

**Forest Carbon Partnership Facility (FCPF)
Twelfth Meeting (CF12) of the Carbon Fund
Paris, France, April 28-30, 2015**

Chair's Summary

Dear Carbon Fund Participants and Observers,

I would like to thank Carbon Fund Participants (CFPs), delegations from REDD Country Participants, and Observers from REDD Country Participants, Indigenous Peoples' organizations, non-governmental organizations, international organizations, UN-REDD, and the private sector who took part in the twelfth meeting of the FCPF Carbon Fund (CF12) on April 28-30, 2015 in Paris, France.

Please find below the main conclusions from the meeting. All background materials, presentations, resolutions and this summary are available on the FCPF website at:

<https://www.forestcarbonpartnership.org/CF12>

Update on progress

The Facility Management Team (FMT) presented progress made since CF11. CFPs welcomed the key achievements to-date:

- 11 countries in the pipeline: 5 in Latin America, 3 in Africa and 3 in Asia;
- Continued interest among REDD Countries as reflected by the 9 Early Ideas being presented at CF12 (Argentina, Cameroon, Cote d'Ivoire, Dominican Republic, Fiji, Guyana, Lao PDR, Mozambique and Nicaragua); Madagascar also previously presented an Early Idea;
- Letters of Intent signed with Chile, Costa Rica, Democratic Republic of Congo, Ghana, Republic of Congo and Vietnam;
- Onboarding new members of the FMT.

Extending the Term of the Carbon Fund Beyond 2020

CFPs adopted a [resolution to extend the term of the Carbon Fund](#) to December 31, 2025, to allow time for the development of sound ER Programs, at least five-year terms for any Emission Reductions Payment Agreement (ERPA) signed, and time for verification of and payment for Emission Reductions generated, giving longer-term predictability for ER Programs. The resolution allows BP Technology Ventures to exit the fund as if it were terminating on its original termination date of December 31, 2020.

In order to encourage REDD Country Participants to continue their efforts to swiftly move through the ER Program development process, CFPs requested the FMT to propose certain interim milestones and associated deadlines, potentially including a deadline for ERPA signature, to be met by REDD Country Participants whose Emission Reductions Program Idea Notes (ER-PINs) have been selected into the pipeline of the Carbon Fund. The FMT was requested to make this proposal for consideration by CFPs at their thirteenth meeting (fall 2015).

CFPs and Observers also recognized the value of reviewing the role of the Carbon Fund in light of the evolving institutional environment for REDD+ finance, including but not limited to REDD+ results-based finance under the Green Climate Fund. CFPs requested the FMT to coordinate a discussion among the

Trustee, the FMT, CFPs and Observers, including REDD+ Country Participant Observers, no later than December 2019. Such a review should complement any planned evaluations, and should include, but not be limited to, the respective roles of the Carbon Fund and other institutions providing results-based finance for REDD+, complementarity and overlaps among the financing institutions, and an assessment of how this information should inform forthcoming decisions on the Carbon Fund status and approach.

FY16 Budget Proposal

CFPs adopted a [resolution](#) approving the Carbon Fund budget for Fiscal Year 2016 (July 1, 2015 – June 30, 2016). The FMT also presented an estimate of expenditures through FY15, with final FY15 accounts to be provided as part of the FY15 Annual Report before PA8/PC20 (fall 2015). Additional details on the proposed FY16 budget and the status of FY15 expenditures are provided in the [FMT Note CFM 2015-2](#).

Emission Reductions Program Document (ER-PD) Business Process and Terms of Reference (ToRs) for a Technical Advisory Panel (TAP)

Building on the discussion at CF11 and the feedback received during a teleconference, the FMT presented the revised process guidelines ([FMT Note CF-2014-3-rev](#)) which details the assessment process for ER-PDs including the role of a TAP to review and assess the ER-PDs against the criteria and indicators listed in the Methodological Framework of the FCPF Carbon Fund. Based on the process guidelines, the FMT presented draft [Terms of Reference for the TAP](#). Overall, the CFPs supported the draft ToRs for the TAP. Furthermore, they provided the following additions to refine the ToRs:

- The TAP should discuss its assessment of the advanced draft ER-PD with the REDD Country.
- To ensure equal treatment of REDD Countries, a site visit should be undertaken and be standard for each ER-PD assessment, in addition to desk research, unless it is deemed unnecessary in a specific case.

