Forest Carbon Partnership Facility

25th Carbon Fund Meeting (CF25)
Progress Update

September 2022
Presentation Outline

01 CF Portfolio

02 ER Price Discussion

03 Private Sector Engagement

04 Forest-Dependent Indigenous Peoples and Local Communities

05 Gender

06 Measurement, Reporting, and Verification (MRV)

07 Sharing Knowledge and Raising Visibility

08 Concluding Messages
1. CF PORTFOLIO
Carbon Fund Portfolio

15 countries in the Carbon Fund
Milestones: Emission Reductions Payment Agreements

- ERPAs signed in FY22 = 1
  - Guatemala

- Total number of ERPAs signed to date = 15
  - Chile, Costa Rica, Cote d'Ivoire, DRC, Dominican Republic, Fiji, Ghana, Guatemala, Indonesia, Lao PDR, Madagascar, Mozambique, Nepal, RoC, Vietnam

- Total ER Contract Value of the 15 ERPA signed Countries: $721.3 million

What is an ERPA?
An ERPA is an agreement signed between Country Participants and the World Bank (acting as trustee of the FCPF Carbon Fund) for the sale, transfer of, and payment for emission reductions (ERs) generated from the ER Program.
### Carbon Fund Commitments

<table>
<thead>
<tr>
<th>Country</th>
<th>ERPA Contract Value</th>
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<tbody>
<tr>
<td>Chile</td>
<td>$26 m</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>$60 m</td>
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<tr>
<td>Cote D’Ivoire</td>
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<tr>
<td>Dominican Republic</td>
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<td>DR Congo</td>
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<tr>
<td>Fiji</td>
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<tr>
<td>Ghana</td>
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<tr>
<td>Guatemala</td>
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<td>Indonesia</td>
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<td>Lao PDR</td>
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<td>Madagascar</td>
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<td>Mozambique</td>
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<tr>
<td>Nepal</td>
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<tr>
<td>Republic of Congo</td>
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<tr>
<td>Vietnam</td>
<td>$51.5 m</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$721.3 m</strong></td>
</tr>
</tbody>
</table>
Conditions of Effectiveness

- Number of countries that have met ERPA Conditions of effectiveness in FY22 = 8
  - Costa Rica, Cote d’Ivoire, Dominican Republic, Fiji, Indonesia, Lao PDR, Madagascar, Nepal

- Number of countries that have met ERPA Conditions of effectiveness in FY23 = 1
  - DRC

- Total number of countries that have met ERPA Conditions of effectiveness to date = 12
  - Chile, Costa Rica, Cote d’Ivoire, DRC, Dominican Republic, Fiji, Ghana, Indonesia, Lao PDR, Madagascar, Mozambique, Nepal

What are Conditions of Effectiveness?
Conditions of Effectiveness are requirements which must be fulfilled by a program entity as part of its obligations under the ERPA before it can sell, transfer, and receive payment for emission reductions.
ER Monitoring Report

- Number of countries that have their 1\textsuperscript{st} ER Monitoring Report available = 6
  - Costa Rica, Ghana, Mozambique, Vietnam, Indonesia, Madagascar

- Number of countries that have their 1\textsuperscript{st} ER Monitoring Report submitted, yet to be published online = 4
  - Chile, Dominican Republic, Fiji, Guatemala

- Number of countries that have their 2\textsuperscript{nd} ER Monitoring Report available = 1
  - Mozambique

What is an ER Monitoring Report?
The ER Monitoring Report is a report submitted by the Program Entity to report on ERs generated in a given Reporting Period; the occurrence of any Reversal event/s and the mitigation measures; any inability to transfer Title to ERs or any Title Contest by any party and the measures taken to address such contest/s; the implementation of the Benefit Sharing Plan, Safeguards plans, reporting on any Non-Carbon Benefits generated, as required to be reported per the ER Monitoring Plan.
Number of country participants with published Final Benefit Sharing Plans (BSPs) in FY22 = 7

- Costa Rica, Cote d'Ivoire, Dominican Republic, Indonesia, Lao PDR, Madagascar, Nepal

Number of country participants with published Final Benefit Sharing Plans (BSPs) in FY23 = 2

- DRC, Republic of Congo

Total number of country participants with published Final Benefit Sharing Plans (BSPs) to date = 13

- Chile, Costa Rica, Cote d'Ivoire, DRC, Dominican Republic, Fiji, Ghana, Indonesia, Lao PDR, Mozambique, Madagascar, Republic of Congo, Nepal

