

FCPF Carbon Fund Short Submissions on Methodological Framework Topics

Responses from IINAS (www.iinas.org), Dec. 19, 2012

Issue Paper 1: General Approach for MF, and scope of activities covered: use standards and indicators, or more detailed guidance or methods, or a positive list of other initiatives (i.e., if a Program meets requirements of another climate initiative (like CDM or VCS) on a topic, the Program automatically meets CF requirements on it). Some key questions we seek ideas or advice on:

Q1: Is it reasonable for a mix of different approaches to be used to address different issues; or does a single approach need to be selected for the whole MF?

- I.e., is it reasonable to use, for example, a standard and indicators approach for benefit sharing or financial strategy, but offer far more detailed and more technical guidance for how some of the carbon accounting or other issues are addressed, for example how the MRV system is designed and its capabilities?
- Or should more flexibility be given to countries to propose how they would address an issue?

IINAS: It doesn't seem necessary to use exclusively one single approach. To offer documentation of reference, stating various potential alternatives that could help countries to reflect about their own situation could be an appropriate strategy. It should be built on previous MF from other initiatives (climate, forest certification, etc...), whenever possible.

Q2: Are there implications for the integrity of the MF, and hence the Emission Reductions tonnes a ER Program generates, if a mix of approaches is used?

IINAS: Under different methodologies, various outputs will be reached (see e.g. IPCC methodologies for LULUCF sector under the 3 established tiers). In any case, the degree of accuracy under the selected methodology should be of about the same magnitude of precision.

Issue Paper 2: Reference Levels; and additionality. Some key questions we seek ideas or advice on:

Q1: How should historic reference emissions level/RL be set for Carbon Fund ER Programs?

- Do other climate initiatives use approaches that the CF should adapt for its purposes?
- What is the appropriate period to determine the historic deforestation rate? (Keep in mind the short lifetime of an Emission Reduction Payment Agreement (ERPA) contract, to say 2020.)
 - Same period for all programs? If same, what is appropriate period? Or:
 - Flexible period, depending on country circumstances? How should an appropriate period be determined?
- How should the appropriate region for determining historic deforestation rates be defined?
 - Simply the program area? Or a wider area? If wider area, how wide should the area be beyond the program area, and how should it be set?

IINAS: It doesn't deem necessary to consider the same period in all programs; the period should be established depending on the magnitude of the changes observed during a relevant period (e.g. in the last 20 years). The role that external variables (i.e. price of fuels, prices of timber, food, feed etc...) play on the reference emission levels should be also identified. A system of fixed thresholds could be

established in order to determine the period frame that should be considered (e.g. if the variability between years is higher than 5 % longer periods should be considered).

With regards to the region to be considered in the assessment it should be performed also considering the capacity of the populations and their resources to access to other near areas.

Q3: How should “national circumstances” be handled, and any projections of future land use change (e.g., deforestation), policies or programs be estimated?

- Should the CF prescribe the approaches that can be used to project future deforestation? Or should each country be free to apply its own approach?
- What are the most feasible approaches (e.g., historical average approach, economic modeling approach, etc.)? Which approach is most appropriate under which conditions (e.g., if there are recent changes in the trend of historic deforestation, or of commodity prices)?

IINAS: Countries sovereignty should be respected. In order to stimulate national appropriation of the program, countries should actively participate in decision making. Nonetheless, guidance and support should be provided. A set of alternatives could be proposed by the CF, from which countries could choose and adapt, according to their own circumstances.

A feasible approach could be one that provides a balanced outcome of accurate results in a cost-efficiency way. It is challenging to say that “one approach suits all”. Various alternatives and recommendations to choose and adapt could be provided by the CF.

Q4: Should reference levels, ER Program activities, MRV, and leakage all be addressed with geospatial resolution? (i.e., requiring mapping of lands affected). Or is knowing *where* lands are affected by providing geospatial resolution not necessary, and just knowing the *quantity* of lands and tonnes within some jurisdiction adequate?

IINAS: Yes, geospatial resolution should be promoted.

Q5: When do reference levels need to be updated, or can they remain fixed for the life of the CF Program ERPA contract (e.g., to 2020)?

- If updated: what triggers the process of updating? (e.g., significant change in key driver assumptions, like a steep increase in timber or soy prices? Change in major associated government policies?
- Should updates occur at a fixed time period (e.g., say every 3 years?), or whenever triggering events occur?

IINAS: The identification of the main factors that affect the reference levels and the thresholds at which they should be revised might be included in the design document. It may be checked every year and when a variation is higher than a previously fixed threshold (i.e. 5 %, 10 % etc...) it could be updated.

Q6: Should the CF determine crediting against the reference level, or against a separate “crediting level” below the RL that somehow takes domestic mitigation actions or discounts for Program uncertainties into account?

IINAS: There may be only a reference level but discounts factors could be included if they deem relevant. In case discounts were proposed, clear methodology and considerations should be described in order to avoid misunderstandings.

Q7: How can additionality be built into the reference level (i.e., activities occurring already or likely to occur are contained in the RL, and any activities beyond it are by definition additional)? Or does additionality need to be determined separately for each ER Program?

