



Forest Carbon Partnership Facility

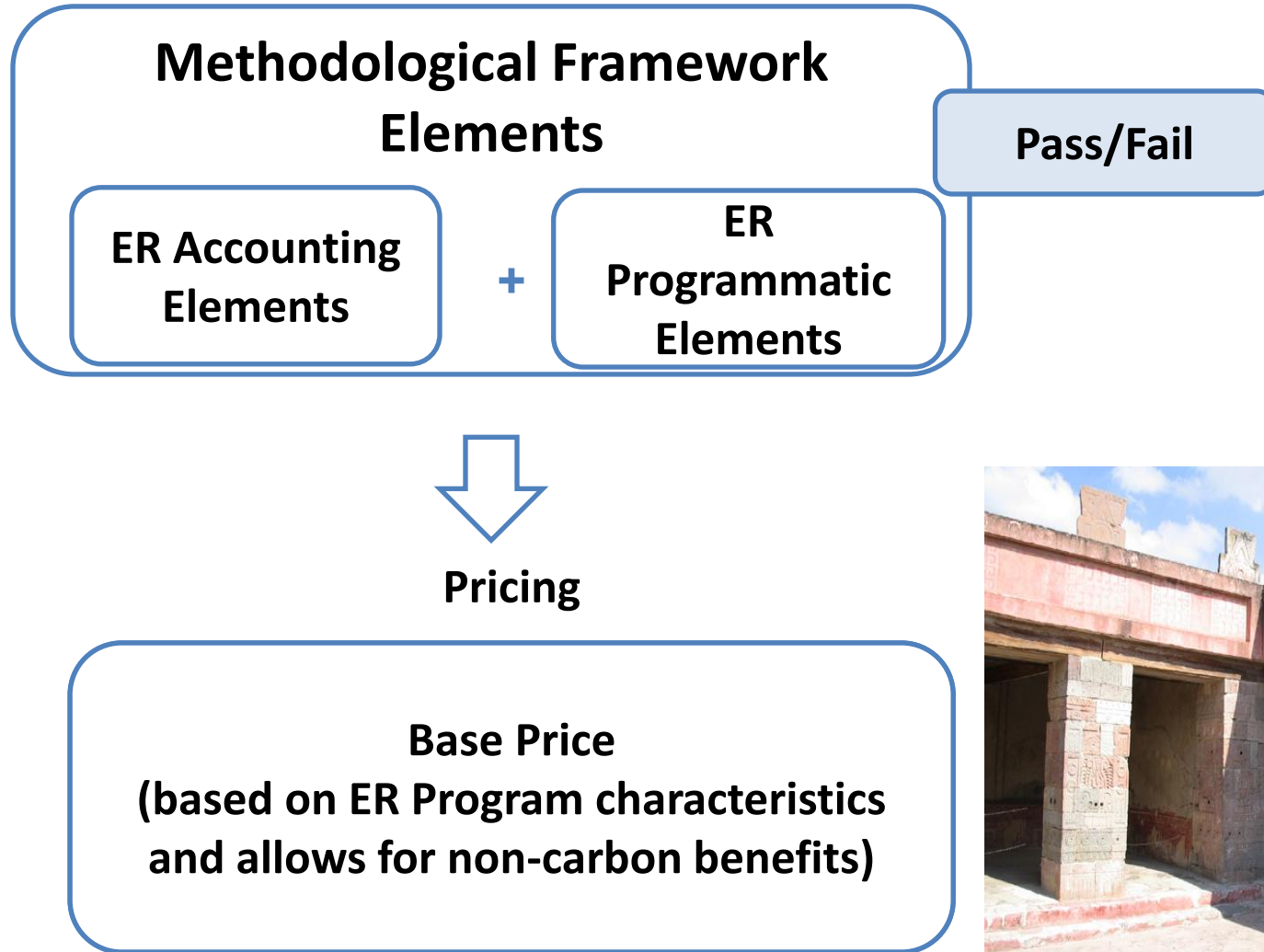
5b. Update on the Methodological Framework and Pricing Approach for the Carbon Fund

Fourth Meeting of the Carbon Fund (CF4)

Santa Marta, Colombia

June 24-25, 2012

Proposed Methodological and Pricing Approach: How Do we Get There?