What is a Benefit Sharing Plan (BSP)?
A BSP is a document that summarizes benefit sharing arrangements for an ER Program, including beneficiaries, benefits, and benefit sharing mechanism(s) for the distribution of results-based payments for verified emission reductions.
Validation/Verification and Payment

- Number of countries with their 1st Validation/Verification Reports available = 3
  - Costa Rica, Ghana, Mozambique
- Number of countries that the Validation and Verification for the 1st ER Monitoring Report have been initiated = 2
  - Vietnam, Indonesia
- Number of countries with their 2nd Verification Report available = 1
  - Mozambique
- Number of countries that have received ERPA Payment = 2
  - Costa Rica, Mozambique

**What is Validation and Verification?**
Validation is a procedure to assess the integrity of the reference level. Verification is a periodic assessment of the amount of ERs generated by an ER program since the last Verification Report or, in the case of the first Verification, since the Crediting Period Start Date.

**What is ERPA Payment?**
ERPA payment is a payment for verified emission reductions that have been monitored and reported in the Emission Reductions Monitoring Report for a given Reporting Period under the ERPA.
2. ER PRICE DISCUSSION
ER Price Discussion

- At CF24, a request was made by one of the observers to reconsider revising the $5/tCO$_2$e for Contract Volumes in the FCPF ERPAs. It was agreed to have an informal discussion between FMT and Carbon Fund Participants (CFPs) on implications and feasibility of a potential price change at this stage of the program.

- FMT and CFPs met and discussed options of a price adjustment and the pros and cons. Careful considerations included but were not limited to:
  - The FCPF Carbon Fund is a pilot program with the intention to show proof of concept to facilitate the development of future market prices. Despite latest developments in the carbon market, we are yet to see an established market price for jurisdictional scale REDD+ ER credits
  - Financing that has already been and still is being provided to CF countries (Readiness Grants, verification costs, World Bank technical assistance during preparation and implementation, FIP, GCF, etc.)

- Conclusions reached
  - Unit price of $5/ tCO$_2$e for Contract ERs for all ERPAs will remain unchanged
  - Considerations can potentially be made under the ERPAs with regards to the Exercise Price for Additional ERs (ERs beyond the Contract ER volume) under the Call Option provision
  - Such considerations will be made at the time of ER Monitoring Report submission when there are indications of the generation of Additional ERs under an ERPA.
3. PRIVATE SECTOR ENGAGEMENT
Private Sector Engagement

- The FCPF looks for **innovative entry points** for the Private Sector to help **scale up** the potential of REDD+. FCPF's Private Sector cross-sectoral work and programmatic approach **filled knowledge gaps and facilitated effective on-the-ground activities** aiming to mitigate climate change while increasing PS involvement in sustainable practices.

- In the **cocoa sector**, the FCPF finalized its *Global guide for the implementation of sustainable cocoa agroforestry* and cost-benefit simulator. A dissemination event will be organized with participants of the *Cocoa & Forest Knowledge Exchange program*, including key stakeholders from Colombia, Brazil, Peru, Dominican Republic, Ghana and Cote d'Ivoire.

- In the **mining sector**, the FCPF published and launched the reports on *Large-Scale* and *Artisanal Small-Scale Mining* (ASM). Additionally, ASM products were raised during this year's Global Forum Artisanal and Smart-Scale Gold Mining.
In the **livestock sector**, after the finalization of the blueprints and the MRV framework, the FCPF continues to explore potential uptake and further development of key findings and work under other WB funded projects and partners.

In the **vanilla sector**, the FCPF developed a set of illustrated guidelines based on the *Guide for Sustainable Vanilla Production and cost-benefit analysis in Madagascar’s*.

In the **cashew sector**, the FCPF fully finalized the report *Cashew in Mozambique: Challenges and Opportunities for its Sustainable Development*.

In the **ecotourism and timber sector**, the FCPF continues to develop its activities. So far, a needs analysis of key stakeholders for ecotourism was held and a report on Timber Supply gap in under final review.

The **FCPF** in partnership with ISFL, and co-organized with IETA and CDP, held a *Global Virtual Private Sector Workshop* in May 2022, attracting +500 stakeholders from 70 countries around the globe.
Private Sector Engagement
Private Sector Engagement: Upcoming work

- **2022 Global Private Sector Workshop Report**: publication of 2022's FCPF-ISFL Global Private Sector Workshop Report and ES.

- **Cocoa sector**: Final publication and dissemination event of the *Global guide for the implementation of sustainable cocoa agroforestry* and its cost-benefit simulator.

