoring GHG emissions and removals must be expressed in tCO2e/year so as to allow its comparison with the RL which is expressed is tCO2e/year as per Indicator 10.1, meaning that an estimation of annual fluxes is required.

Statement of the problem

REDD Countries have to report annual fluxes (GHG emissions and removals expressed as tCO_2e/year) during the reporting period as required by the IPCC and be able to compare it with the Reference Level (also expressed as tCO_2e/year) so as to estimate the Emission Reductions generated.

At the time of this note, four countries have provided a term sheet with different reporting periods. In all cases, the first reporting period is not multiple of one year, and for the subsequent reporting periods, they are either aligned to calendar years (January-December for Chile and Mozambique) or not (June-July for DRC and Mexico)..

	DRC	Mexico	Chile	Mozambique
RP1	September, 2018 – July 30, 2019	November, 2018 – June, 2020	October, 2018 – December 31, 2020	October, 2018 – 31 December 2019
RP2	July 31, 2019 – July 30, 2021	July, 2020 – June, 2022	January 1, 2021 – December 31, 2022	1 January 2020 – 31 December 2021
RP3	July 31, 2021 – June 30, 2024	July, 2022 – June, 2024	January 1, 2023 – [June 30][December 31], 2024	1 January 2022 – 31 December 2023
RP4				1 January 2024 – 31 December 2024

The FMT has assessed the implications of these different reporting periods in terms of comparability and accuracy of reporting emission reductions and have identified the following::

Reporting periods aligned to calendar years (January to December): Not reporting annual fluxes by calendar year might have implications in terms of comparability with external sources or amongst programs that use a calendar year as a reporting basis. However, it is important to note that in the majority of FCPF ERPAs the first reporting period will not coincide with calendar year as the starting date will be the date of the ERPA signature which depends on ERPA negotiations. Requiring alignment with the calendar year could mean delaying the start of the first reporting period to make it coincide with the calendar year and could have impacts on ER delivery. In addition, it is important to note that some technical circumstances[2] might cause a country not to report annual fluxes per calendar year.

- The FMT recommends flexibility on requiring alignment of reporting periods with calendar year in order to:
    1. Minimize impacts on ER delivery; and
    2. Accommodate for legitimate technical circumstances that cause a country not to report annual fluxes per calendar year.

Length of reporting periods. As shown in the above examples, REDD Countries are expected to define reporting periods that span across two or more years as a result of technical and organization circumstances[5] (multi-year reporting periods are also allowed in the MF). However, for all of the countries that have draft ERPA term sheets, the first reporting period is expected to have a duration which is not multiple of one year. Estimating annual fluxes in periods that are not a multiple of one year in length could result in overestimations or underestimations of annual fluxes. For instance, in some ER programs deforestation concentrates mostly in a fraction of the year such as June to September. In this case, if the reporting period covers October 2018 to June 2020, then equivalent annual fluxes for the 1.75 years would be overestimated because the period of 1.75 includes the period of two years during which deforestation is mostly concentrated. Moreover, as indicated previously, the MF requires estimating annual fluxes and the estimation for a fraction of the year would not be strictly in compliance. This potential overestimation could potentially be corrected by underestimations the following years, but in the worst-case scenario this could result in 10% of ERs overestimated or underestimated, i.e. equivalent to 6 months' worth of emissions or removals.

- The FMT recommends the following approach to address these cases:
    1. Estimate annual fluxes for a period that is multiple of one year and that contains the reporting period; then
    2. Estimate Emission Reductions by comparing annual fluxes with the RL; and then

[2] Cloud free imagery is only available during certain periods of the year so countries usually estimate their annual fluxes for natural years that do not coincide with a calendar year, e.g. in DRC's ER program cloud free data is available mainly during the dry season from June to September.

[5] Countries might aggregate various years in order to coincide with other reporting processes (e.g. UNFCCC BURs) or to enable estimating Emission Reductions with more accuracy and precision. This means that annual fluxes reported for one year is in reality an annual average across the reporting period. For example, a 20% reduction in deforestation might lead the deforestation rate to drop from 1.5% of the forest area to 1.2% of the total forest area. These small differences are usually easier to detect if they are compounded over longer time periods

3. Attribute ERs to the reporting period pro-rata[6].

- This procedure is common in other GHG programs or initiatives in which the attribution to annual vintages is done this way and it is similar to the interpolation that is allowed under the FCPF for reference levels[7]. The FMT is of the opinion that this solution would resolve concerns raised and that it should be allowed.