Early Ideas on Building a Method. Framework

Guidance for Element

Guidance for Element

Methodological Framework

Indicator for
Element & Issues

Indicator for
Element & Issues

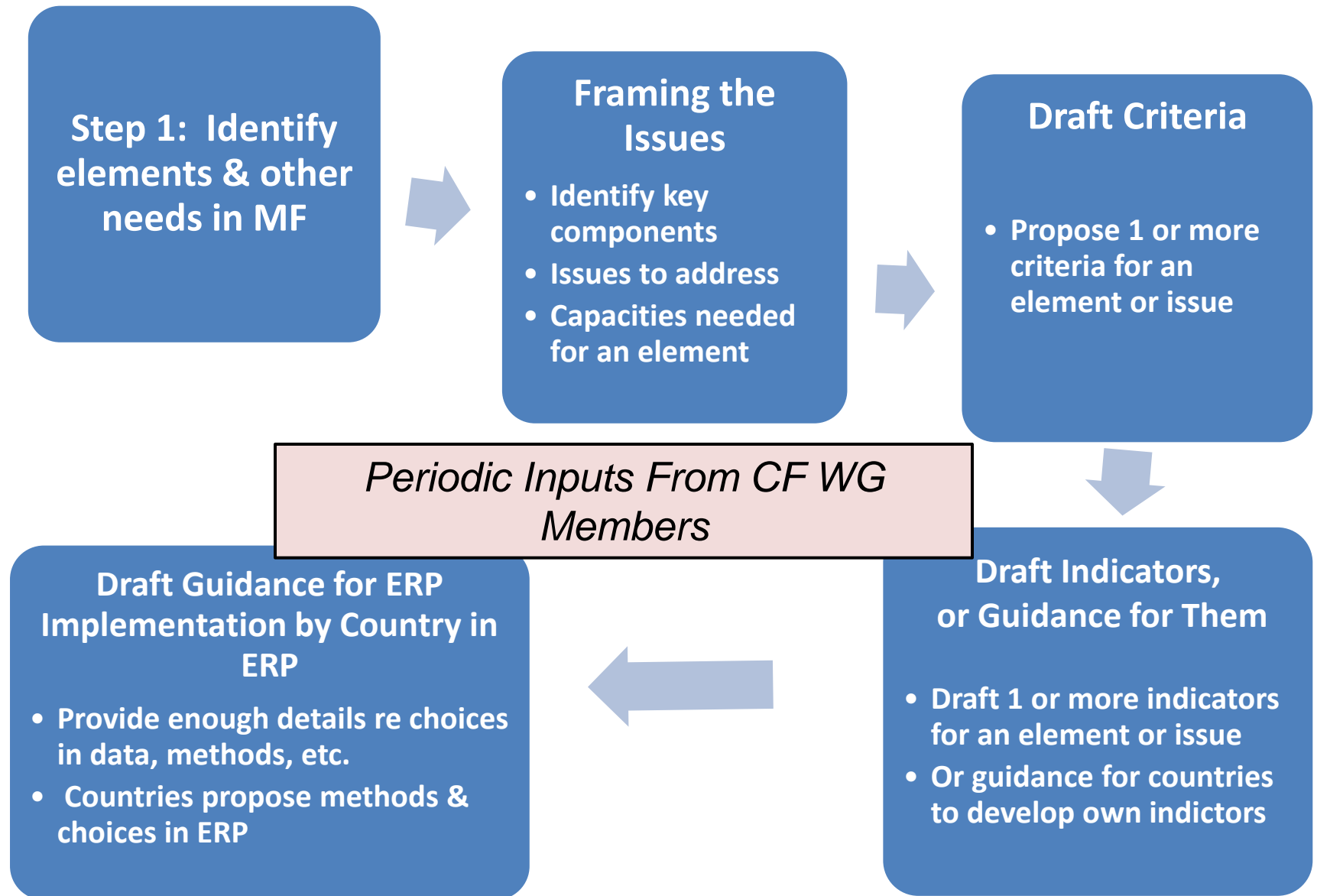
Criteria for Element
& Issues

Criteria for Element
& issues

FOUNDATION:
Accounting Element (s)

FOUNDATION:
Programmatic Element (s)

