

# Forest Carbon Partnership Facility (FCPF) Carbon Fund Seventh Meeting (CF7) Agenda

June 24-25, 2013

World Bank Paris Office

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**Monday, June 24**

| <b>1. Opening</b>  |  |
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| 08:30  | 1. Welcome, objectives and review of agenda (Peter Horne, Australia, as Chair; Simon Whitehouse)   |
| <b>2. ER-PIN Review</b>  |  |
| 09:00  | 2. DRC (Victor Kabengele wa Kadilu)  |
| 10:30  | <i>Coffee break</i>  |
| <b>3. Sharing Early Ideas on ER-PINs</b>                             |  |
| 11:00  | 3a. Chile (Angelo Sartori)   |
| 12:00  | 3b. Indonesia (Agus Sari)  |
| 13:00  | <i>Lunch break</i>   |
| 14:00  | 3c. Mexico (Sergio Graf)   |
| 15:00  | 3d. Update on development of other ER Programs (Stephanie Tam)   |
| 15:15  | 3e. Update on potential Conflicts of Interest in ER-Program development (Markus Pohlmann, Sachiko Morita)                                      |
| 15:45  | <i>Coffee break</i>  |
| <b>4. Building the Methodological Framework and Pricing Approach</b> |  |
| 16:15  | 4a. Update on Progress of the Carbon Fund Working Group and REDD+ Design Forum and Discussion of Draft Methodological Framework (Ken Andrasko) |
| 18:15  | <i>End of day</i>  |

**Tuesday, June 25**

| <b>4. Building the Methodological Framework and Pricing Approach (continued)</b> |   |
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| 08:30  | 4a. (continued)   |
| 09:30  | 4b. Update on Pricing Approach (Marco Van der Linden)   |
| 10:15  | <i>Coffee break</i>   |
| 10:45  | 4c. Creation and transfer of Emission Reductions (Bruno Guay)   |
| <b>5. From ER-PINs to ERPAs</b>  |   |
| 11:45  | 5a. Update on REDD+ cost assessment tools (Alex Lotsch)   |
| 12:15  | 5b. Update on Letter of Intent with Costa Rica (Markus Pohlmann)  |
| 12:45  | <i>Lunch break</i>  |
| 13:45  | 5c. Draft General Conditions of a future Emission Reductions Payment Agreement (ERPA) (Markus Pohlmann) |
| <b>6. Understanding the Business Process</b>                                     |   |
| 14:45  | 6. Disclosure regime for Carbon Fund documents (Nina Doetinchem)  |
| 15:30  | <i>Coffee break</i>   |
| <b>7. Financial and Other Aspects</b>  |   |
| 16:00  | 7. Update on marketing to the private sector (Simon Whitehouse)   |
| <b>8. FY14 Carbon Fund Budget</b>  |   |
| 16:30  | 8. Presentation of FY14 budget proposal (Simon Whitehouse) – <i>Resolution sought</i>                   |
| <b>9. Closing</b>  |   |
| 17:15  | 9a. Next meetings (Simon Whitehouse)  |
| 17:30  | 9b. Adoption of Resolutions (Chair, Sachiko Morita)   |
| 18:15  | 9c. Conclusions (Chair)   |
| 18:45  | <i>End of meeting</i>   |

## ANNOTATIONS

All background documents will be available on the CF7 page of the FCPF website at <https://www.forestcarbonpartnership.org/carbon-fund-seventh-meeting-cf7-june-24-25-2013-paris-france> prior to the meeting.

### **Session 2. Democratic Republic of Congo**

Background: DRC has submitted an ER-PIN for consideration by the Carbon Fund.

Background documentation: DRC's ER-PIN is available on the CF7 page.

Expected Carbon Fund Participant (CFP) action: DRC is looking for quality feedback from CFPs on the proposal and potential for inclusion in the CF pipeline, especially on the Reference Level and the application of a "fair adjustment" to the baseline, which could have an impact on the financial feasibility and benefit sharing plan of the potential ER Program.

### **Sessions 3a-c. Chile, Indonesia and Mexico ER-PIN early ideas**

Background: Chile, Indonesia and Mexico will present their early ideas on potential ER Programs.

Background documentation: The draft presentations are available on the CF7 website.

