



Forest Carbon Partnership Facility

Setting the Stage for ER-PIN and ER-PD Reviews

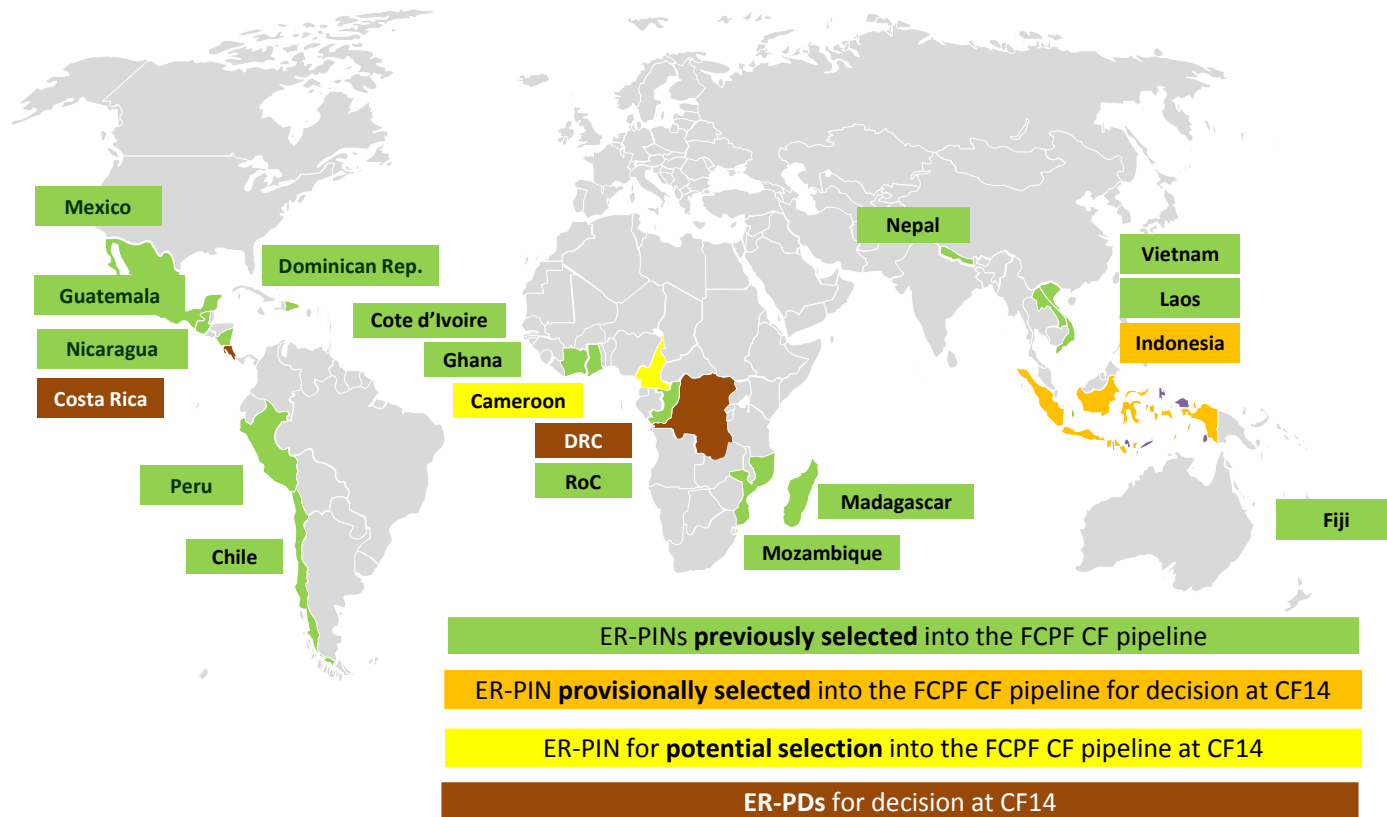
Fourteenth meeting of the Carbon Fund (CF14)

Paris, France

June 20-22, 2016

Building the Carbon Fund Pipeline and Portfolio

- 18 ER-PINs in pipeline so far → approximately 12-13 ERPAs in eventual portfolio.



