



Forest Carbon Partnership Facility

FCPF Carbon Fund Methodological Framework:

Presentation of Draft Meth. Framework Text Proposed by the Carbon Fund Working

FCPF Carbon Fund Working Group Meeting

Paris, World Bank office

December 8-9, 2013

Carbon Fund Working Group Process

- **WG Members and observers met in Brazzaville (Oct. 2012), Washington (March, 2013), Paris (June), Oslo (October), and Paris (Dec. 5-7th)**
- **TAP experts attending in their individual capacity**
 - **Core TAP + topical experts who assisted with drafting MF and issue papers: e.g., Jonah Busch, CGD , Washington, DC**
- **Working Group includes all CF Participants interested, and REDD+ country and invited observers:**
 - **Colombia: Aura Robayo**
 - **DRC: Victor Kabengele**
 - **Cameroon Augustine Njiamshi (CSO)**
 - **Indonesia: invited, not available**
 - **Liberia: Saah David**
 - **Nepal: Resham Dangi**
 - **Suriname: Pearl Jules and Varma Lakhisaran**
 - **Vietnam: Cuong Pham Manh**
 - **Costa Rica: Javier Fernandez**
 - **African IP: Aehsatou Manu nor Adrien Sinfasi able to attend**
 - **Asian IP: Pasang Sherpa & Kittisak unable to attend.**

Overarching Consideration: Resolve Final Issues Now . . . So Piloting Can Occur

- **Challenge: Produce a text that provides:**
 - a) **Clear requirements -- minimum necessary**
 - b) **Feasibility in REDD+ country contexts**
 - c) **Atmospheric integrity.**
- **CF Participants need to make decisions now to provide guidance for early REDD+ piloting...**
- **Within advantages and constraints of WB as delivery partner . . .**
- **. . . Yet informed by the longer-term global REDD+ context . . .**

**Faster Piloting with
Simpler Rules, Sharing
Early Lessons**

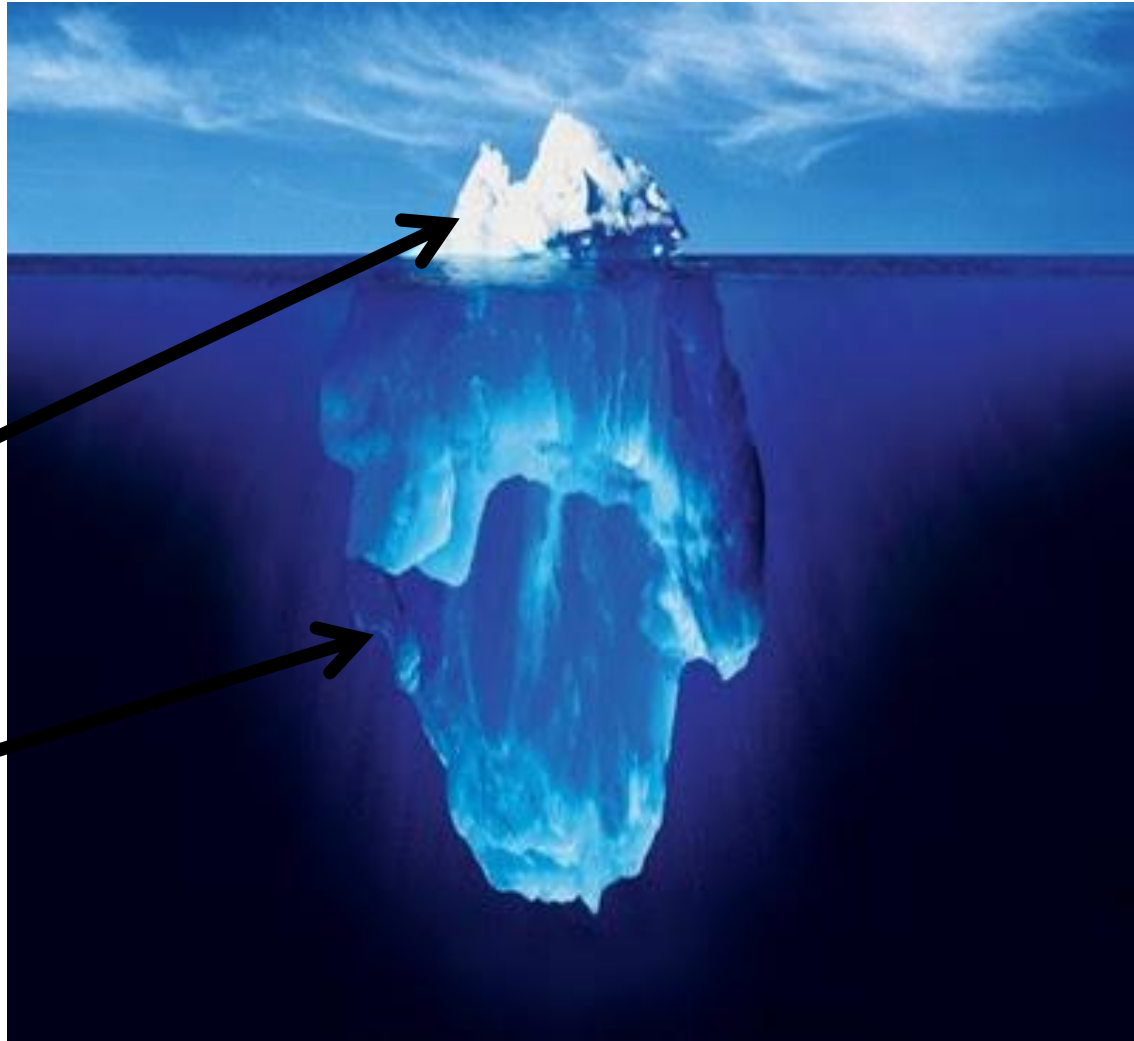
**Finalize work to
position the CF
MF here ?**