Expected CFP Action: Given that these will still be informal presentations, no formal decision is expected. However, the CFPs are requested to provide meaningful feedback to the countries on how to improve their ER-PINs with a view to a formal presentation in the future.

### **Session 3d. Update on development of other ER Programs**

Background: The FMT will provide an update on the development of other potential ER Programs, including the status of program development in countries, and how the FMT and World Bank are engaging with interested entities.

Background documentation: Early ideas on potential ER Programs have been presented by REDD Countries at previous CF meetings. Materials from previous presentations are available on the CF meeting webpages.

Expected CFP Action: CFPs may wish to provide feedback to the FMT on the development and composition of ER Programs.

### **Session 3e. Update on potential Conflicts of Interest in ER-Program development**

Background: At the sixth Carbon Fund Meeting, the Carbon Fund Participants requested the FMT to provide further clarity on potential conflicts of interest that may arise in the context of support the Carbon Fund Participants provide to the REDD Countries in the development of ER Programs. The FMT has since reviewed the FCPF Charter, and has suggested amendments to Section 8.3 and Section 11.6 of the Charter.

Background documentation: The proposed amendment to the Charter is available on the CF7 website.

Expected CFP action: If CFPs support the suggested amendments to the Charter, a resolution changing the language of the Charter will need to be adopted by the PC at PC15, not by CFPs.

#### **Session 4a. Update on Progress of the Carbon Fund Working Group and REDD+ Design Forum and Discussion of Draft Methodological Framework**

Background: A Methodological Framework (MF) is needed to specify the requirements that ER Programs need to meet, when they submit an ER-PIN and eventual ER Program Document to the CF for consideration for an Emission Reductions Payment Agreement (ERPA) contract. The MF also will assist the CFPs in the review and assessment of ER-PINs and ER-Program proposals. The MF may include other guidance on some issues, in addition to the set of requirements.

In June 2012, the PC agreed on a set of general principles (called Elements) as PC guidance for the FMT and CF during development of the MF. A separate Carbon Fund Working Group (WG) was created by the CF and first met in Brazzaville, ROC, last October; and will meet again just before the March 2013 CF meeting. The FMT has also organized and hosted three REDD+ Design Forum workshops during January-April 2013 to offer a venue for stakeholders, experts in other climate initiatives, and some WG members to discuss key issues in the design of the MF. Building on those discussions and the PC Elements, the FMT and TAP drafted a June 7, 2013 version of the MF for consideration at the WG meeting to be held June 21-23 in Paris, and at the CF7 meeting.

Background documentation: A draft Methodological Framework was circulated to WG members on June 7, 2013. This draft will be edited by the FMT/TAP during and after the June 21-23 WG meeting, and a full revised version is expected to be produced June 24, 2013.

Expected CFP action: Endorse the draft MF for posting by the FMT for a 5-week public comment period. Provide guidance to the FMT for further revision of the draft MF, so that it will be available for full consideration by the CFPs at their October/November 2013 CF8 meeting (TBA), in order to have an MF available in November 2013 for use by developers of ER-PINS and ER Program Documents.

#### **Session 4b. Update on pricing approach**

Background: At CF6, the FMT provided an update on pricing issues that are relevant to the Carbon Fund. This session will continue the discussion on this subject and present an update on the identified follow-up action related to tools and insurance mechanisms that may secure Advance Payments.

Background documentation: The presentation will be posted on the CF7 page before the meeting.

Expected CFP Action: The CFPs are invited to provide feedback and guidance based on the presentation by the FMT.

#### **Session 4c. Creation and transfer of Emission Reductions**

Background: Emission Reduction transaction registries are required to handle the process of creating (i.e. issuing) ER units with unique serial numbers and supporting the transfer of ER units between account holders within a registry and to other linked trading registries. Requiring that ER transaction

registries are developed at the National level and are able to Link to other registries is costly, challenging and not necessary for most REDD+ countries. Most countries understand the importance of an ER transaction registry for a future REDD+ mechanism and are interested in pursuing a common approach that could lead to use of a centralized system. Three options are currently being explored by the FMT: (1) arrangements to use existing registry infrastructure in an Annex 1 country (e.g., Switzerland? Australia?); (2) preparing a request for expressions of interest for an interim ER registry and seeking proposals from interested parties (including World Bank CARS); (3) using a UNFCCC solution.

