



WWF Submission to the FCPF Carbon Fund

Methodological Framework Issue paper 2 Reference levels and additionality

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Reference levels and the distinct role of the FCPF Carbon Fund

When considering how the Carbon Fund should address the issue of reference levels (RLs), we must recognize the Carbon Fund's distinct role and relationship to the UNFCCC. The UNFCCC is the primary international signaling body for REDD+ with its decisions and guidance representing the negotiated views of 195 countries. Among these views, it was agreed that forest countries should advance through REDD+ in phases, beginning with readiness activities and culminating in performance-based systems that are nationally-scaled and MRV'd (i.e., "results-based actions"). Importantly, REDD+ continues to evolve as part of the broader UNFCCC negotiation framework, but it is *not yet established as a mechanism with agreed sources and terms of finance*. In contrast, the Carbon Fund is an operational multilateral fund in which a limited number of donors have finance "on the table" to work with a small number of forest countries and pilot "pay-for-performance" REDD+ activities. Because the Carbon Fund is in this sense ahead of the UNFCCC in piloting "pay for performance," it cannot perfectly harmonize with a UNFCCC REDD+ mechanism that does not yet exist, yet it should strive to create experiences and lessons that can inform the development an eventual REDD+ mechanism.

This distinction is particularly important in the case of reference levels. First, with finance on the table, the Carbon Fund will be forced to delineate a linkage between reference levels and compensation. The question of what specific actions will be paid for and how the linkage between actions, payments and reference levels addresses climate integrity is unavoidable. Second, reference levels submitted to the Carbon Fund as part of emissions reduction (ER) programs will not necessarily be the same at those submitted (and subject to assessment) at the UNFCCC. In essence, by reaching agreement on an ERPA, the Carbon Fund *is assessing and agreeing* to a reference level as a basis for finance. For this reason, the ERPA negotiation presents the primary opportunity to ensure that proposed activities address the climate integrity priorities outlined by Carbon Fund Participants.

Definition - For purposes of this submission, WWF defines a reference level as an estimated quantity of emissions, expressed in tons of CO₂ equivalent/year, for specified activities, pools and gases, and geographic area over a specified interval of time. Through any interval of time *in the past*, there is an *historical reference level* that with adequate data can be estimated with quantified uncertainty. In contrast, any estimated volume of emissions for a defined period *in the future*, whether based on a simple historical average or developed through a modeling approach ("adjusted for national circumstances) is a *projected reference level*. Projected

reference levels can also be estimated but will require considerably more data processing and have higher degrees of uncertainty.

Q1: How should historic reference levels is set for CF ER Programs?

Reference levels proposed for ER programs at the Carbon Fund should be submitted and evaluated based on the most current UNFCCC and IPCC guidance¹. They should be *historical*, or if *projected* (e.g., to adjust for national circumstances), should include a rationale for making adjustments including details of the national circumstances and how they were considered; however, only emissions reductions below confidence intervals of historical reference levels should be compensated from Tranche A (see responses to Questions 3 and 6 on crediting below).

Reference period - Given that the presumed lifetime of ERPA contracts will be about five years (2015-2020), we suggest that reference levels should be based on an historical interval (called a “reference period”) of ten years ending no sooner than 2010. Given the piloting role of the Carbon Fund, flexibility is appropriate depending on the availability of data.

Scale - The appropriate geographic extent (or scale) of the reference level should be based on the minimum jurisdictional area that encompasses the anticipated impacts of the program activities and takes into account to the extent possible the geography of relevant drivers of deforestation. Per the agreed guiding principles for the Methodological Framework, the scale of the program area should cover a “significant portion of the territory” with a substantial impact relative to priorities in the national REDD+ strategy.

Error reporting - Reference levels should include reporting of accuracy and error following the most recent IPCC guidance and guidelines.

Evaluation - In its piloting role for performance-based REDD+, it is essential that the Carbon Fund set a high standard on climate integrity; in so doing, it can play an important role in building confidence and attracting additional finance to support REDD+ implementation. For this reason, the Carbon Fund should have adequate technical capacity to evaluate RLs submitted for ER programs against guidance that the FCPF Carbon Fund is now developing, and using UNFCCC and IPCC guidance as minimum criteria. We suggest that technical advisory panels (TAPs) should do this work, including assessing the credibility and assumptions underlying any projections and suggesting necessary revisions to Participants for final ERPA negotiation.