- **Ecotourism and Timber**: development of a regional demand analysis for Ecotourism, publication of Timber Supply GAP report and development of policy note with recommendations.

- Continue to **work and engage** with different public and private key stakeholders and platforms for the development of PS activities, promoting sustainable practices and unlocking further climate finance.
4. FOREST-DEPENDENT INDIGENOUS PEOPLES AND LOCAL COMMUNITIES
Capacity Building Program
Consolidation phase

- **$5 million to support IPOs and CSOs**, focusing on consolidating knowledge, results, and good practices on REDD+, primarily in Carbon Fund countries.

- In **Africa**, the CBP focuses on designing activities to facilitate access of marginalized communities to climate finance and implementation of emission reduction activities on the ground.

- In **Asia and the Pacific**, the final phase of the CBP aims to strengthen the engagement of targeted forest-dependent beneficiaries in REDD+ processes and decision making at the country and regional levels.

- In **Latin America**, efforts focus on consolidating results from previous phases, including enhancing participation of women and youth in decision making processes, and the use of ICT based tools in light of the COVID pandemic.
Social Inclusion Analytics and Outreach

- Development of Social Inclusion Framework Note supporting the development of the social inclusion strategy for EnABLE Program.

- Publication of Opportunity Assessment to Strengthen Collective Land Tenure Rights in FCPF Countries. This study provides both country-specific profiles for all CF countries as well as overarching challenges and opportunities to enhancing land tenure security for IPLCs.

- Launch of Get REDDY, an outreach activity for and by IPLCs on REDD+. Radio, podcast, and video episodes are available in English, French, and Spanish. A pilot phase reached over 42 million people and will be followed up with a full series in late 2022.
Lao PDR – Securing customary land tenure in Lao PDR with upcoming conference in November 2022

Vietnam – Vulnerabilities of marginalized communities in light of climate change

Dominican Republic – Migration, livelihoods and climate change

Indonesia – socio-economic and environmental effectiveness of Adat forest concessions in Indonesia
5. GENDER
Mainstreaming Gender in REDD+

- Analysis of **Gender and land tenure security** in Carbon Fund countries by Resource Equity that aims to strengthen gender equity in ER programs.

- Learning from efforts to promote **gender empowerment in the Dedicated Grant Mechanism**, and on how these lessons can be replicated.

- Identification of opportunities to promote **gender inclusion and empowerment in green value chains**, a study by A2F that also presented feasibility studies for the Republic of Congo, Costa Rica, and Lao PDR.

- Examination of the perceived and actual **gender differences in the use and management of natural resources**, and the challenges of integrating women into REDD+ related activities through a behavioral study.

- Analysis of the availability of financing for rural women and the existing opportunities to **enhance the inclusion of women in financing programs**, focused on Mexico.
6. MRV (+CATS + CORSIA + ICROA)
MRV – MRV Support Program

- The WB's Land Use Climate **MRV Support Program**, which has had significant deliveries, has secured additional $1.25 million from the PC.

- **17 REDD Countries** continue receiving **technical assistance** which is being instrumental to report to the Carbon Fund and other fora.

- More than **20 global and cross-country actions** were implemented to support country’s MRV systems:
  - REDD+ Nesting manual → **Available** in English, French and Spanish.
  - Analysis of potential and options for conserving stable forests → **Published** and disseminated.

- FCPF working to provide funding to the GFOI to continue its support to FCPF Countries.

- FCPF working on a next-generation MRV prototype and Proof of Concept.
The French and Spanish versions of the **Guidance note on estimating the uncertainty of ERs using Monte Carlo simulation** were published providing greater guidance to REDD Countries in order to meet the FCPF requirements.

The **Glossary of Terms** was updated to clarify the definition of total Emission Reductions and ensure that total ERs exclude contested or unclear ERs or ERs separately accounted.

Minor improvements were made to MR, validation and verification templates and Validation and Verification Guidelines following the identification of lessons learned.

An example template was posted on the FCPF website to assist Programs in completing **section 8 of the Monitoring Report** template.

During the FY, the FMT has provided **training sessions** on Validation/Verification to Guatemala, Dominican Republic, Indonesia, and CIV.
The World Bank ER transaction registry, referred to as the Carbon Assets Tracking System (CATS), is fully operational since June 2020. The stabilization phase has already finished.

The training plan and the onboarding process of external users and entities (including the WB LexisNexis sanction screening process), is being implemented for those countries whose monitoring reports complete their validation and verification processes.