**Longer-Term Rule Setting,
with Eye on UNFCCC
Negotiations Precedent**



Remember: MF is Visible Requirements, but Embedded in WB Delivery Partner's Standard Operational Polices and Due Diligence Procedures

- MF is NOT the global approach to REDD+...
- It is an early pilot to experiment with approaches.
- The MF is specific to Carbon Fund and ER Program needs and requirements.
- MF does not state everywhere that WB due diligence and Operational polices and procedures will apply.



Evolution of the Meth. Framework

- **MF has 37 Criteria, and 72 Indicators**
- **Provides set of requirements ER-PIN and ER Program Documents proposals to the CF, and against which proposals will be assessed.**
- **Many issues evolved significantly, after discussions, TAP and FMT issue papers:**
 - **Eg, ability to transfer of title to ERs: started as definitive simple requirement for clear title to ERs . . .**
 - **. . . But emerged as multi-part requirements involving provision of evidence of having the authority and the ability to transfer title, and provisions for what happens when title is not yet clear.**

Timing Considerations in ER Programs and in the MF

MF text notes that:

- “In general, ER Programs are expected to meet criteria and indicators (C&I) requirements at the time the final ER Program Document is submitted to the CF, and continuing through implementation.”
- “Some requirements, however, should be met at the time of Emission Reduction Payment Agreement (ERPA) signing or at other points during the implementation of the ER Program (e.g. during periodic verifications), and their timing is noted.
- “The templates for the ER-PIN, ER Program Document, and ER Program Monitoring Report (as amended) will specify in detail what information is required to be included in each document.”

Reference Levels: Key Issue Requiring Protracted Analysis, Discussion and Decisions

- Initially, average annual emissions formed basis for roughly 10-year Reference Period
- Debate on use of trends in data (up or downward trends over time of monitored emissions or forest cover area change)
- Agreed to use average annual approach, but where downward slope in emissions data is evident, allow use of trend instead
- Potential implications: Where emissions are being reduced in Reference Period before the Program starts, a downward adjustment would likely more closely reflect the program period trend.

Issue and Resolution: Adjustments of reference levels for countries with historically low deforestation

- **Before Oslo, 2 options on the table:**
 - **Option 1: based on Guyana – Norway agreement**
 - **Option 2: justified adjustment with cap**
- **Agreement in Oslo: ERs can only be created for those emission reductions that occur compared to the adjusted reference level.**
- **Additional incentive discussed for HFLD countries to keep emissions low.**
- **Issue: DRC noted it is not likely to qualify for the previously proposed ERs and Incentive Payment if 0.1 adjustment & 0.2 cap used. Hence CF not appealing to DRC, if both caps are in place.**
- **Major discussion in Paris led to a practical solution:**
 - **Adjustments allowed only for HFLD countries, and limited to 0.1%/year of ER Program area carbon stocks in forest.**
 - **But amount of total adjustment is not capped at some level (previously was cap based on global and Program historical deforestation rates).**
 - **No additional incentive payment besides payment for ERs produced.**

Displacement (Leakage)

- **Displacement is very difficult to monitor,**
- **. . .So the WG proposed that the MF requirements force Programs to strongly consider drivers of deforestation and degradation, and perform work in Program design and implementation stages to avoid leakage. . .**
- **. . .rather than apply a discount for it, since leakage estimates are poorly known.**
- **Learning value: ER Programs in the CF offer a chance to learn good practices in Program design and implementation to reduce risk of leakage, & share lessons with others.**

Use of Buffers in MF: Minimum Requirements

- TAP paper on the use of buffers as reversal management mechanism. Debate on what issues to address in buffer?
- The MF proposes to address reversals thus:
 - Country can develop its own reversal risk management mechanism or “buffer” set aside . . .
 - Or: ERs from the ER Program are deposited in an ER Program-specific buffer, managed by the Carbon Fund .
 - Mechanism would cover reversal events, provided ER Program Entity is in full compliance with its obligations under the ERPA.
 - Hence, focus is on “unintentional risks” of reversals (hurricane, fire, etc.), but no effort to distinguish between them and “intentional” risks (largely to be addressed via ERPA terms and conditions).
 - Uncertainty associated with the estimation of ERs during the Term of the ERPA also included in buffer, based on a IPCC GPG-inspired table of values for bands of uncertainty.