Follow up actions: CFPs are requested to share further feedback on the ToRs with the FMT by May 8, 2015. Based on the feedback received, the FMT will revise the ToRs and issue a call for qualified experts to register in the Roster of Experts. Once the Roster of Experts is in place, the FMT will organize one or more TAP calibration workshops to discuss the interpretation of the FCPF Methodological Framework between the TAP experts, CFPs, Carbon Fund Observers and ER Program representatives, to ensure consistency in the application of the Methodological Framework across programs.

Sharing Early Ideas on ER-PINs

A key task at CF12 was to review Early Ideas on Emission Reductions Program Idea Notes (ER-PINs) for eventual consideration in the Carbon Fund pipeline. Argentina, Cameroon, Cote d'Ivoire, Dominican Republic, Fiji, Guyana, Lao PDR, Mozambique and Nicaragua presented their Early Ideas for a potential ER program. CFPs welcomed the diversity and quality of the proposals. CFPs offered feedback on each Early Idea, and invited each of the nine Countries to further develop their Early Idea into an ER-PIN for presentation at CF13, if Countries remain interested. These nine Countries, plus Madagascar who presented an Early Idea at a previous meeting, as well as any Country that has already signed a Readiness Grant Agreement under the FCPF Readiness Fund, are eligible to present ER-PINs at CF13.

Argentina

- Provide a clear rationale for the program area. Implementation costs and the risk of leakage should be considered when selecting a program area, especially when selecting two provinces that are far apart from each other and that have separate subnational entities.
- Clarify how Misiones and Salta state governments will be involved in the REDD Steering Committee.
- Elaborate on the role of the private sector. Although the proposal is rather clear on the positive aspects of stakeholder involvement and on the investment proposal, additional information is needed on the role of the private sector in a future ER program.
- Elaborate on the registry system and clarify its current status.
- Provide the status of the national REDD+ strategy, including information on the role of forests in national efforts to combat climate change.
- Provide a proposal for stronger governance for the implementation of a future ER program. Despite a strong national government, the proposal should elaborate the state-national governance strategy.

Cameroon

- Elaborate on the ambition of the intervention strategy and demonstration of political will.
- Identify and quantify key deforestation drivers and activities to address them, particularly palm oil, cacao and mining, and distinguish deforestation related to small holders and large-scale agribusiness.
- Address issues related to overlapping land use types, including impacts on stakeholder engagement.
- Demonstrate synergies with existing international cooperation programs.
- Explain the role of indigenous peoples and local communities in the program.
- Provide more information on the status of the national REDD+ strategy, national forest monitoring system, MRV, safeguards, Grievance and Redress Mechanism (GRM), and benefit sharing system.
- Include information on the involvement of the cocoa and forestry sectors in the program.
- Identify potential sources of investment to support the proposed activities.
- Elaborate on governance issues and activities to address them.
- Specify which of the many existing and potential partners will be involved in implementing activities.

Côte d'Ivoire

- Present a justification for the historic reference level provided.
- Provide more information on the safeguard system, GRM and national forest monitoring system.
- Include information on how the program will incorporate communities in benefit sharing.
- Elaborate on the scale of the program and explore the potential for extending the program area.
- Elaborate on the complementarity of the FCPF and potential FIP programs.
- Develop further how the program activities address encroachment in protected areas, charcoal production and gold mining.
- Explain why reforestation, a proposed activity, is not included in the emission reduction calculation.
- Specify which instruments and partners will collaborate directly in the program.
- Highlight the steps foreseen to implement the government's zero deforestation commitment for cocoa production.

Dominican Republic

- Describe the status of the national REDD+ strategy, including safeguards information.

- Explain the coordination between operational and jurisdictional authorities.
- Identify what portion of forest cover increase is due to commercial plantations versus the reforestation program, and what scope there is to increase the portion due to reforestation.
- Provide reasons and additional information for the proposed reference level period (2000-12).
- Provide additional information on the engagement with civil society organizations (CSOs).
- Explore how to address CSOs that have low capacity to engage in national processes.
- Share information on the current thinking of integrating the ER Program into the PES scheme.

