

Forest Carbon Partnership Facility (FCPF)

Carbon Fund

Second Meeting (CF2)

October 20-21, 2011

Hotel Palace Berlin, Berlin, Germany
(<http://www.palace.de/englisch/index.php>)

Thursday, October 20

1. Opening	
09:00	Welcome, objectives and review of agenda (Chair)
2. Legal	
09:15	Legal implications of the Tranches
3. Working Group on Methodological and Pricing Approach	
09:20	3a. Summary of technical discussion videoconference September 1-2, key findings, next steps , and focus of this meeting (Ken Andrasko, Marco van der Linden)
09:45	3b. Discussion of Working Group's mandate from the PC, adoption of terms of reference, and process (Chair)
10:30	<i>Coffee break</i>
11:00	3c. Methodological approach: Proposed standards approach and elements, comparison of standards and methods in use in other climate regimes, applicability to Carbon Fund (Chair)
13:00	<i>Lunch break</i>
14:00	3c. Methodological approach (continued): Potential for defining standards, indicators of progress towards standards, and methodological implications (Chair)
15:00	3d. Pricing approach: Applicability of potential valuation methods for prices, proposed base price approach (fixed and floating portions), and adjustments to price for quality of emissions reductions (Chair)
16:30	<i>Coffee break</i>
17:00	3e. Conclusions and next steps
4. Business Process	
17:30	4a. Types of ER Programs (REDD Country Participants, TBD)
18:30	<i>End of first day</i>

Friday, October 21

4. Business Process (continued)	
08:30	4b. Processing steps from ER-PIN to ERPA (Marco van der Linden, Markus Pohlmann, Benoît Bosquet)
10:00	<i>Break</i>
10:30	4c. Legal aspects (Markus Pohlmann)
12:00	<i>Lunch break</i>
5. Long Term Financial Plan	
13:00	Presentation and discussion of long term financial plan (Simon Whitehouse)
6. Rules of Procedure	
13:30	Approval of the revised Rules of Procedure (Sachiko Morita)
7. Marketing	
14:30	Presentation and discussion of marketing options (Simon Whitehouse)
8. Conclusions	
15:30	8a. Adoption of Resolutions (co-chairs, Sachiko Morita)
16:00	8b. Conclusions (co-chairs)
16:30	<i>End of meeting</i>

Forest Carbon Partnership Facility (FCPF)

Carbon Fund

Second Meeting (CF2)

October 20-21, 2011
Hotel Palace Berlin, Berlin, Germany
(<http://www.palace.de/englisch/index.php>)

Annotated Agenda

The meeting will be held at the Hotel Palace Berlin (Budapester Straße 45, 10787 Berlin-Charlottenburg / <http://www.palace.de/englisch/index.php>).

All background materials are available on the FCPF CF2 web page at <http://www.forestcarbonpartnership.org/fcp/node/325> , unless otherwise indicated.

Session 1 (Opening)

As per Section 5.01 of the draft Rules of Procedure, the Carbon Fund Participants are requested to select a representative from among themselves to act as the Chairperson of the meeting.

Sessions 2 (Legal)

The legal implications of the revision of the Charter to accommodate the two Tranches with respect to Participation Agreements will be explained to Participants.

Session 3a-3b (Working Group's draft terms of reference and focus of first meeting)

As agreed during the technical discussions conducted by videoconference on September 1-2, 2011, the FMT would draft terms of reference for a Working Group for the design of the methodological and pricing/valuation approach of the Carbon Fund. This Working Group would prepare the decisions of the PC, which is expected to adopt the methodological approach and policy guidance on the pricing/valuation approach by June 2012. The FMT proposes that PC10 resolves to set up the Working Group which would then effectively meet for the first time on the first day of CF2.

Background documentation: In addition to the materials for CF2, including the draft Terms of Reference (TOR), the documents from the September 1-2, 2011 technical discussion are accessible at <http://www.forestcarbonpartnership.org/fcp/node/326>.

Expected CF Participants action: See session 2e below.

Session 3c (Methodological approach)

As part of its first meeting, the Working Group will progress work on the Carbon Fund's methodological approach, in accordance with the TOR referred to above. Given that the Working Group will not yet have a dedicated facilitator by the time of CF2, the Chair of CF2 will act as facilitator for this session, supported by the FMT.

Expected CF Participants action: The participants will discuss the proposed standards approach and elements, comparing the standards and methods in use in other climate regimes, and their applicability to the Carbon Fund. They will also discuss the potential for defining standards, indicators of progress towards these standards, and the methodological implications.