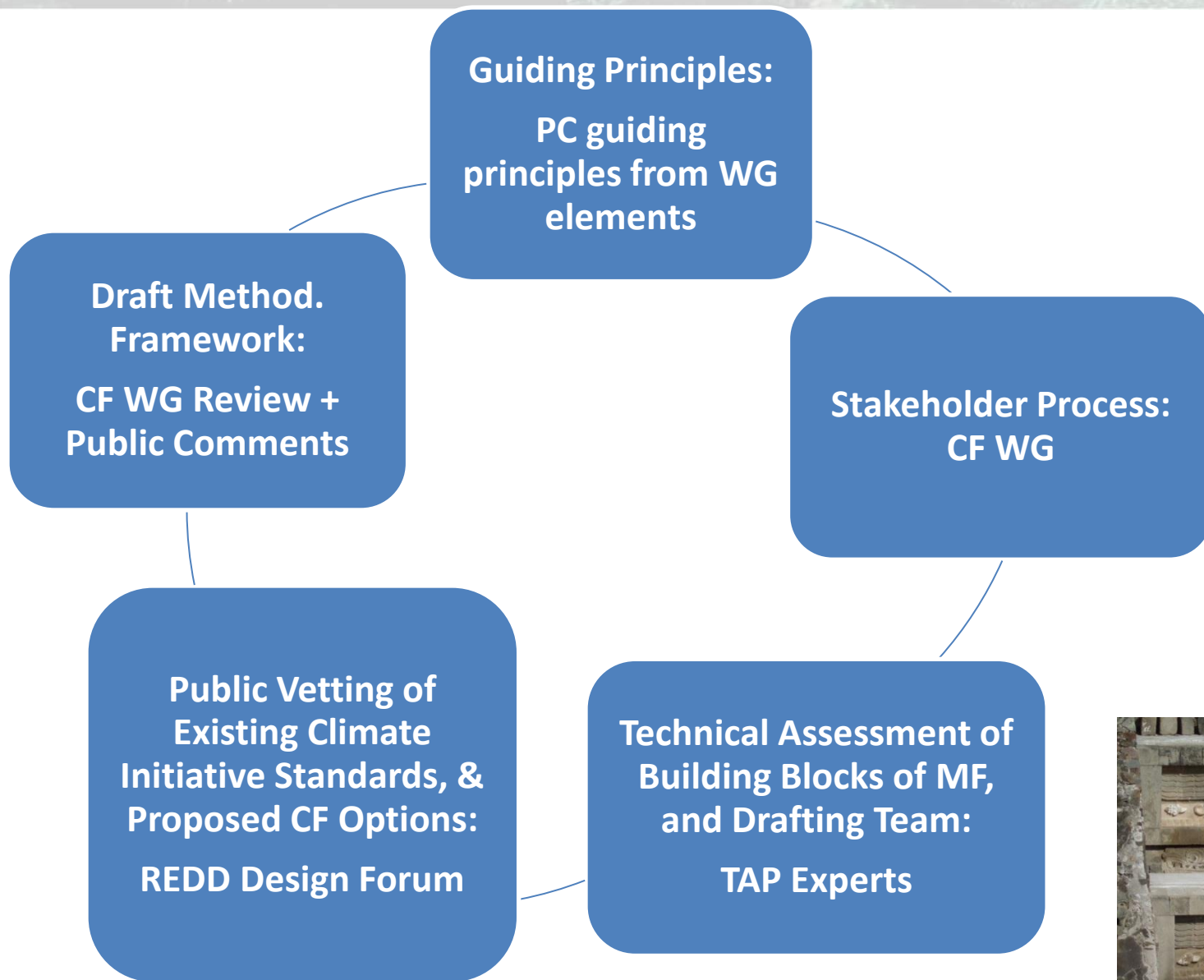
Possible Steps in Building a Method. Framework



Approach to Developing Methodological Framework

- **Current PC Working Group approach is labor intensive**
 - **Heavy role by WG members and FMT: Difficult to sustain for a year**
- **Propose to use more intensive drafting of pieces of the MF by the FMT and TAP, with periodic comments and guidance from the new CF WG members**

Some Requirements for Developing A Method. Framework for CF



The New Carbon Fund Working Group

- **Resolution CFM/3/2012/2: established Carbon Fund Working Group (WG) after PC12. Members of the WG:**
 - Carbon Fund Participants will select their representatives.
 - CF to invite the PC Bureau to nominate up to 5 REDD Country Participants to participate in WG.
 - Observers will select up to three representatives (1 Indigenous Peoples, 1 NGO, and 1 Private Sector).
- **The WG “will provide feedback and advice to the FMT, as requested, during its development of a preliminary draft methodological framework for consideration by the Carbon Fund Participants at the Fifth Carbon Fund meeting.”**
- **WG is anticipated to meet virtually, and potentially at one face-to-face meeting, provisionally prior to or after CF5 meeting (October 2012).**
- **CF to discuss and adopt the terms of reference of the WG at CF4**



Ranjith Menon

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Comments received: Working Group on the Methodological and Pricing Approach for the Carbon Fund of the FCPF

Page Comments received: Working Group on the Methodological and Pricing Approach for the Carbon Fund of the FCPF has been updated.