Fiji

- Elaborate on the status of the national REDD+ strategy, including the role of tourism if relevant.
- Explain the potential sources of investment for the program.
- Clarify the accounting area, how current projects in the area will fit into the program, and the consistency of the accounting area with the Methodological Framework's jurisdictional requirement.
- Present a clear timeline and rationale for the anticipated progress of the program.
- Elaborate on the incentives for community involvement in the program.

Guyana

- Justify and provide evidence for the High Forest Low Deforestation (HFLD) adjustment made to the reference level, and its consistency with the Methodological Framework.
- Explain the proposed reference level period and its consistency with the Methodological Framework.
- Strengthen the quality of consultations and stakeholder engagement, and increase involvement of others apart from the forest sector in interventions.
- Indigenous peoples request clear steps towards progress in consultation, SESA, grievance and redress mechanisms and other topics (a letter from APA was submitted), and additional information on the Opt-in Mechanism.
- Explain how the bilateral agreement with Norway, potential FIP and other programs fit together.
- Given market forces, explain how deforestation will decrease if mining becomes more attractive.

Lao PDR

- Present a clear indication of how the current and future programs in the area will generate complementary results and elaborate on the planned program activities, including those directly implemented by government.
- Clarify the coordination between the two REDD+ offices and government ownership of the program.
- Provide a comprehensive analysis of drivers outside of the forest and activities in the program.
- Expand on the national REDD+ strategy and systems for national monitoring, MRV and safeguards.
- Explain the selection of provinces in the program area in relation to their contribution to deforestation and forest degradation.

Mozambique

- Present a clear justification for the program area and suggestion of increasing the program area.
- Explain the variability of emissions.
- Explain the variability of the deforestation rate.
- Elaborate in more detail the participation of civil society and the private sector.

- Provide the status of the MRV, safeguard and national forest monitoring systems.
- Share how the program will address lack of process for land tenure.
- Clarify how the program will incorporate lessons learned from existing projects and how the projects could be nested.
- Provide more details on the capacity to implement the program.
- Explain any interventions related to fires, a key driver and the simple license for logging.

Nicaragua

- Elaborate on reference levels under development.
- Clarify if ER activities will be implemented during the ER-Program period and at a national scale.
- Share more information on the success rate of afforestation/reforestation (survival rate).
- Provide additional information on drivers of deforestation and on safeguards systems, including current activities.
- Explain how forest protection will be included in the program.

Session 4a. Cost Recovery Options

The FMT presented options for recovering costs related to ER Program preparation, and recommended the “in principle” proposal of no cost recovery. There was clear consensus that CFPs support the FMT “in principle” no cost recovery proposal. In the event of the need for any extraordinary cost recovery outside of the established principle, CFPs agreed to use the Cost Recovery Discount method.

Session 4b. Legal implications on the Carbon Fund of allowing use of tCO₂e for domestic compliance

The FMT presented an overview of the process provided for in the ERPA General Conditions for Program Entities to request to be allowed to use the reduced tCO₂e underlying transferred Contract ERs for their domestic commitments. The FMT explained in detail the background, objective and content of the provision in the ERPA General Conditions and clarified that this process requires the Trustee, following consultations with CFPs, to provide its express prior written consent on a case-by-case basis. The FMT further clarified the implications for both Tranche A and Tranche B of the FCPF Carbon Fund should such a request be allowed or denied. During the following discussion, the FMT answered various questions by CFPs, REDD Countries and Observers regarding rationale, scope, content and implications of this provision.

Session 4c. Options for upfront financing of ER Programs

Investment is a critical component to building viable and successful ER programs that can receive payments for results. The FMT provided a brief overview of potential sources of upfront financing. CFPs were comfortable with the FMT continuing to explore upfront financing options, including bonds and guarantees. Some CFPs noted that REDD Country government investment, and support of the Ministry of Finance, should be considered an additional, and important, source of potential investment. This kind of investment will also ensure a higher level of engagement by the country. Additionally, some CFPs shared their reluctance to have REDD Countries take on commercial loans or similar financial instruments. CFPs also asked that future CF meetings continue to discuss the different financing options.

Regarding advanced payments as a financing option, there was no blanket approval from CFPs. However, CFPs agreed to assess the need for advanced payments in each individual program, dependent on, inter alia, availability of other finance, the financing requirements and the country's circumstances.