Summary of guidance and recommendations:

The FMT proposes the following guidance for consideration of CFPs:

CFPs recognize that there is a need to clarify requirements in terms of setting reporting periods to ensure a consistent and justified definition of reporting periods across ER programs in the portfolio. Also, CFPs recognize that there is a need to clarify expectations in terms of monitoring to avoid an additional cost to countries and allow the alignment to existing processes such as the UNFCCC BURs. Therefore,:

1. *REDD Countries are encouraged to propose Reporting periods aligned to calendar years (January to December) and that are multiple of one year;*
2. *In the case a REDD Country is not able to align Reporting Periods to calendar years, the REDD country will provide technical reasons to justify this, e.g. availability of earth observation data due to cloud cover, alignment with technical specifications of the National Forest Monitoring System, etc.;*
3. *In the case a REDD Country proposes a reporting period which is not multiple of one year:*
    1. *REDD countries will extend the estimation of GHG emissions and removals to a period (i.e. monitoring period) that fully includes the Reporting Period and that is multiple of one year.*
    2. *ERs will be estimated for the monitoring period following Criterion 22 of the MF and ERs attributed to the Reporting period will be allocated pro-rata to the number of months of the Reporting Period.*
4. *For transparency and comparability purposes, if the Reporting Period is shorter than the monitoring period, REDD Countries will report the annual GHG emissions and removals and Emission Reductions during the monitoring period together with the ERs attributed to the Reporting Period.*
5. *The FMT is requested to consider this as part of ERPA negotiations and update the guidance in the Monitoring Report template to ensure that the above guidance is taken into consideration.*

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[6] For example, looking at the above examples, in the case of Mozambique, if the ERPA is expected to be signed 1 October 2018, the first reporting period would be 1 October 2018 to 31 December 2019. In this case, Mozambique is planning to conduct a "monitoring period" period from 1 January 2018 to 31 December 2019. Emissions (and removals) and Emission Reductions would then be estimated across a period that would span from 1 January 2018 to 31 December 2019 (24 months), but the Emission Reductions for the 15 months of the first reporting period would be done pro-rata. Example: 1000 ERs are generated in 24 months. So during the 15 months a total of 1000*15/24 = 750 ERs would be generated during the reporting period.

[7] https://www.forestcarbonpartnership.org/sites/fcp/files/2016/June/FCPF%20Guidance%20document%20on%20the%20Methodological%20Framework%20number%201.pdf). Please note that implications of this were previously discussed at CF14 (see issue 3 in https://www.forestcarbonpartnership.org/sites/fcp/files/2016/May/FMT%20note%20CF-2016-3%20Draft%20guidance%20on%20RL.pdf)

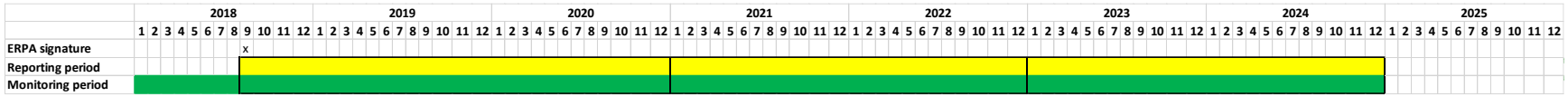
Examples:

Example 1:

Main details:

- ERPA is signed on September 2018
- The country is able to monitor and report in alignment to calendar years (January and December) as per para 1.
- Country has defined three Reporting Periods: September 2018 to December 2020; January 2020 to December 2022 and; January 2022 and December 2024.
- The first reporting period is not multiple of one year, i.e. 28 months.

In this case the first reporting period is not multiple of one year so the country applies the guidance [para 3]. In this case, it extends the monitoring period to January 2018 - December 2020, which includes the first reporting period (September 2018 - December 2020). ERs are estimated for this long monitoring period, and then the amount of ERs attributed to the first reporting period is x ERs * 28 months /36 months.



Following the guidance, the country reports in the monitoring report GHG emissions during the monitoring period and the reporting period.