CATS supported the first ER transactions under the FCPF CF ERPAs (Mozambique Zambézia ILMP), with a transfer of 1.28 million tons of carbon emissions reductions to the FCPF CF. The payment to Mozambique of $6.4 million for reducing emissions since 2019 was announced on October 15th, 2021.
CATS Registry – Phase 2

- Accommodation of new mechanisms to adapt to the new accounting and market framework designed under the Paris Agreement.

- Incorporation of a MRV data integration interface to generate a simple geodatabase with basic information by GHG category.

- Communication with other third-party and national registries; to connect CATS to the Climate Warehouse prototype (meta registry) and Climate Portal prototype (tokenization platform).

- Provide support and capacity building to host-countries on transaction registries.
The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) under the International Civil Aviation Organization (ICAO) expects to offset more than 2 billion tons in CO2e over the entirety of the scheme (2021-2035).

In FY20, the FCPF was conditionally approved as an Eligible Emissions Unit Program under CORSIA, subject to the following conditions being met:

- Inclusion of validation procedures;
- Procedures for monitoring and compensating for reversals at the end of the ERPA.

In FY22, the FMT submitted to CORSIA a proposal of post-ERPA reversal management mechanism to meet CORSIA requirements.

In FY23, the FMT held an exchange with CORSIA TAB regarding the submission, along with other issues related to Article 6 implementation.

A final decision on FCPF’s eligibility is expected from ICAO CORSIA by December 2022.
International Carbon Reduction & Offset Alliance (ICROA) - Application

- ICROA provides quality assurance and guidance to enhance the market’s integrity by setting the standard for ERs and offsetting to deliver Paris-aligned reduction pathways and enhance best practice.

- ICROA endorses Voluntary Carbon Standards that comply with certain criteria and principles that are laid out in the ICROA Code of Best Practice.

- Endorsed Independent Standards include and conditionally endorsed include

- ICROA-endorsement of the FCPF
  - serves as a recognition of the quality of ERs, enabling access to markets and achieving higher prices.
  - could represent a benefit for REDD Countries who may want to transact their Excess ERs in carbon markets.

- Application would entail minimal costs (<15,000 USD) as the application could build on documentation prepared for other processes (CORSIA).

- After an initial review of ICROA criteria the FMT is confident the FCPF can meet the criteria.

- FMT seeks approval from CFPs to proceed with the application.
7. SHARING KNOWLEDGE AND RAISING VISIBILITY
Communications Highlights

FCPF website: Approx. 2,000 users per month

FCPF Newsletter: 1,300+ targeted subscribers

World Bank Climate & Environment Twitter: 178,000+ followers

World Bank website: 121,000+ users

Positive media coverage
<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fall 2022</td>
<td>Ghana first payment announcement, COP27, Explainers on social inclusion and BSPs, Private Sector Workshop final report</td>
</tr>
<tr>
<td>Winter 2022/23</td>
<td>ERPA payment announcements, Auction mechanism, Country feature stories and video, ASA support</td>
</tr>
<tr>
<td>Spring 2023</td>
<td>ERPA payment announcements, Innovate4Climate conference, Private Sector Workshop, Explainer on CATS Registry</td>
</tr>
<tr>
<td>Summer 2023</td>
<td>Annual report, ERPA comms activity, Video/photography mission - TBD, Country feature stories and video</td>
</tr>
</tbody>
</table>
Knowledge Management

Private Sector

MRV

Sustainable Financing

Social Inclusion
8. CONCLUDING MESSAGES
Concluding Messages

- The **second payment** has been made to **Costa Rica** in the amount of **$16.4 million** for reducing **3.28 million** tons of carbon emissions during 2018 and 2019;

- **12 ERPAs** (out of 15) have met all their **COEs**; **13** final BSP's published, **6 first** ER monitoring reports available, **1 second** ER Monitoring Report available, and **4 more** 1st ER reports have been submitted;

- Almost all countries have met their **CoEs** and after making 2 payments already, we can **possibly make up to 90 million in FCPF ER payments this calendar year**;

- What’s more: The FMT will continue to support the countries on the implementation of **Emission Reductions programs**, including studies and guidance covering **MRV**, safeguards, BSP, etc.;

- Working closely with our colleagues and partners on the **CERF Natural Climate Solutions Pillar developments** (Pillar 1) to ensure it will build and expand on the momentum and lessons learned from the FCPF.

- The FCPF will **continue to work closely with other actors and initiatives** to make sure that financing and technical modalities are aligned, providing countries with the support they need to drive the REDD+ agenda forward.
THANK YOU

forestcarbonpartnership.org