

RE: Comments by Nature Services Peru on the FCPF Carbon Fund Draft Methodological Framework draft

Overview

The FCPF Carbon Fund aims to:

- Build capacity and development of a methodological and policy framework that provides incentives for the implementation of REDD+ programs
- Pilot performance-based payment systems for Emissions Reductions (ER) to ensure large scale reduction, equitable benefit sharing,
- Test ways to sustain livelihoods within REDD+
- Show applicability at the National level through implementation at the jurisdictional or programmatic scale.

Two components:

- A Readiness Fund – preliminary stage
- A Carbon Fund – designed to pilot REDD+ implementation via “the use of positive incentives for potential non-market use or creation of an asset that can be taken to a market”

Still unclear:

Rather than cover highly technical components, the framework is intended to provide overarching guidance to achieve a consistent approach to carbon accounting and programmatic characteristics

- The MF may not provide enough detail to achieve this goal

Because of its competitive nature for limited funding (only 5 countries expected to be funded through the Carbon Fund), some sort of ‘indicators for competitiveness’ would help.

Accounting Area

Guidelines for countries to select target areas are not provided in this document. For example, the Accounting Area is defined as an area “matching a government-designated area that is of *significant* scale.” However, ‘significant’ is not given any measure.

- An example of improved guidance to provide a bit more structure would be including a percentage of total forested area (taking into account deforestation rates, capacity, or other factors).

Social Impacts and Livelihood

The MF encourages community participation “where possible at a reasonable cost.” This is quite open-ended and could result in a carte blanche to create unfavorable conditions for some communities. Example solutions:

- “Reasonable cost” needs definition/ baseline communication standards should be discussed
- Minimal community participation standards could be identified

Benefit Sharing

Information on the benefit sharing is a short in this document and many questions remain – how will this occur? And what will be the indicators or required levels?

- The MF includes language about respecting “customary rights of land” and reflecting “broader community support”

- “Land and Carbon rights should form the basis for a successful ER program.” – fails to draw a strong connection to what this means in practice in this document. But the program requires submissions of a Benefit Sharing Plan, which may include appropriate details (not yet linked to the document so it remains unclear).

Safeguards

Must fit World Bank, UNFCCC and the Cancun safeguards. This is great, but these ought to be compiled for country use. It would probably be best to use the UNFCCC and then add additional guidelines for the WB compliance. This way, countries would gain institutional knowledge regarding UNFCCC compliance while still finding the compliance and safeguard requirements manageable.

Managing social and environmental issues and “related risk mitigation measures” during the Readiness phase, including developing Feedback and Grievance Redress Mechanism (FGRM)

- More analysis is required to understand the social impacts and how benefits are used to compensate for any negative impacts (i.e. job creation and sustainable development interventions)
- However, the FGRM seems like it may have a somewhat rigorous framework, which could help to make up for other weaknesses.

Non-Carbon benefits

Described as “improving local livelihoods, building transparent and effective forest governance structures, progressing on securing land tenure, and enhancing or maintaining biodiversity and/or other ecosystem services. Here is the only mention of ecosystem services in this document.

- It might be beneficial to have additional language related to other types of credits for possible expansion in the future.

Includes language about collecting and providing information on “priority” carbon benefits, but does explain their applications or use.

- Overall, this area is lacking in explanation and directives

Practice and Due Diligence

The program uses good practice guidelines by entities such as the World Bank, IPCC, and UNFCCC. IPCC approaches are used for setting the Reference Level and in MMV, but as some of the detailed technical work has not yet been proposed by the UNFCCC, the CF will propose working solutions.

- This is a good example of moving forward with practicality while the policy discussions can remain sluggish.

Importantly, some countries will be allowed to set References Levels above historical deforestation rates.

- Must show either minimal existing deforestation or that National social and economic indicators show deforestation could rapidly increase.

There is a great deal of flexibility regarding the activity types within the REDD+ Activities – programs can choose their sources and sinks (though deforestation must be counted, degradation if it reaches a threshold)

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- There needs to be stringency to ensure other activities don't skew outcomes

Analysis

Project length can only be 10-15 years and activity data must be determined at least twice during the ERPA

Strong application of statistics, including incorporating two types of error (systematic and random), which becomes increasingly important, as scale increases at country level.

- *Good practice* emphasized: required to submit full statistical analysis on Activity Data and Emissions Reductions

- Uses a step-wise approach to *reduce uncertainty*
- Clear guidance provided and expectations well stated

Uses a different approach for Additionality than smaller projects requirements

- Incorporates additionality into “conservative approaches” for creating reference levels, citing the project level additionality approaches difficult to “operationalize.” This is likely true, especially at the larger scale, but further description would help the reader understand the crux of the issue and how the new approach hopes to be superior.

Importantly, Non-permanence is addressed for National and jurisdictional scale by including an assessment of non-anthropogenic changes (i.e. climate change).

- However, it does not explicitly include non-anthropogenic changes in monitoring and reporting guidelines.
- Also, the program is developing a good plan for reversals that occur once in the Carbon Fund – the ER Program with take on the credits and readdress the arrangements put in place (not exactly sure what this means yet). Having a strong stance on non-permanence will improve market confidence.

Policy Implications

The MF complies with UNFCCC definitions of REDD+, accounting, and programmatic elements – encouraging countries to tackle REDD issues with the UNFCCC approach.

- Hopefully, this will produce the results to push REDD at the international negotiations.
- Will prep countries for participation in these discussions and subsequent programs.

The ER Program includes steps to connect the Reference Level with the country's (existing or emerging) greenhouse gas inventory.

- Linking up GHG accounting systems at the National level improves further transparency and eventual simplified emissions figures.

Cannot include any credits already accounted for by a project or a third-party

- Reduces confusion to ongoing project-level efforts
- Encourages countries to beef up monitoring of all land and parcels to ensure compliance (ideally, in one, integrated map)
 - o Overflow implications of this monitoring includes improved tenure security, clearing of land disputes, and improved investor confidence in other projects

Implementation

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The ER Program requires National-level endorsement but programming itself can be implemented by other entities if the National-level lacks capacity. This is a good step to provide flexibility to countries with various capacity levels to participate.

Importantly, participation requires the creation and monitoring of a National REDD+ Program and Projects Database (or a third party option) to monitor. This will be helpful to other project level activities, investor information, and increasing transparency. Databases must include:

- Entity with Title to the ERs
- Geographical boundaries of the ER Program or project
- Scope of the REDD+ activities and Carbon Pools
- Reference level

Takeaway

Overall, the MF provides a good overview of putting REDD into practice to achieve major emission reductions and conservation goals, while also helping to create a functioning, sustainable, and healthy market. Because of the scale of this work, it is essential to have clear communication and benefit sharing guidelines for the parties – something that will likely require further discussion and clarification. Some of the questions in this brief may have answers in other FCPF documents. But unless those documents are linked to the MF, it feels that some guidance and information is missing.

The MF seems to set a framework that works well with existing efforts (such as project level work), and in fact seems likely that the investment in country-level capacity will improve conditions for many, if not all, sectors of the REDD market. Because of its emphasis on country-level reporting and compiling, this program will have a positive impact on country-level capacity and possibly (hopefully) a spillover effect into the role of REDD+ in international climate negotiations.

We hope these comments are useful to the FCPF Secretariat work,

Yours sincerely,



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