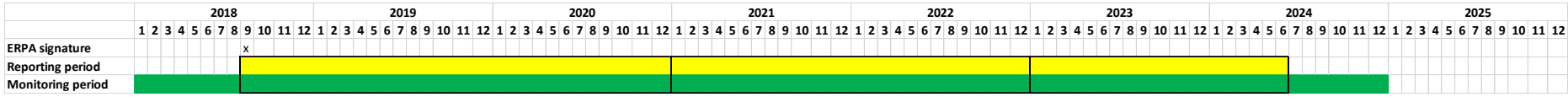
Example 2:

Main details:

- Same as Example 1, but the third monitoring period is different: September 2018 to December 2020; January 2020 to December 2022 and; January 2022 and June 2024.
- The third monitoring period is not multiple of one year, i.e. 18 months

In this case, the REDD country applies also the guidance for the third monitoring period.

In this case the third reporting period is not multiple of one year so the country applies the guidance [para 3]. In this case, it extends the monitoring period to January 2023 to December 2024, which includes the third reporting period (January 2022 to June 2024). ERs are estimated for this long monitoring period, and then the amount of ERs attributed to the first reporting period is x ERs * 18 months /24 months.



Following the guidance, the country reports in the monitoring report GHG emissions during the monitoring period and the reporting period.

However, this is extremely unlikely as the REDD Country would have to wait until 2024 to be able to monitor, so it might prefer to extend the third monitoring period to December 2024.

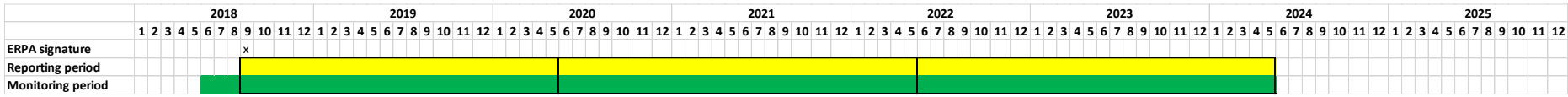
Example 3:

Main details:

- The difference with Example 1 and 2 is that the REDD Country not able to monitor and report in alignment to calendar years (January and December) as the only free cloud images are around May and June.
- Country has defined three Reporting Periods: September 2018 to May 2020; June 2020 to May 2022 and; June 2022 and May 2024.
- The first reporting period is not multiple of one year, i.e. 21 months.

Following the guidance, the REDD country is not able to align Reporting Periods to calendar years [para 1], and it justifies that the reason is that free cloud images are not available during that period [para 2].

In this case the first reporting period is not multiple of one year so the country applies the guidance [para 3]. In this case, it extends the monitoring period to June 2018 - May 2020, which includes the first reporting period (September 2018 - May 2020). ERs are estimated for this long monitoring period, and then the amount of ERs attributed to the first reporting period is x ERs * 21 months /24 months.



Following the guidance, the country reports in the monitoring report GHG emissions during the monitoring period and the reporting period.

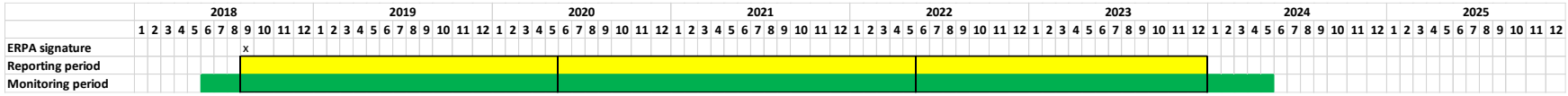
Example 2:

Main details:

- Same as Example 3, but the third monitoring period is different: September 2018 to May 2020; June 2020 to May 2022 and; June 2022 and December 2024.
- The third monitoring period is not multiple of one year, i.e. 19 months

In this case, the REDD country applies also the guidance for the third monitoring period.

In this case the third reporting period is not multiple of one year so the country applies the guidance [para 3]. In this case, it extends the monitoring period to June 2022 to May 2024, which includes the third reporting period (June 2022 to December 2023). ERs are estimated for this long monitoring period, and then the amount of ERs attributed to the first reporting period is x ERs * 19 months /24 months.



Following the guidance, the country reports in the monitoring report GHG emissions during the monitoring period and the reporting period.

However, this is extremely unlikely as the REDD Country would have to wait until 2024 to be able to monitor, so it might prefer to extend the third monitoring period to May 2024.