We propose that the preliminary RL/REL could be assessed using the following criteria:²

- i. The RL/REL is expressed in tons of carbon dioxide equivalent per year (Decision 12/CP.17 Para. 7).

¹ See also draft conclusions (and annex) proposed by the Chair to SBSTA 37 (<http://unfccc.int/resource/docs/2012/sbsta/eng/l31.pdf>) that outline the need for consistency between data and information used by Parties for MRV and RLs.

² These criteria are drawn from the Joint submission of Conservation International, Environmental Defense Fund, The Nature Conservancy, Union of Concerned Scientists and World Wildlife Fund to FMT Note 2011-14, Component 3 (on R-Package Content and Assessment Approach).

- ii. The rationale for the approach to RL/REL is provided.
- iii. The information used in the construction of the RL/REL is transparent, complete, consistent and accurate (Decision 12/CP.17 Para. 8; Decision 7/CP.15/Para. 7; Decision 12/CP.17 Annex(b)), allowing for the reconstruction of the RL/REL.
- iv. The RL/REL is based on historical data (Decision 12/CP.17 Para. 8; Decision 7/CP.15/Para. 7) or, if adjusted for national circumstances (Decision 12/CP.17 Para. 8; Decision 7/CP.15/Para. 7), includes a rationale for making adjustments including details on these national circumstances and how they were considered (Decision 7/CP.15/Para. 9). Adjustments are transparently presented, credible and defensible.
- v. The RL/REL maintains consistency with anthropogenic forest-related greenhouse gas emissions by sources and removals by sinks as contained in each country's greenhouse gas inventories (Decision 12/CP.17 Para. 8).
 - a) The definition of forest used is clearly provided (Decision 12/CP.17 Annex(d)).
 - b) The pools and fluxes included are clearly provided, along with a rationale for the exclusion of any pools or fluxes (Decision 12/CP.17 Annex(c)).
 - c) The activities included are clearly provided, along with a rationale for the exclusion of any activities (Decision 12/CP.17 Annex(c)).
 - d) The land-use classification(s), emission factors and activity data (if appropriate) are clearly provided and follow the most recent IPCC guidance and guidelines (Decision 12/CP.17 Annex).
 - e) Accuracy and error are reported following the most recent IPCC guidance and guidelines (Decision 12/CP.17 Annex).
- vi. The geographic extent of the RL/REL is clear.
 - a) If the geographic extent of the RL/REL is sub-national as an interim measure then countries should indicate how they intend to transition to a national level reference level and how their subnational reference level(s) will be trued with the national reference level (Decision 7/CP.15/Para. 11).
- vii. The temporal extent used to estimate the RL/REL (i.e. the reference period) is clearly defined.
- viii. The temporal duration over which the RL/REL applies is clearly defined.
- ix. Plans for additional steps and data needs are provided.

Q2: For sub-national programs, does another climate initiative use a promising approach to address the relationship to the national reference level?

WWF does not have a position at this time.

Q3: How should “national circumstances” be handled, and any projections of future land use change (e.g., deforestation), policies or programs be estimated?

The drivers of deforestation are local, national, regional and global and in many cases they exhibit strong spatial and temporal dynamics; in a given geography, deforestation rates over the past ten years may not be the best predictor for these rates over the next ten years. In addition, using historical reference levels alone will create few incentives for low deforestation countries to participate. For these reasons, projected reference levels (i.e., those that are adjusted for national circumstances) should be allowed to facilitate national REDD+ planning and

considerations related to financial compensation. Any adjustments, however, should be empirically-justified by geospatial socio-economic trends/expectations in a manner that is conservative, transparent, and replicable (i.e., that can be evaluated for credibility of assumptions and calculations by an independent third party). As a pilot, the Carbon Fund should not predetermine what approaches can be taken, but rather should assess the credibility of any approach during the ERPA negotiation.

Q4: Should reference levels, ER Program activities, MRV, and leakage all be addressed with geospatial resolution? (i.e., requiring mapping of lands affected). Or is knowing where lands are affected by providing geospatial resolution not necessary, and just knowing the quantity of lands and tonnes within some jurisdiction adequate?

Reference levels, MRV and ER program activities should all be addressed with geospatial resolution.