Task at CF14

Two decision points to select ER programs:

1. Selection into Carbon Fund **pipeline** based on ER-PIN (**concept-stage ideas**)

→ Negotiate and sign Letter of Intent (LOI). This does not guarantee a Country will make it to Emission Reductions Payment Agreement (ERPA).

Cameroon

Indonesia

2. Selection into Carbon Fund **portfolio** based on ER-Program Document (full proposal)

→ Negotiate and sign ERPA.

Costa Rica

DRC

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Task at CF14

- **Cameroon:**
 - Was not selected at CF13 (October 2015); was invited to revise its ER-PIN by CF15.
 - Resolution needed if selected into the Carbon Fund pipeline.
 - If selected, would enter the same pipeline as existing Countries upon LOI signature.

- **Indonesia:**
 - Was provisionally selected at CF11 (October 2014) subject to specific revisions to its ER-PIN (resolution CFM/11/2014/2).
 - No resolution is needed. CFPs are requested to:
 - provide feedback on whether the issues laid out in the resolution are addressed by the revisions,
 - consent (or not) to the inclusion of the revised ER-PIN in the Carbon Fund pipeline.
 - if CFPs consent, identify any key issues they wish to include in the cover letter of the Letter of Intent, to be taken into account in the development of the ER-PD.

FMT checked completeness of ER-PIN

- On quality: Assessing ER-PINs at this stage. More detailed information required at ER-PD stage;
- Not yet expected to meet every Methodological Framework standard;
- Considered guidance to countries on what needs to be in ER-PIN;
- Considered 18 overarching questions;
- Objective: verify submissions were complete, consistent with Readiness information, and that proposed ER Program has potential to meet ER-PIN selection criteria **for the pipeline.**

Task at CF14

- Selection of ER-PINs depends on:
 - Outlook for potential new funding
 - The quality of programs presented
 - CFPs' appetite for risk. Do CFPs want to over-program by the same amount?
 - Experience: Some ER-PINs may not become ER-PDs at all, or ER-PDs that meet requirements or Carbon Fund Participants' needs. BioCF T1/T2: 32% droppage rate from LOI to ERPA.
 - If there is under-delivery or if more funds become available, there will be additional Programs under development to buy into.
 - Competitive process on quality and progress.
 - Countries may access other funding if not selected by the Carbon Fund.

Options for Selection of ER-PINs

1. Include ER-PIN in pipeline, allocate up to \$650,000 (subject to a signed Letter of Intent)

- to support Country to develop ER-PIN into an ER Program Document
- to support due diligence by World Bank
- funds will be managed by World Bank and/or FMT
- Gives green light to country to further develop concept. Not expected to answer all questions before signing an LOI
- ***LOI resolution requires setting a maximum volume (and possibly maximum value) to be contracted.***

2. Allocate up to \$200,000 to support revisions to ER-PIN

- ER-PIN to be considered for inclusion in pipeline at later stage
- funds will be managed by World Bank and/or FMT

3. Not include the ER-PIN

- ER-PIN may be modified and presented again later if window is open

FMT recommends option 1 or 3, as has been done in the past

Criteria for selection of ER-PINs into pipeline

7 formal criteria:

1. Progress towards Readiness
2. Political commitment
3. Methodological Framework
4. Scale
5. Technical soundness
6. Non-carbon benefits
7. Diversity and learning value

Other parameters raised by CFPs:

- Regional balance across portfolio
- Quality matters
- Goal of net emission reductions across portfolio
 - Countries with high forest cover and low deforestation (HFLD) should not represent a disproportionately large share of the total ER volume or total financial value of the portfolio.

Task at CF14

Two decision points to select ER programs:

1. Selection into Carbon Fund **pipeline** based on ER-PIN (**concept-stage ideas**)

→ Negotiate and sign Letter of Intent (LOI). This does not guarantee a Country will make it to Emission Reductions Payment Agreement (ERPA).

Cameroon

Indonesia

2. Selection into Carbon Fund **portfolio** based on ER-Program Document (full proposal)

→ Negotiate and sign ERPA.

