

Chair's Summary
Second Meeting of the Carbon Fund (CF2)
Berlin, Germany, October 20-21, 2011

Dear Participants and Observers,

I am pleased to report that the second meeting of the Carbon Fund of the Forest Carbon Partnership Facility (FCPF) was held on October 20-21, 2011, in Berlin, Germany.

Approximately 25 representatives of Carbon Fund Participants, REDD Country Participants, Indigenous Peoples, non-governmental organizations and the private sector contributed to a successful meeting. The Facility Management Team (FMT) of the FCPF and all participants in the meeting would like to thank the Government of Germany for hosting it.

Please be advised that all the background materials, presentations, Resolutions and this summary have been posted on the FCPF website at <http://www.forestcarbonpartnership.org/fcp/node/325>. The summary will also be translated in French and Spanish.

Please find below the main conclusions from the meeting:

1. *Working Group on Methodological and Pricing Approach:* The meeting reviewed the outcomes from the Carbon Fund technical discussion of September 1-2, 2011 and the FCPF Participants Committee (PC) resolution on the establishment of a Working Group (WG) (Resolution PC/10/2011/5) to provide policy guidance on pricing methodologies for Emission Reductions Payment Agreements (ERPAs) and guiding principles on the key methodological framework for REDD. The PC resolution requests the CFPs to finalize the Terms of Reference (TORs) of the WG for adoption by the PC by electronic means on a no-objection basis (in accordance with section VI of the PC Rules of Procedure). The CF meeting agreed on the TORs for the WG. The FMT has just submitted these to the PC for approval on a 14-day no-objection basis and will request expressions of interest from PC members and observers to join the WG.

The meeting also agreed to establish a Technical Advisory Panel (TAP) to provide technical inputs to the CFPs on the selection of Emission Reduction Programs, including on the following aspects: (i) methodologies; (ii) pricing aspects; and/or (iii) other issues of interest to the Carbon Fund Participants. The meeting requested the FMT to develop TORs for, and engage the services of, experts to serve in the TAP (see Resolution CFM/2/2011/1).

2. *Business Process: a) Types of ER Programs:* Costa Rica, Indonesia, Mexico, and DRC presented their early ideas on potential emissions reductions programs. These were very much appreciated by the meeting participants. Follow-up presentations from these countries and presentations from additional countries will be sought for future meetings.
3. *Business Process: b) Processing Steps from ER-PIN to ERPA:* Following the Carbon Fund technical discussion of September 1-2, 2011, the FMT presented an overview of the business cycle as provided in the 'Operating Arrangements under the Carbon Finance Mechanism: Issues Note' and requested feedback on the steps outlined there. Regarding the first step of the process (namely the submission of ER-PINs), a preference was expressed whereby ER-PINs may be received from REDD Country Participants that have signed their Readiness Preparation Grant Agreement, but this ER-PIN submission will not be linked to the signing of a Letter of Intent. A decision will be made at CF3 regarding the timing of the budgetary allocation by the CFPs for further development of ER-PINs before the signing of Letters of Intent. Since there was insufficient time to discuss all issues, it was agreed that the FMT would prepare a questionnaire based on the FMT presentation for CFPs and observers to provide written comments on by the end of January 2012. The FMT will collect the comments with the aim of discussing this further during CF3.
4. *Business Process: c) Legal Aspects:* The meeting provided preliminary feedback on the FMT's ideas and questions regarding the legal process and the contents of legal documents such as ERPAs and Letters of

Intent (Lol). It was agreed that it was not necessary to obtain PC agreement to the General ERPA Conditions by June 2012 in accordance with the Action Plan agreed at the first Carbon Fund Meeting (CF1) in Barcelona. Furthermore, it was agreed that the focus should first be on the Readiness Package and the contents of the Letter of Intent, and that the General ERPA conditions need not be approved before PC13 (October 2012).

5. *Long-Term Financial Plan:* In response to the request at the CF1 meeting in May/June 2012, the FMT presented a draft long-term financial plan for the Carbon Fund outlining the estimated costs of the fund through 2020. The CFPs requested the FMT to i) discuss at future CF meetings the operational and financial aspects related to the expected size of ER Programs and ii) prepare a note on the Shared Costs before the next CF meeting.
6. *Carbon Fund Rules of Procedure:* The Rules of Procedure, having been previously circulated, were discussed briefly before being adopted by CFP (see Resolution CFM/2/2011/2).
7. *Marketing:* It was agreed that the FMT would provide an update on marketing of the Carbon Fund at the next meeting.
8. *Next Meetings:* If the business needs justify it, CF3 will be held back-to-back with PC11 in Asunción, Paraguay in March 2012. CF4 will be organized as a videoconference at a time to be decided. The FMT was requested to strive to organize future CF meetings in conjunction with PC meetings, though not necessarily each PC meeting. For those CF meetings that will be held in conjunction with PC meetings, a day's pause in-between the PC and the CF meeting was recommended. The possibility of using technological solutions such as password-protected webstreaming in addition to face-to-face meetings should also be explored.
9. *Legal Issues - Implications of the Tranches:* As a formality, Carbon Fund Participants (CFPs) will each need to sign a short amendment to their Participation Agreements to reflect the new Trust Fund number as a result of the creation of new child trust funds for each of the two Tranches. The Carbon Fund Participants signed agreements that referred to the Carbon Fund. Now that Tranche A and Tranche B have been established, each of which is a child trust fund of the Carbon Fund, amendments to the original agreements are in order, which will specify the Tranche and thus the child trust fund of the Carbon Fund. The FMT will send out amendments to be signed by CFPs in the coming weeks.

I would like to thank everyone again for helping to make CF2 a success, and the FMT for its work in preparing the meeting, and I look forward to seeing you at CF3. There are a number of items for follow up in the coming weeks and months, and the FMT will liaise with CFPs and observers on these where necessary. Please do not hesitate to contact the FMT at fcpfsecretariat@worldbank.org if you have any questions or concerns.

Sincerely,
Duncan Marsh
International Climate Policy Director
The Nature Conservancy
(as CF2 Chair)