



# Forest Carbon Partnership Facility

## Report on Carbon Fund Consultations

Participants Committee Meeting (FCPF PC4)  
Washington, DC - October 27-28, 2009

# Background

- Consultations hosted by the UK and held in London on September 10-11, 2009.
- The following existing and potential Carbon Fund Participants attended the consultation:  
Australia\*, EC\*, Germany, Norway, TNC, UK and US
- FMT and Participants also held 1/2 day meeting with prospective private entities to seek their feedback on Carbon Fund operations.
- The following slides provide a summary of the discussions.

\* Participated in the consultations through audio.

# Structure of the Carbon Fund

## Background:

The Charter provides that the Carbon Fund may be organized in tranches, with each tranche operating as a separate trust fund.

## Question:

Would a tranche system provide flexibility to attract both public and private sector entities? Or should the public and private sectors pool their capital as much as possible?

*Summary Preferences: The FMT presented scenarios for structuring the CF into tranches (CF Tranches). CF Participants would like to see the investors, including from the public and private sector, pool their funds to the greatest extent possible. They also agreed that adding syndication as a means to bring in greater private sector funding is desirable, as long as the incentives are carefully thought through. The FMT is requested to prepare a note outlining options for tranches.*

# Phased REDD Financing and Implications on CF

## Background:

It has been suggested that REDD finance could be phased in 3 successive stages: (1) readiness; (2) investments and proxy-based payments (i.e., payments based on achievements and progress made, rather than verified emission reductions); and (3) payments for verified emission reductions.

## Question:

What are the implications for the FCPF CF?

***Summary Preferences:** CF Participants recognize that there are potentially different types of ERs and different types of payments that will take place and the CF may test and pilot these different types of payments. The basic agreement however is that the FCPF CF will focus solely on performance-based payments for achieved emission reductions. Other funds outside the FCPF (e.g., FIP) may provide earlier financing, such as investment finance.*

# Timing for Carbon Transactions

## Background:

The Charter provides that the CF would enter into ERPAs with a country (or its entity) whose Readiness Package has been endorsed by the PC.

## Questions:

At what stage of preparation for REDD readiness should the CF aim to start reviewing potential ER Programs proposed by countries or enter into an ERPA?

***Summary Preferences:** The Charter refers to “endorsement” of the Readiness Package first by the FCPF PC. However, the CF Participants would aim to provide useful and timely pilots and lessons learned. Given this, views were expressed that the FCPF PC may need to further discuss the process and criteria for the Carbon Fund to enter into ERPAs while ensuring that quality and safeguards are not compromised. As new policy guidance is provided by the UNFCCC, the FCPF will adjust to that guidance.*

# Type of ER Programs (National/Sub-National)

## Background:

The Charter refers to payment from the CF for Emission Reduction Programs.

## Question:

Should the CF focus on ERs generated by national or sub-national programs or both? What other criteria should be adopted for ERs?

## *Summary Preferences:*

*CF Participants emphasized that all ERPAs should be linked to national strategies and also tied in to national level MRV systems. With regard to REDD+, the FCPF CF will follow the guidance arising from the UNFCCC.*

# Pricing Methodology

## Background:

The FMT intends to continue the work on cost of REDD and pricing methodology for ERs.

## Question:

What guidance can the CF Participants provide at this time on next steps in pricing?

*Summary Preferences: CF Participants emphasized that the FCPF should move forward in elaborating policy guidance on pricing via a panel of technical experts, for review and approval of the FCPF Participants Committee. The CF Participants welcome a review of options to negotiate individual ERPAs within that general policy guidance.*



# Marketing the Carbon Fund

## Background:

The CF has contributions of almost \$55 million as of October 2009.

## Question:

What are the next steps in capitalizing the CF?

*Summary Preferences: FMT to prepare a short marketing note for consideration of the CF Participants as well as draw on relevant expertise as necessary. Promotion of the CF with the broadest representation of potential participants is encouraged.*





THANK YOU

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