- Are there consequences for RL setting if additionality is addressed in the RL (e.g., should the RL be updated more frequently to account for changing circumstances)?
- If determined separately, are there feasible options for assessing program additionality in a meaningful way, given the challenging CDM experience?

IINAS: Additionality might be determined exclusively for each ER Program

Issue Paper 3: MRV design: carbon accounting of Emission Reductions Programs, non-carbon, community role; and registries. Some key questions we seek ideas or advice on:

Q1: Considering the circumstances of the CF (piloting, in REDD+ phase 2), how accurate does the measurement and monitoring need to be?

- Should the same minimum level of accuracy be required for all programs? If so, what level of accuracy should be required? What criteria would help determine such a level (e.g., how feasible a level is for most REDD+ countries to achieve; or a level that allows the fungibility of credits with other climate program standards)?
- Or should the CF be flexible, not prescribe a minimum level of accuracy, and be responsive to country circumstances?
 - If so, what are the appropriate country circumstances?
- How can the CF encourage countries to strive for higher accuracy, perhaps over time?

IINAS: minimum level should be asked for in all countries. If various levels of accuracy (tiers) are proposed, countries should receive positive incentives to move along them over time.

Q3: Are cost effectiveness, and country capacity, important considerations? I.e., should the MF stress a stepwise approach that that is comfortable with early-stage approaches to issues (like early steps in developing the MRV system, short of a fully functioning system); or require potentially more expensive, higher capacity minimum approaches? (Recall the short timeframe of ERPA, through perhaps 2020.)

IINAS: Yes, they are important considerations.

Q4: Non-carbon values should be monitored as feasible by REDD country Programs (and consistent with the national REDD+ forest monitoring system). How feasible is this for major non-carbon values? What are criteria for assessing feasibility?

IINAS: They should be monitored.

Q5: Are there best practices for the potential involvement of local communities in the MRV system design and implementation?

IINAS: In case there aren't, they should be developed.

Q6: Is independent third-party verification essential for CF ER Programs; or should countries be able to propose how verification is performed, and by whom?

IINAS: Independent third-party verification seems essential. This should be done in agreement between the government and the CF.

Issue Paper 4: Displacement of emissions (leakage); reversals of GHG benefits (non-permanence); and sustainability of ER Programs. Some key questions we seek ideas or advice on:

Q1: Should potential sources of leakage (e.g., reduced harvest, or reforesting croplands that leads to lands being harvested or cleared outside the Program area) be assessed using the same standardized approaches and sources for all ER Programs? Or could an approach for leakage assessment be proposed by each Program?

- Does another climate initiative use an approach appropriate for the CF circumstances?
- What key sources should be assessed, using what methods or tool?

IINAS: potential sources of leakage should be assessed in base of a series of alternatives and a reference provided by the CF.

Q2: To what geographic extent should leakage be assessed? E.g., within the region surrounding the Program area only? Or for the whole country? Should the potential for international leakage be just discussed, or are there circumstances where it should be estimated? (E.g., where Program activities may significantly impact regional agricultural commodity or timber product markets)?

IINAS: The geographic extent that should be considered might be evaluated in a pre-assessment. This would allow determining the potential leakage that could occur and hence, establish the area that should be included.

Q3: Are there approaches available where Program measures could be put in place to address leakage that are robust enough to avoid a more expensive monitor-and-report approach?

- E.g., by identifying best practices for addressing potential leakage?
- Could the FCPF or others develop something like default look-up tables generated by say global or national-scale economic or other modeling, that provide an agreed percentage of leakage a Program would use for a given set of land use drivers and location? (These could be periodically updated, as conditions change and data and methods improve.)

IINAS: best practices should be put in place but the monitor-and-report approach should be also used when necessary. Also, default values could be helpful.

Issue Paper 6: Benefit sharing mechanisms, including equitable distribution; carbon rights, land, and resources tenure; non-carbon benefits. Some key questions we seek ideas or advice on:

Q1: Should the CF set best practices or other benchmarks for equitable distribution and the design of benefit sharing mechanisms? Or should it simply require that such mechanisms be in place and be transparently proposed?

IINAS: Benefit sharing should, as a minimum, be transparent. Incentives for applying best practices should be considered, though.

Q2: How can the CF incentivize ER Programs to make progress on carbon rights and land and resource tenure, within the short timeframe of ER Programs up to 2020?

IINAS: Incentives could be revised e.g. every 2 years.

Q3: What non-carbon benefits are most important for ER Programs to consider? Should the CF set best practices or other benchmarks for some or all of the benefits identified in the “Key Elements of the Methodological and Pricing Approach for the FCPF Carbon Fund” provided by the Participants Committee?

- I.e., “improving local livelihoods, building transparent and effective forest governance structures, making progress on securing land tenure, and enhancing or maintaining biodiversity and/or other ecosystem services”

IINAS: All direct and indirect benefits have to be considered. ER Programs have to consider a sustainable poverty alleviation strategy in a holistic means to achieve the objectives proposed.

For questions or further information please contact

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