Session 3d (Pricing approach)

As part of its first meeting, the Working Group will progress work on the Carbon Fund's pricing/valuation approach, in accordance with the TOR referred to above. Given that the Working Group will not yet have a dedicated facilitator by the time of CF2, the Chair of CF2 will act as facilitator for this session, supported by the FMT.

Expected CF Participants action: The participants will discuss the applicability of potential valuation methods for prices, the proposed base price approach (fixed and floating portions), and adjustments to price for quality of emissions reductions.

Session 3e (Conclusions and next steps)

To conclude this first meeting of the Working Group, the Chair will strive to arrive at the following: (i) a workplan, including a meeting schedule; (ii) TOR for hiring the facilitator and/or TAP to support the Working Group; and (iii) clarity on the tasks for the TAP, facilitator, FMT and Working Group members to prepare for next conference call or meeting (e.g., key issues, data needs, etc.)

Session 4a (Types of ER Programs)

REDD Country Participants will be invited to share early ideas about the types of ER Programs that are likely to be submitted to the Fund, reflect on the ER-PIN template, scale, financial needs, capacity to design and implement ER Programs, etc.

Session 4b (Processing steps from ER-PIN to ERPA)

An update will be provided on the proposed steps of the Carbon Fund business process, from the submission of the ER-PIN to the signing of the ERPA, detailing the various steps along the way. While the Issues Note lists criteria for ER Programs to be selected into the Carbon Fund, there is a need for reaching an understanding, possibly in the form of criteria or standards, on the conditions that the Program sponsor should meet for the Program to be considered for inclusion in the portfolio, e.g., in terms of capacity to finance the necessary investments and the country's progress under the Readiness Fund. Questions related to the other steps in the process will be raised and addressed.

Background documentation: The proposed business process will be available on the CF2 meeting page.

Expected CF Participants action: Consider and discuss the FMT's proposal and provide guidance on the various questions, if appropriate, adopt the business process subject to the necessary changes.

Session 4c (Legal aspects)

The Trustee will lead a discussion on key legal aspects, including: (i) elements and process issues for the development of future General Conditions underlying future Emission Reductions Payment Agreements (ERPAs); and (ii) the purpose and contents of the Letter of Intent.

A schedule will be proposed for drafting and having approved the General Conditions underlying future Emission Reductions Payment Agreements (ERPAs). The process would start at CF2 in Berlin with a general discussion on certain crucial aspects of an ERPA (including type(s) of Emission Reductions (ERs), payment vs. transfer of ERs, links to the national strategy, REL and MRV system, etc.). This discussion is intended to shed light on the expectations of the Carbon Fund Participants.

Following CF2, the Trustee would propose to draft: (i) an ERPA Term Sheet that sets out the core rules and procedures to be reflected in a future ERPA; and (ii) a Letter of Intent (LOI) template that would commit the respective REDD Country Participant and the Trustee of the FCPF Carbon Fund to negotiate an ERPA during a specified time period on the basis of exclusivity. The Term Sheet and the LOI template would then be circulated among FCPF Carbon Fund Participants and the PC for comments. Following the commenting period, the Trustee would start drafting the General Conditions and submit them for final approval by the PC. This process could be combined with workshops/tutorials prior to the annual meeting next spring or via telephone/video conferences that help PA/PC members (in particular REDD Country Participants) and Carbon Fund Participants to better understand the General Conditions well before the first ERPA negotiations.

Background documentation: The "General Conditions applicable to General Conditions Verified Emission Reductions Purchase Agreement" under the Clean Development Mechanism projects are accessible at <http://wbcarbonfinance.org/docs/VERGeneralConditions.pdf>.

Expected CF Participants action: Consider the Trustee's proposals and provide guidance.

Session 5 (Long Term Financial Plan)

The FMT will present the latest long term financial plan of the Fund.

Session 6 (Rules of Procedure)

The FMT circulated the revised draft Rules of Procedure on August 9, 2011. No further comments have been received since then.

Background documentation: August 9, 2011 version of the draft Rules of Procedure.

Expected CF Participants action: Adopt the Rules of Procedure.

Session 7 (Marketing)

The FMT will present its proposal for marketing the Carbon Fund to potential Participants in the coming months, in particular from the private sector, taking into account the guidance provided by the CF Participants at the Organizational Meeting on June 1, 2011 and during the technical discussions conducted by videoconference on September 1-2, 2011.

Background documentation: Proposed marketing priorities for the remainder of FY12.

Expected CF Participants action: Consider and discuss the FMT's proposal.

Session 8a (Adoption of Resolutions)

Resolutions, including next meetings