



Forest Carbon Partnership Facility

3a. FCPF Standard

26th Meeting of the Carbon Fund (CF26)

May 31, 2023

Discussion at CF25

Can the FCPF requirements and processes become a standard and operate beyond or outside the Carbon Fund to allow ER Programs to create FCPF-grade ERs, for example for use in SCALE?

- **CFPs expressed their interest to continue exploring different options for the creation of the stand-alone FCPF standard**

3 issues discussed at CF25:

- 1. Versions** → suggestion to consider multiple versions
 - FCPF standard “version 1” applies to FCPF Carbon Fund Programs
 - FCPF standard “version 2” → discussion @CF25 if this version would apply to SCALE Programs only or can eventually be used outside World Bank funds
- 2. Administration**
- 3. Timing of “version 2”**

Expected actions at CF26

- The FMT will be presenting the proposed changes to the current requirements (FCPF Version 1) and different options for advancing with the standalone FCPF standard (FCPF Version 2).
- **Proposed changes to the current requirements (“version 1”):**
 - The FMT is proposing revisions to Buffer Guidelines, FCPF Template, Guidance Notes and Process Guidelines
 - These revisions have been described in the FMT Note CF-2023-1
 - **The FMT seeks a decision from CFPs on the proposed changes**
- **Development of a standalone FCPF Standard (“Version 2”):**
 - The FMT will present the next steps in the development of the standalone FCPF Standard

Proposed changes to the current requirements (“version 1”)

Proposed changes to the current FCPF requirements

Overall rationale for making changes at this stage

- Lessons learned from first Monitoring Reports
- Feedback from REDD Countries and potential buyers
 - Supporting market access for excess ERs

Proposed changes to the current FCPF requirements

Removal labels

Rationale

- Some potential buyers in the market have preference for credits that represent removals, so it would benefit them if FCPF ERs coming from removals could be labelled as such.

Proposed modifications to the FCPF

- Tables in section 4.3 of the MR template have been adjusted to estimate ER per REDD+ activity.
- An optional table has been added to such section to estimate the percentage of ERs coming from removals which also notes that this requires ERs from deforestation to be more than zero.
- An extra step ("M") has been added in section 8 of the MR template to estimate the amount of FCPF ERs from removals.
- Some changes will also be made to the CATS registry to allow labelling.

Proposed changes to the current FCPF requirements

Guidance Note on accounting of legacy emissions/removals

Rationale

- The Note is not clear on how guidance on estimating removals from land converted to forest land would be applied where ER Programs with longer monitoring periods lack data on conversion on a per year basis.

Proposed modifications to the FCPF

- Further clarification is provided in the example in Box 2 that where data are only available for longer periods an annual average value of conversion to forest can be calculated, and that it can be assumed that this average value occurred in each year of the monitoring period.

Proposed changes to the current FCPF requirements

Cumulative uncertainty discount

Rationale

- The uncertainty risk is estimated for each monitoring period, which can lead to very large uncertainty estimates due to the relatively short length of such period and the relatively small amount of ERs.

Proposed modifications to the FCPF

- ER Programs to consider a final cumulative uncertainty estimation and the end of the term of the ERPA in all programs to produce and apply an adjusted (lower) uncertainty discount.
- For this, section 8 of the Buffer Guidelines was modified to allow for the recalculation of the allocation to the Uncertainty Buffer at the end of the term of the ERPA.

Proposed changes to the current FCPF requirements

Additional guidance on the assessment of reversal risk factors

Rationale

- It has been noted that ER Programs tend to produce reversal risk assessments that are on the lower side of the range established in the Buffer Guidelines, and that this is usually linked to lacking or insufficient justification.

Proposed modifications to the FCPF

- The Buffer Guidelines were modified to include Annex I, which contains more detailed requirements to ER Programs and VVBs on the interpretation of risk factors and their qualification as low, medium or high, as well as on the information needed to justify such qualification.

Proposed changes to the current FCPF requirements

Buffer Guidelines

Rationale

- Upgrade of reversal management mechanism, e.g., full pooling, compensation.
- Clarifications on natural disturbances.

Proposed modifications to the FCPF

- Analytical work is ongoing that will serve as input for proposals on these issues.

Proposed changes to the current FCPF requirements

Transfer of Title to ERs

Rationale

- Indicator 36.3 of the FCPF Methodological Framework requires that the ER Program Entity demonstrates its ability to transfer Title to ERs prior to ERPA signature, or at the latest, at the time of transfer of ERs. Costa Rica has been working to increase the % of lands for which it has the ability to transfer title and would like to increase the number of ERs it has title retroactively, so after the initial transfer of ERs.

Proposed modifications to the FCPF

- A new section 7.5.3 has been created in the FCPF Process Guidelines describing the process to follow where the ability to transfer title has changed.

Proposed changes to the current FCPF requirements

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Proposed action and decision

- The FMT seeks a decision from CFPs on the proposed revisions



Questions or comments

Development of a standalone FCPF Standard (“Version 2”)

FCPF Standard 2.0

- This slide will be made publicly available by the time of the CF Meeting.

Thank you