Costa Rica

DRC

Basis for selection into Carbon Fund portfolio

- Letter of Intent (LOI) was good faith agreement to move forward
- TAP reviewed draft and advanced draft ER-PDs
- CFPs consolidated their comments
- Calls were held between CFPs, Observers and Costa Rica/DRC
- WB engagement and due diligence to date
- Portfolio selection is on a first come first served basis, while taking into account:
 - Quality
 - selection criteria as per ER-PIN criteria, and
 - consistency with the Methodological Framework
- CF14 decision to select ER program would authorize Trustee to start negotiating an Emission Reductions Payment Agreement

Options for Decisions by Carbon Fund Participants (1)

- i. Decide to **select** an ER Program into its portfolio and proceed to negotiating an ERPA subject to completion of World Bank due diligence and final World Bank approval of the program
- ii. Decide to **provisionally select** an ER Program into its portfolio and proceed to negotiating an ERPA subject to: completion of World Bank due diligence and final World Bank approval of the program and other requirements, such as a **list of key issues** to be addressed, have been fulfilled to the satisfaction of the World Bank
- iii. Request the REDD Country to **resubmit a revised ER-PD** with specific revisions or attention to certain areas
- iv. Decide **not to select** an ER Program into its portfolio and, therefore, not to proceed to negotiating an ERPA and do not request the country to resubmit (i.e. rejection)

Options for Decisions by Carbon Fund Participants (2)

- Option iv (**not to select program**) should only be valid if proposed ER Program is substantially different from the selected ER-PIN or the selection has portfolio management implications e.g., in relation to net emission reductions across the portfolio
- Other issues, such as non-compliance with the Methodological Framework, could be addressed through options ii (**provisional selection**) or iii (**request revised ER-PD**)

Today's Pipeline in Numbers

	<i>Unit:[million tCO₂e/year]</i>	HFLD Adjustment <i>(% of total emissions)</i>	Emissions ⁵	Removals ⁵
Final ER-PD ¹	Costa Rica		7.7	-4.4
	DRC	4.8 (7%)	68.2	-5.9
Draft ER-PD ²	Chile		9.3	-10.8
	Mexico		24.0	
	Rep. Congo	6.7 (41%)	16.5	
	Vietnam		8.6	-9.8
CF13 ER-PIN ³	Ghana		28.5	
	Nepal		4.4	
	Guatemala		11.5	
	Peru	3.1 (18%)	17.6	
	Cote d'Ivoire		18.4	
	Dominican Republic		2.8	-5.5
	Fiji		0.3	-0.1
	Lao PDR		6.9	-7.2
	Madagascar		12.1	
	Mozambique		3.9	
	Nicaragua		21.5	
CF14 ER-PIN ⁴	Indonesia		49.9	
	Cameroon	10.0 (227%)	4.4	
	Total	24.6 (8%)	316.5	-43.7

¹ Per Final ER-PD, June 2016

² Per Draft ER-PD submitted to TAP, June 2016

³ Per CF13 ER-PIN or required subsequent revisions

⁴ Indonesia provisionally selected based on CF11 resolution, Cameroon for consideration

⁵ For respective historical reference period

Carbon Fund Contributions to Date

FCPF Carbon Fund

Donor Contributions as of (June 15, 2016) of FY16 (in \$ thousands)

Participant Name	Total	Outstanding*	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09
Australia	18,393						5,658	12,735		
BP Technology Ventures	5,000							5,000		
Canada	5,015						5,015			
European Commission	6,709								362	6,347
France	5,000							5,000		
Germany	125,685	2,016	13,329	32,108	27,280	6,556	15,443	21,125	3,819	4,009
Norway	300,462	70,800	58,352			161,310				10,000
Switzerland	10,796						10,796			
The Nature Conservancy	5,000									5,000
United Kingdom	202,540	184,600						17,940		
United States of America	14,000					4,000		10,000		
Committed Funding	698,600	257,416	71,681	32,108	27,280	171,866	36,912	71,800	4,181	25,356
Germany	56,000	56,000								
Pledged Funding	56,000	56,000								
Committed and Pledged Funding	754,600	313,416	71,681	32,108	27,280	171,866	36,912	71,800	4,181	25,356

*Amounts may vary due to exchange rate fluctuations.