- France (AFD)
- EIA, on behalf of a group of CSOs
- Denmark
- EC

Additional comments welcome. Please summarize your comments in a suggested format below.

No.	Topic of comment	Comment	Potential response to comment	Comment author	Date
1	e.g. Accounting element 3	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXXXXXXXXXXXXXXXXXXX	XXX	XXX

» 152 reads

Photos courtesy of World Bank Library and Rhett Butler.

Early Ideas for FMT & TAP Work Developing Carbon Fund Methodological Framework

Key Building Blocks for Method. Framework

1. **OVERARCHING ISSUES: Boundaries/Scale, etc.**
2. **CARBON ACCOUNTING: Baselines, etc.**
3. **MONITORING, REPORTING, VERIFICATION (MRV)**
4. **TRACKING (Registries, etc.)**
5. **NON-CARBON ATTRIBUTES:**
 - Safeguards & benefit sharing information
 - Non-carbon benefits
 - Legal & institutional issues (e.g., Ownership of carbon)
 - Pricing (as related to Method. Framework)

Early Ideas for Method. Framework: Beginning to Identify Potential Building Blocks and Selection Criteria

Key Building Blocks	Major Other Initiatives' Approach Assessed	Early Candidate Options for Carbon Fund	Rationale for Selection Filters/criteria: <ul style="list-style-type: none"> • UNFCCC guidance • Agreed CF principles • Capacity needs implementation 	Advantages / disadvantages of proposed options including: <ul style="list-style-type: none"> • Barriers and benefits • Feasibility challenges 	Further Analysis Needed or Issues to be Considered
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CARBON ACCOUNTING: Baselines [example]

- Scenario used: historic, projected or adjusted?			<i>Conceptual Example</i>		
- Reference period & region					
- Nesting					

Displacement (leakage) : Tests/tools

Reversals (non-permanence) : Tests/tools

Review How Existing Climate Policy Initiatives Address Key Technical issues, Then Fill Gaps

- Each climate initiative (e.g., UNFCCC , California, Governors' Task Force, VCS) had expert teams review options for 1-2 years.
- CF could produce new set of expert papers on each issue. Or: contract one or more initiatives to edit & publish their roughly 10 private background papers publicly (~ \$10-20k?).
- This generates access to 1-2 years' expert thinking and final decisions on each topic, within months.