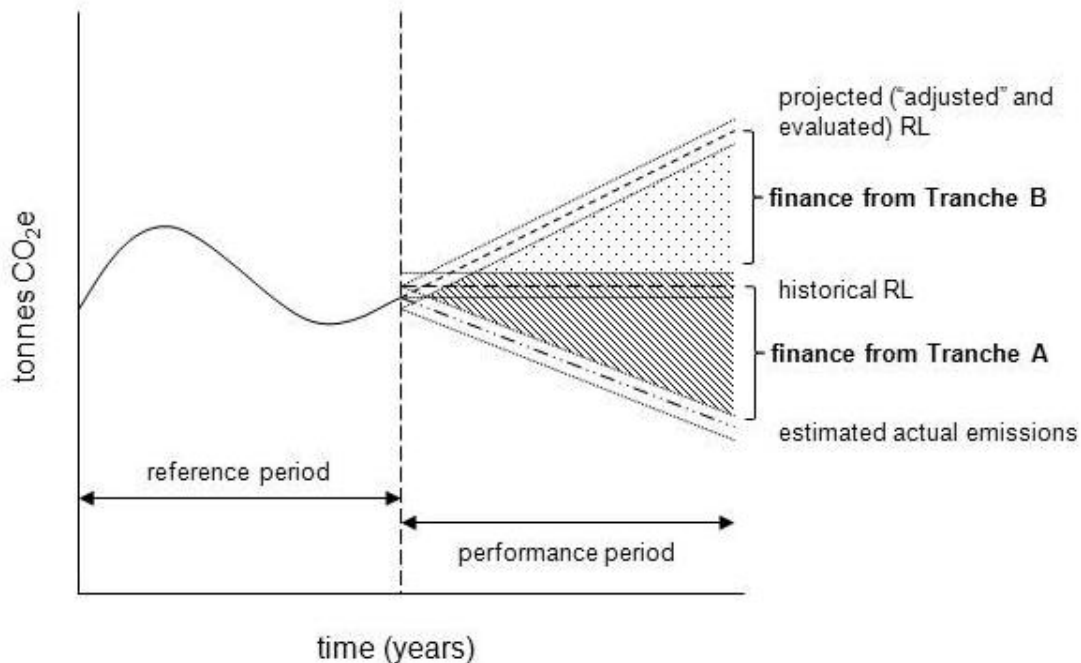
Q5: When do reference levels need to be updated, or can they remain fixed for the life of the CF Program ERPA contract (e.g., to 2020)?

Generally speaking and consistent with UNFCCC guidance, a step-wise approach to reference levels is appropriate over long periods of time. Iterative RL setting allows forest countries to update RLs with improved data, methodologies, etc. However, given the presumed short duration of CF contracts, we expect that reference levels (after initial evaluation and any revisions; see response to Q1) could generally remain fixed over the life of the CF program both for simplicity and comparability. However, there should be some provision that allows for flexibility in making or requiring updates to RLs in the case of significant and unexpected changes in data availability, drivers, or national circumstances.

Q6: Should the CF determine crediting against the reference level, or against a separate “crediting level” below the RL that somehow takes domestic mitigation actions or discounts for Program uncertainties into account?

International climate finance should support MRV’d emissions reductions against the confidence intervals of credible (substantiated and evaluated) historical or projected reference levels. However, only performance that is below the confidence intervals of *historical* levels should be eligible for potential compliance-based carbon trading schemes, so as to maintain climate integrity (avoid introducing “hot air”) in a potential REDD+ mechanism. Approximately 20% of the Carbon Fund’s available funds are in Tranche A, where donors explicitly reserve the right to use emissions reductions in a future compliance-based trading scheme. For this reason, Tranche A finance and resulting emission reductions should be limited to statistically credible performance below historical levels (see figure on page 5). If Tranche A and B funds are not differentiated in negotiation of individual ERPAs, this could be accomplished by ensuring that at least 20% (proportion of total Carbon Fund contributions that are in Tranche A) of emissions reductions compensated by the Carbon Fund are below historical levels (e.g., remaining gap below projected is compensated from Tranche B and/or alternative sources).

The Carbon Fund may also consider elements from the Guyana-Norway agreement where the relation between the reference level and payments effectively increases rewards if the forest country stays near or below the historical reference level.³



Q7: How can additionality be built into the reference level (i.e., activities occurring already or likely to occur are contained in the RL, and any activities beyond it are by definition additional)? Or does additionality need to be determined separately for each ER Program?

See responses above.

³ Gutman, P. and N. Aguilar-Amuchastegui (February 2012). Reference levels and payments for REDD+: Lessons from the recent Guyana-Norway agreement. (http://awsassets.panda.org/downloads/final_letter_pablo_naikoa_rl_paper_feb_2012_v_2.pdf)