Financial Situation: Sources and Uses Summary

Carbon Fund Sources and Uses Summary (\$m)			
	Current Situation	with Cameroon	with Guyana
Sources (\$m)	755	755	755
Number of Lols (#)	18	19	20
Number of ER Programs (#)	12	13	14
Uses			
Costs over Fund Lifetime	\$m	\$m	\$m
Fixed Costs (FY10 to FY26)	22.7	22.7	22.7
ER Program Costs	23.6	25.3	27
Total Costs	46.3	48	49.7
Available for Purchase of ERs	708.7	707	705.3
Average ER Program	59.1	54.4	50.4

Conflict of Interest

- Charter: CFPs disclose involvement in ER-PINs, FMT determines whether CFP should recuse from:
 - discussion = discussion during plenary
 - deliberation = formulation of resolution
 - decision = adoption of resolution

Country	Notification	Details and FMT Determination
Cameroon	EC	<ul style="list-style-type: none"> • Supporting national FLEGT/REDD+ process, with EFI's EU REDD/FLEGT Facilities. • No conflict of interest
	Germany	<ul style="list-style-type: none"> • REDD+ Secretariat receives advisory support through GIZ, financial support through a basket fund. • Do not recuse from discussion, deliberation; recuse from decision if by vote.
	Norway	<ul style="list-style-type: none"> • No direct funding or technical assistance. Norway is a financial contributor to UN-REDD and FIP, where funding may have contributed to ER-PIN development. • No conflict of interest
	United States	<ul style="list-style-type: none"> • US Forest Service provides technical support, largely focused on MRV and R-PP implementation, and capacity building. No direct support to the ER-PIN. • No conflict of interest
	WWF (NCSO Observer)	<ul style="list-style-type: none"> • WWF Cameroon organized workshops to improve consultation and transparency. WWF participated in stakeholder meetings to review and validate ER-PIN, and was a stakeholder in national REDD strategy development. • N/A. Observers report voluntarily and are not required to recuse themselves.

Conflict of Interest

Country	Notifications	Details and FMT Determination
Costa Rica	EC	<ul style="list-style-type: none"> Country participates in the RECAREDD project to help the development of methodologies and capacities to benchmark and monitor degradation. No conflict of interest.
	Germany	<ul style="list-style-type: none"> <i>Ongoing financial</i> support to FONAFIFO PES Program (Biodiversity Fund) GIZ technical support to NFI, biomass assessment and to consultation processes (Regional CCAD-REDD Program) No conflict of interest.
	United States	<ul style="list-style-type: none"> Funds project to provide support to several countries, including Costa Rica, to enhance stakeholder engagement. Funds US Forest Service technical expert in Ministry of Environment to help with remote sensing and other technical issues as requested by Costa Rica. Supports a regional program which includes technical support on issues like monitoring and land use planning. Engagement in Costa Rica has been limited to date, and there has been no involvement in the ER-PIN process. No conflict of interest

Conflict of Interest

Country	Notifications	Details and FMT Determination
DRC	EC	<ul style="list-style-type: none"> • Technical support to ER-PIN. • Do not recuse from discussion, deliberation; recuse from decision if by vote.
	Germany	<ul style="list-style-type: none"> • <i>Financial Cooperation:</i> MRV-support via WWF for the “<i>The Carbon Map and Model Project</i>”. <i>Technical Cooperation:</i> No REDD engagement; Indirect support to Ministry of Environment (Biodiversity and sustainable forest management) • No conflict of interest.
	Norway	<ul style="list-style-type: none"> • Funder to REDD+ through UN-REDD, FCPF and FIP and has funded UNDP-activities related to R-PP and national REDD+ development. Regional Counselor for forest affairs attended some ER-PIN discussions, but was not actively involved in ER-PIN preparation. Some projects currently funded by Norway through CBFF and CARPE in DRC may be situated in the ER-PIN area. • Donor to Central African Forest Initiative (CAFI), that has signed an MOU with DRC. • No conflict of interest.
	United States	<ul style="list-style-type: none"> • USAID’s Central Africa Regional Program for the Environment (CARPE) works in landscapes which are encompassed by the ER-PIN area (on mapping, land use planning, monitoring). CARPE staff and NGO partners have been active in region/with the ER-PIN team, but no direct funding for ER-PIN preparation. • Funded SilvaCarbon and regional program of technical support and capacity building in mapping, forest/carbon monitoring, etc. No link to ER-PIN process. • Donor to FIP, which is considering a program in the same region but the extent of geographical overlap is not known at this time. • No conflict of interest.