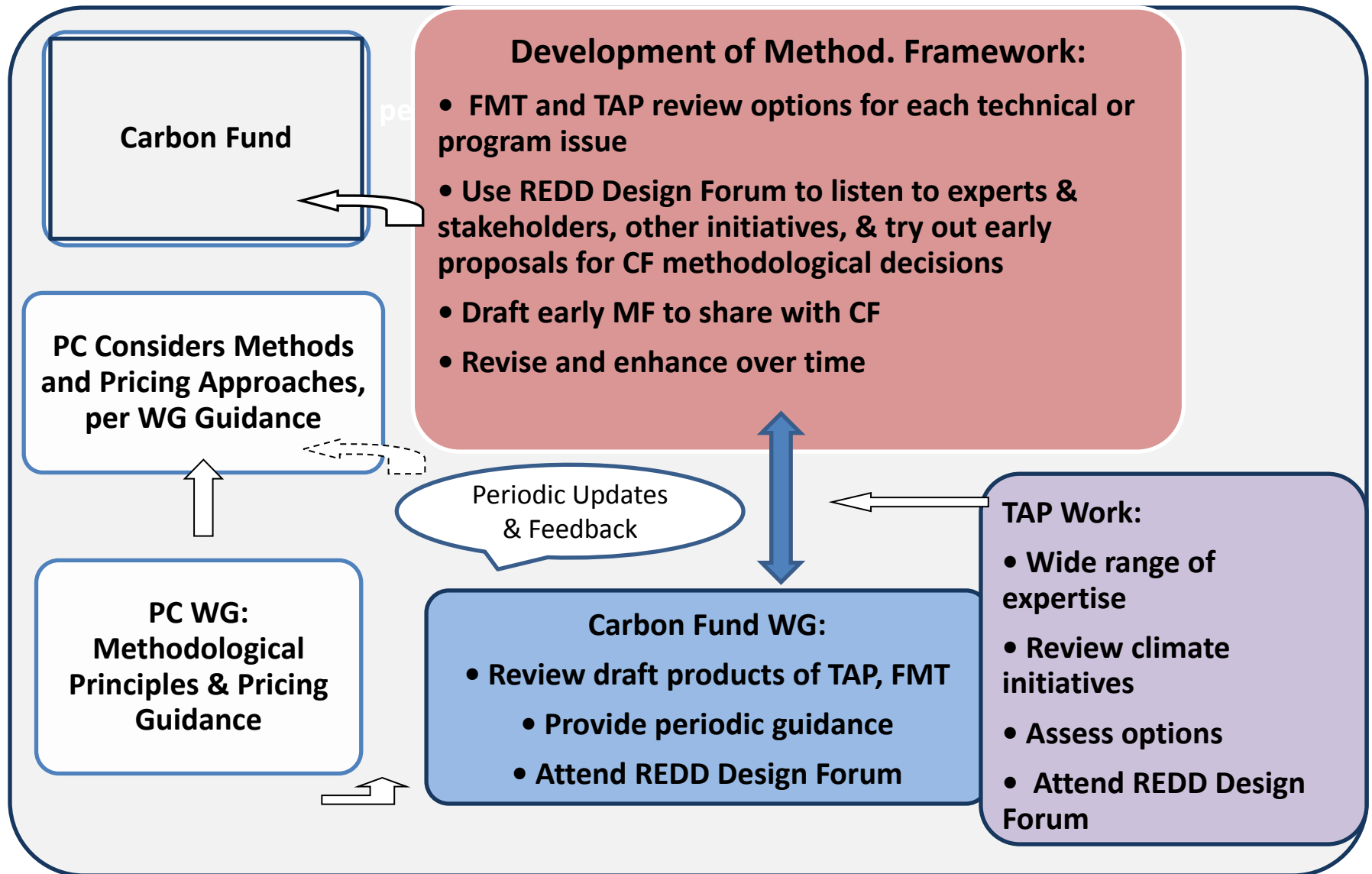
Proposed “REDD Design Forum”: Provides Public Discussion of Potential Approaches for Method. Framework

- **Propose: To create an open forum (by invitation) as vehicle to:**
 - Learn how other climate initiatives (VCS, Governors Task Force, etc.) address issues.
 - Obtain quick review of early ideas for Method. Frwk. by TAP, FMT, etc.
 - Build capacity on issues among key CF stakeholders.
- **Organization:**
 - FMT competes contract to manage Forum logistics, write background papers summarizing options to address issues, & summarize discussion.
 - FMT would seek 1-3 co-funders and co-conveners: e.g., CLUA foundation?, a bilateral?, an NGO? (or fund fewer fora)
 - Invite: major climate initiatives; CF Working Group members; key experts; potentially Observers.
 - Propose 4 to 5, 2-day events, Sept.? 2012 – May 2013? On specific topics.
- **Outputs:** Summaries of discussion of each issue. Quick feed back on early options for Method. Framework from stakeholders and experts.

Budget Implications of MF Development

- **Estimated cost of development of MF included in proposed FMT budget for FY13:**
 - In FCPF base budget for FY13
 - Estimated \$548k total, including FMT staff time, TAP costs, travel, and contracting for REDD Design Forum

Process for Development of Methodological Framework and Pricing Approach for CF



Methodological Framework Tasks, and Tentative Due Dates

Task	Tentative Date
PC approves Working Group's Recommendations on <u>policy guidance on pricing elements, and guiding principles on the key methodological framework</u>	June 2012
Carbon Fund creates its <u>Working Group</u> to provide advice on Method. Framework and Pricing Approach.	July 2012
Create ad hoc <u>TAPs</u> to support CF and FMT: review of other regimes' standards, methods; pricing	In process
REDD Design Forum addresses key technical issues	Oct. 2012? - May 2013?
<u>Progress report</u> on draft Method. Framework to CF5 Workshop for Working Group & TAP?	Oct. 2012 Nov. 2012?
Present <u>draft Method. Framework</u> to CF for comment	March, 2013

Individual Method. Framework Building Blocks and Activities Gradually Create an Integrated Framework ...

... Via time, creativity, stakeholder inputs, and creative flexibility to meet CF and country needs