Uncertainty: Default Values Approach Adopted

- **Agreed: use two-tailed 90% confidence interval (not one-tailed)**
- **Based on IPCC Good Practice Guidelines approach**

Aggregate Uncertainty of Emissions Reductions	Conservativeness Factor
$\leq 15\%$	0%
$> 15\%$ and $\leq 30\%$	4%
> 30 and $\leq 60\%$	8%
> 60 and $\leq 100\%$	12%
$> 100\%$	15%

Land Tenure and Relation to Ability to Transfer Title to ERs to Carbon Fund

- ER Program reviews publicly available assessment of the land and resource tenure regimes present nationally in Readiness phase work. . .
- And augments that assessment to address the more local context in the ER Program the Accounting Area.
- The assessment identifies issues concerning land and resource tenure that are relevant to the successful implementation of the ER Program
- Including assessing significant conflicts or disputes related to contested or competing claims or rights, and how such conflicts or disputes have been addressed.
- Program Entity demonstrates its authority to enter into an ERPA with the Carbon Fund prior to the start of ERPA negotiations,
- Program Entity demonstrates its ability to transfer to the Carbon Fund Title to ERs, while respecting the land and resource tenure rights of the potential rights-holders, including Indigenous People
- If this ability to transfer Title to ERs is still unclear or contested at the time of transfer of ERs, an amount of ERs proportional to the Accounting Area where title is unclear or contested shall not be sold or transferred to the Carbon Fund.]

Land Tenure and Relation to Ability to Transfer Title to ERs to Carbon Fund

- ER Program reviews the assessment of land and resource tenure regimes carried out during the Readiness phase at the national level . . .
- . . . and, if necessary, undertakes additional assessment of issues related to land and resource tenure regimes in Accounting Area that are critical to successful implementation of ER Program.
- Including assessing significant conflicts or disputes related to contested or competing claims or rights, and how such conflicts or disputes have been addressed.
- ER Program explains how relevant issues identified in assessment have been or will be taken into consideration in the design and implementation of ER Program.
- Program Entity demonstrates its authority to enter into an ERPA with the Carbon Fund prior to the start of ERPA negotiations,
- Program Entity demonstrates its ability to transfer to CF Title to ERs, while respecting and and resource tenure rights of potential rights-holders, including Indigenous People
- If ability to transfer Title to ERs is still unclear at time of transfer of ERs, an amount of ERs proportional to the Accounting Area where title is unclear shall not be sold or transferred to the Carbon Fund.

Definitions: Revised

- **Revised Definitions in the Glossary of key terms, after discussion:**
- **Eg, types of Benefits, etc.**

Review of MF in a Year: Proposed for CF Resolution

- **WG suggests CF Participants consider reviewing the functionality and adequacy of the MF . . .**
- **. . . after more ER-PINs are assessed in April 2014, and Participants and REDD+ Countries better understand how the MF can be implemented.**
- **We are not likely to get it all right in our first try. Recall: the R-PP went thru 6 versions –**
- **Call for review could be included in CF Resolution, or the Co-Chairs Summary of the CF meeting, suggesting about one year after adoption (thus December 2014?)**

We May Need to Discuss: How Will Carbon Fund Use its Meth. Framework?

- **Standard against which REDD+ countries develop Emission Reductions Programs**
- **ER Programs ER-PIN selection criteria: (Resolution FM/4/2012/1)**
 - “Methodological Framework: The ER Program must be consistent with the emerging Methodological Framework, including the PC’s guiding principles on the methodological framework”
- **How would the MF be used in practice?**
 - **Pass or fail grade? Colored light approach, like R-Package?**
 - **Or ER Program meets majority of criteria (like R-PPs), and a resolution notes how any others would be eventually met?**
 - **Guidance to TAP and CF Participants needed for assessing ER Programs presented?**
- **FMT proposes to draft some guidelines on assessment of ER PINs and circulate them to the CF prior to the next CF meeting.**

Use of MF Schedule:



Dec. 8-9th:

CF meeting in Paris. Endorse MF for use?

April 7 week, 2014:

CF meeting: review of 2-5? ER-PINs

June, 2014?:

CF meeting:

December, 2014?

**Assess MF after 1 year of
use by ER-PINs and reviewers**

