

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?

Methodological Framework Elements

Pass/Fail

ER Accounting Elements

+

ER
Programmatic
Elements



Pricing

Base Price (based on ER Program characteristics and allows for non-carbon benefits)



Early Ideas on Building a Method. Framework

Guidance for Element

Guidance for Element

Methodological Framework

Indicator for Element & Issues

Criteria for Element & Issues

FOUNDATION:
Accounting Element (s)

Indicator for Element & Issues

Criteria for Element & issues

FOUNDATION:

Programmatic Element (s)

Possible Steps in Building a Method. Framework

Step 1: Identify elements & other needs in MF



Framing the Issues

- Identify key components
- Issues to address
- Capacities needed for an element



Draft Criteria

 Propose 1 or more criteria for an element or issue

Periodic Inputs From CF WG Members



- Provide enough details re choices in data, methods, etc.
- Countries propose methods & choices in ERP



Draft Indicators, or Guidance for Them

- Draft 1 or more indicators for an element or issue
- Or guidance for countries to develop own indictors

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

Guiding Principles:

PC guiding principles from WG elements

Draft Method. Framework:

CF WG Review + Public Comments

Stakeholder Process: CF WG

Public Vetting of Existing Climate Initiative Standards, & Proposed CF Options:

REDD Design Forum

Technical Assessment of Building Blocks of MF, and Drafting Team:

TAP Experts



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



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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	xxxxxxxxxxxxxxxxxxx	xxxxxxxxxxxx	xxx	XXX

» 152 reads

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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**

	Major	Early	Ra	tionale for Selection		Advantages /	Further	
	Other	Candidate		Filters/criteria:		disadvantages of	Analysis	
	Initiatives'	Options for	•	UNFCCC guidance	p	proposed options	Needed or	
Key Building	Approach	Carbon Fund	•	Agreed CF		including:	Issues to be	
Blocks	Assessed			principles	•	Barriers and	Considered	
			•	Capacity needs		benefits		
				implementation	•	Feasibility		
						challenges		
CARBON ACCOUNTING: Baselines [example]								
- Scenario								

- Scenario		

- used: historic, Conceptual Example
- projected or

adjusted?

- 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

Carbon Fund

PC Considers Methods and Pricing Approaches, per WG Guidance

PC WG:
Methodological
Principles & Pricing
Guidance

Development of Method. Framework:

- FMT and TAP review options for each technical or program issue
- Use REDD Design Forum to listen to experts & stakeholders, other initiatives, & try out early proposals for CF methodological decisions
- Draft early MF to share with CF
- Revise and enhance over time

Periodic Updates & Feedback

Carbon Fund WG:

- Review draft products of TAP, FMT
 - Provide periodic guidance
 - Attend REDD Design Forum

TAP Work:

- Wide range of expertise
- Review climate initiatives
- Assess options
- Attend REDD Design Forum

Methodological Framework Tasks, and Tentative Due Dates

Task	Tentative Date
PC approves Working Group's Recommendations on policy guidance on pricing elements, and guiding principles on the key methodological framework	June 2012
<u>Carbon Fund creates its 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