Conflict of Interest

Country	Notifications	Details and FMT Determination
DRC	WWF (NCSO Observer)	<ul style="list-style-type: none">• WWF DRC is a stakeholder in the proposed Mai Ndombe program. Has primarily provided technical support in program design with particular regard to consultations and participation, carbon accounting, and safeguards. WWF is also in the executing agency on the FIP PIREDD project in the Plateau district. WWF could potentially be one of many implementers of activities in the program beyond the PIREDD project, but this has not yet been discussed or agreed in any detail.• N/A, but WWF has voluntarily recused itself from the NCSO function <u>for DRC agenda items</u> due to any real or perceived conflict of interest, and to make sure Civil Society constituencies feel they have an unbiased representative.

Conflict of Interest

Country	Notifications	Details and FMT Determination
Indonesia	Australia	<ul style="list-style-type: none"> • Has supported development and implementation of the Indonesian National Carbon Accounting System (INCAS), which can be used for the purposes of the proposed East Kalimantan ER-PIN. • No involvement in development of the ER-PIN. • No conflict of interest.
	Canada	<ul style="list-style-type: none"> • No involvement • No conflict of interest.
	Germany	<ul style="list-style-type: none"> • GIZ Support to the FORECLIME program: no direct involvement in ER-PIN establishment. Long-term intense technical cooperation: forest and REDD+ policy development, to establishment of Forest Management Units (KPH), strengthening the MRV System, long term TA in East Kalimantan, including Berau District (BMZ) • KFW Support to FORECLIME program in Kalimantan, including Berau District (BMZ). KFW Support to consolidation and sustainable management of Kerinci National Park and Buffer Zone in Sumatra • <i>Indirect support:</i> GAP-CC – ASEAN support to the development of Mitigation (incl. REDD+) Strategies in Asia, including Indonesia (BMZ) • No conflict of interest.

Conflict of Interest

Country	Notifications	Details and FMT Determination
Indonesia	Norway	<ul style="list-style-type: none"> Signed LOI with Indonesia and committed to financial contribution for its efforts to combat deforestation, forest degradation and peatland conversion, the majority of which are intended for results-based payments of verified ERs. Supports national REDD+ Agency. Supports multilateral partners e.g., UN-REDD, FCPF, FIP and GGGI's REDD+ work in Indonesia and also provide additional financial support to CSOs in Indonesia. No involvement in drafting ER-PIN. No conflict of interest.
	TNC	<ul style="list-style-type: none"> Not involved in ER-PIN preparation, but did participate in consultation process. Has been a facilitator and active supporter of one of the district programs, Berau, featured in the ER-PIN. However, no financial interest in or connection to the proceeds that would flow from a CF transaction or other sales of Ers. No conflict of interest.
	United States	<ul style="list-style-type: none"> No direct support to ER-Program development. Supports a number of programs in potential ER-Program districts, including a Tropical Forest Conservation Act debt for nature swap supporting REDD+ activities in Berau (with TNC) and Kutai Barat (WWF); overall technical assistance and support; support on the ground in other districts. Donor to FIP, which funds activities in Indonesia. No conflict of interest.
	WWF (Northern CSO Observer)	<ul style="list-style-type: none"> WWF Indonesia provided data, analysis, consultation engagement and ideas for program activities for Kutai Barat and Mahakam Ulu. Participated in consultations and provided comments on the draft ERPIN. N/A.

PC14 Agenda

- Deliberation and discussion of decisions in plenary and small groups built-in.



THANK YOU!

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