Background documentation: A presentation on the topic will be available on the CF7 website prior to the meeting.

Expected CFP action: Agree on a work program to explore ER management options for FCPF forest countries and the FCPF Carbon Fund, which includes: investigating three ER options (October 2013); depending on the outcome of that work, then prepare a request for expressions of interest for an interim outsourced ER Transaction Registry (March 2014), and prepare an investment business case for FCPF consideration (June 2014).

#### **Session 5a. Update on REDD+ cost assessment tools**

Background: A number of tools have become available to assess costs associated with REDD+. These tools were developed and designed to inform REDD+ capacity building, general readiness preparation and identification and feasibility assessments of potential projects. In the context of the Carbon Fund's work, such tools can be useful to inform the early design, development, and eventual implementation and management of Emission Reductions Programs. The information generated through such tools can support the design of cost-effective programs and for REDD+ countries (or program proponents) to be well informed when negotiating Emission Reductions Payment Agreements at a later stage. The session will briefly describe the purpose, functionality, and utility of cost assessment tools.

Background documentation:

Link to recent workshops that applied a comprehensive cost assessment tool developed by the World Bank: <https://www.forestcarbonpartnership.org/workshop-total-costs-redd-activities-democratic-republic-congo>

Cost tool developed by Conservation International to assess financial feasibility of REDD+ projects: [http://www.conservation.org/global/carbon\\_fund/publications/pages/publications.aspx](http://www.conservation.org/global/carbon_fund/publications/pages/publications.aspx)

Expected CFP action: The presentation is for Participants' information only and to inform a brief discussion on how such tools may be used and made available to countries that are in the process of preparing Emission Reductions Program for the Carbon Fund.

#### **Session 5b. Update on Letter of Intent with Costa Rica**

Background: At CF6, the CF participants authorized the Trustee of the CF to negotiate a letter of intent (LoI) with Costa Rica for the subsequent negotiations of an ERPA on the basis of exclusivity (Resolution CFM/6/2013/1). The Trustee of the CF and Costa Rica have entered into LoI negotiations and the Trustee of the CF will brief CFPs on the status of LoI negotiations.

Expected CFP action: none.

### **Session 5c. Draft General Conditions of a future Emission Reductions Payment Agreement (ERPA)**

Background: At the fourteenth Participants Committee (PC) meeting, PC participants requested the Trustee to submit a first draft of the ERPA General Conditions at the fifteenth PC meeting in Lombok, Indonesia, to be endorsed by PC participants at the sixteenth PC meeting. The ERPA General Conditions are based on the ERPA Term Sheet that was endorsed by the PC at the fourteenth PC meeting (Resolution PC/14/2013/9). The Trustee will walk CFPs through the structure of the first draft of the ERPA General Conditions and answer any questions CFPs may have.

Expected CFP action: none.

### **Session 6. Disclosure regime for Carbon Fund documents**

At CF6, the FMT was asked to prepare disclosure guidance for the Carbon Fund similar to that for the Readiness Fund. The CFPs considered information disclosure, transparency and sharing of knowledge essential for the piloting and learning objectives of the Carbon Fund.

The FMT will present draft disclosure guidance for the Carbon Fund that will follow the World Bank Access to Information Policy.

Background documentation: The draft disclosure guidance will be posted on the CF7 page before the meeting.

Expected CFP action: The CFPs are expected to discuss, and potentially agree on the draft disclosure guidance. No formal decision is needed.

### **Session 7. Update on marketing to the private sector**

The FMT will provide an update on the marketing of the Carbon Fund to the private sector.

Background documentation: The presentation will be available on the CF7 page.

Expected CFP Action: The CFPs are invited to provide feedback and guidance based on the progress reported by the FMT.

### **Session 8. FY14 Carbon Fund Budget**

The FMT will present its Fiscal Year 2014 (FY14) budget proposal for the Carbon Fund to the CF Meeting for approval. FY14 begins on July 1, 2013, and a review of estimated expenditures through FY13 will also be provided, with the final FY13 accounts to be provided as part of the FY13 Annual Report before PA6/PC16.

Background documentation: A presentation on the proposed FY14 Carbon Fund budget will be available on the CF7 page before the meeting.

Expected PC action: The PC would adopt a Resolution approving the FY14 Carbon Fund budget.