

Forest Carbon Partnership Facility

6b. Planning of Activities on the Methodological Framework and Pricing Approach for the Carbon Fund and TAP

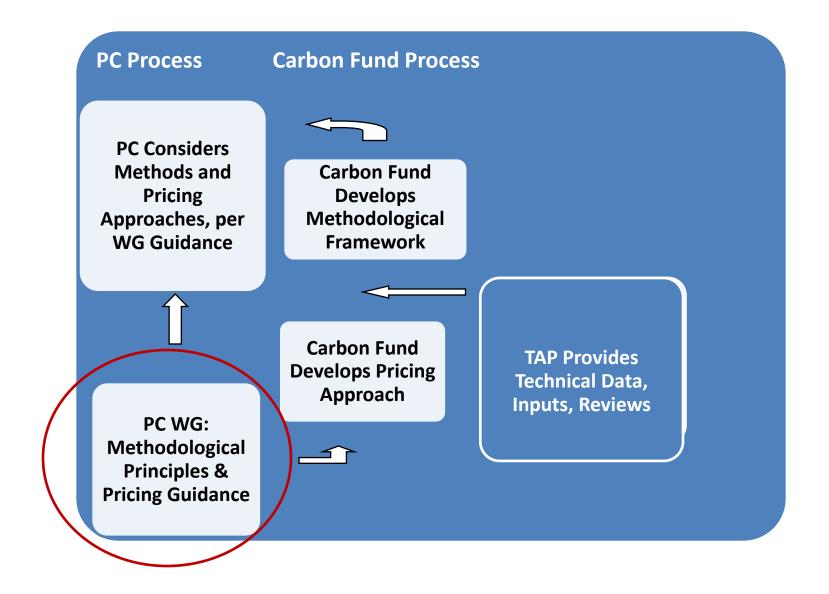
Third Meeting of the Carbon Fund (CF3)

Asuncion, Paraguay

March 24 and 26, 2012



Process for Development of Methodological Framework and Pricing Approach for CF



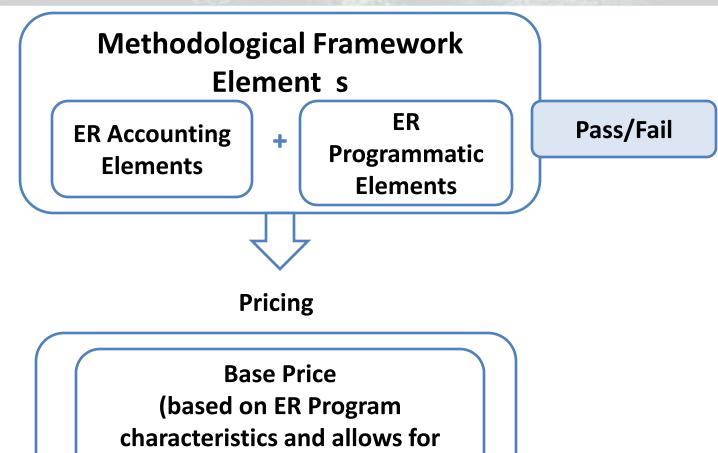
Standard-Driven Approach for ERPs: Principles Standards Indicators Methods

Concept of Approach:

- UNFCCC will ultimately set methods for REDD+, but in the future.
- CDM, VCS and other existing methods very complex for a national scale.
- FCPF has used standards approach to assess R-PPs successfully.
 - Principles, or Elements: State the desired outcome, and codify the intent of a standard for evaluating a program.
 - Standards (or <u>criteria</u>): Identify the conditions that need to be met to deliver on a principle. The benchmark against which a program is evaluated.
 - Indicators: Quantitative or qualitative parameters that can be achieved and can be verified. The "metric' for evaluating the standard.
 - <u>Methods</u>: Agreed analytic approaches or tools used to generate the data and estimates of parameters (like forest cover change over time) that make up indicators.

Anticipated Methodological and Pricing Approach

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: Elements



Framing the Issues

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



Draft Criteria

 Propose 1 or more criteria for an element

Periodic Inputs From CF Members



Draft Guidance for ERP Implementation of Element by Country in ERP

- 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 guidance for countries to develop own indictors

Building a Framework?: Conceptual Example of an Element– e.g., Displacement of Emissions

Step 1: Element

Displacement (leakage)



Framing the Issues:

- Define "assessment" of domestic
 & international displacement
- Define "measures" to address displacement
- Review how existing UNFCCC & voluntary protocols address displacement



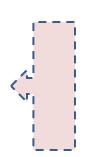
Draft Criteria:

- Propose 1 or more criteria of:
- implementing displacement assessment
- measures



Draft Guidance for ERP Implementation of Element by Country in ERP:

- Positive list of methods that meet criteria?
- Countries propose methods & choices in ERP



Draft Indicators,

or Guidance for Them:

- Draft indicator for "measures"
- Or: guidance for countries to develop own indicator

Proposed Creation of TAPs

- FMT has proposed to establish 2 ad hoc TAPs:
 - 1. By the CF Participants: mid-term issues
 - 2. By the FMT: short-term issues, to feed discussion of the WG
- Alternative: Create only 1 TAP managed by the FMT, with reports to
 - 1. the CF Participants
 - 2. the WG



Role of TAP: 1 CF TAP Covers Some Topics, FMT TAP Other Topics

Topic	Carbon Fund	FMT's TAP
	Participants' TAP	
Carbon accounting in other climate initiatives	Options for simpler approaches ?	 Review standards and methods
	• ERP reference level	 How do initiatives measure and monitor carbon?
	consistency with national reference level?	 How do initiatives set reference levels?
		 How handle nesting of subnational projects?
Tracking and	• -	Do they use a registry?
reporting in other initiatives		 Registry data, cost and capacity requirements?

Role of TAP: 2

Topic	Carbon Fund Participants' TAP	FMT's TAP
Safeguards and benefit- sharing approaches	 How other initiatives address UNFCCC safeguards, and benefit-sharing 	• -
Non-carbon values	 Is price differentiation applied in other initiatives? 	 Do initiatives pay premia for additional benefits?
Pricing of carbon assets	 Potential use of opportunity or implementation costs in price setting? 	 Approaches and data used to set prices in other initiatives?
Assessment of Emission Reductions Programs	 Provide technical review of relationship of ER-PINs or other documents to country's Readiness Package 	Provide technical review of ER-PINs or other documents

Nominations of expert candidates for TAPs are welcome

How to Get There: Two Options for Developing Methodological Framework

- Option 1: Continue the PC Working Group approach
 - Assuming: Heavy role by CF members in a continuing WG -- monthly conference calls, many shorter issue notes by FMT, protracted debate.
 - Full MF drafted: March or June 2013?
- Option 2: Switch to a more intensive drafting of a MF by the FMT (with TAP support) with periodic requests for guidance from WG members
 - Assuming: WG to offer periodic guidance that is implemented into a whole draft MF for review. Fewer notes, calls.
 - Full MF drafted: Draft for review in meeting in September 2012 ?
 - Full draft MF October 2012?

Methodological Framework Tasks, and Tentative Due Dates

Task	Tentative Date: Option 1	Tentative Date: Option 2
Create ad hoc <u>TAPs</u> to support CF and FMT: review of other regimes' standards, methods; pricing	In process	In process
Agree on <u>elements</u> of the standards approach, and pricing elements	Paraguay? Or June 2012	Paraguay? Or June 2012
[Propose <u>assessment process and criteria</u> for ER PINs submitted to the Carbon Fund- not part of MF]	October 2012 ?	June 2012
Propose criteria and indicators of Methodological Framework: draft. Meeting to discuss?	March 2013 ?	September 2012 ?
Present draft Methodological Framework & pricing approach to CF. Share with PC when appropriate.	June 2013 ?	October 2012 ?

We Hope to Start Building the Foundation Soon. Comments Welcome