Session 4d. Emerging questions on ER-PD development

In response to questions the FMT has received from REDD Countries related to the Methodological Framework (MF), CF12 included a session for CFPs to discuss emerging questions and provide feedback. Background notes on each of the issues to be discussed were prepared by the relevant REDD Countries.

First, CFPs discussed a proposal from the Democratic Republic of Congo (DRC) to adjust the end date for their ER Program reference period. CFPs came to a consensus that they are not willing to adjust the end date, as per the MF. Further justification and clarification from DRC would be required to do so.

CFPs debated a second question pertaining to whether to allow DRC to include forest management plans, which define logging quotas, in the reference level. CFPs were not comfortable with allowing this adjustment. They asked for more detailed justification. Specifically, CFPs highlighted the intention for countries to follow the MF and to set a basis for historical data rather than forward looking plans. Furthermore, they suggested TAP guidance might be useful with more information of this case.

Third, CFPs discussed the issue of whether payments could be made for Emission Reductions generated prior to the signing of an ERPA. This discussion solicited mixed reactions from CFPs. The Trustee will discuss internally whether it is legally possible to do retroactive Emission Reductions purchases. The FMT will share more legal context for this issue at or prior to the next CF meeting.

Finally, CFPs found this type of session useful to bring forward and discuss emerging questions from REDD countries. It was also raised that it would be beneficial to have REDD Countries reach out to their regional REDD Country Observer to collect a critical mass of questions and to gauge the demand of inquiries on specific issues. A similar session on emerging questions will be planned in the future.

Session 5a. Update on developing guidelines on modalities and procedures for ER Program buffers

At the request of CFPs the FMT established a review group to provide input to the FMT on the Buffer Guidelines during their preparation. During this session, the FMT shared an update on the development of the Buffer Guidelines including an expected timeline for follow up with the review group and a potential face-to-face meeting before or during the PC meeting in Washington, DC (May 17-19, 2015). After reaching a final draft stage, potentially at the end of June 2015, an endorsement by the CFPs of the Buffer Guidelines is planned through a virtual decision or at the next CF meeting.

Session 5b. Update on developing specifications for registries

The FMT provided information on its collaborative work on the development and management of transaction registries with the Partnership for Market Readiness (PMR). CFPs agreed that simplicity and interoperability between systems were key when developing registries. It was noted that it is important to anticipate the legal aspects, along with the technical aspects, when developing registries.

The FMT will continue to work with the PMR and will reach out to REDD Countries to provide guidance on investing in technical expertise to develop registry systems. There was interest from CFPs to include a session on registries at the forthcoming PC meeting, or at another juncture for further discussion.

CFP Statement

A statement was made on behalf of the European Commission, France, Germany, Norway, UK, US, The Nature Conservancy and BP, who welcomed strong early ideas for ER programs and find it encouraging to see the growing number of countries working on ambitious plans for REDD+. They recognize interest from REDD+ countries to know about the possibilities for future results based financing for ER programs.

CFP donor governments are committed to statements already made on the future financing of ambitious REDD+ programs. Such programs could be developed in a number of contexts. They therefore encourage REDD Countries to consider developing programs under the FCFP and other contexts. In line with previous statements, the best way to ensure funding is through development of high quality programs and strategies.

Next meetings

The thirteenth Carbon Fund meeting will be held the week of October 11th, 2015 in Europe.

In closing

CF12 demonstrated the commitment to REDD+ shared by REDD Countries and CFPs. Notably CFPs agreed to extend the term of the Carbon Fund to 2025, to allow countries to develop robust ER programs. REDD Countries will also need to maintain their pace of development, to be measured against milestones.

REDD Countries also remain enthusiastic to present Early Ideas for ER programs—the meeting was host to a record nine Early Idea presentations—illustrating Countries' commitment to developing successful programs for consideration for the Carbon Fund pipeline. These nine countries, along with Madagascar who presented at a prior meeting, are invited to further develop their ideas into ER-PINs for consideration at the next Carbon Fund meeting. Any other REDD Country that has signed a Readiness Grant Agreement under the FCPF Readiness Fund is also eligible to present an ER-PIN at the next Carbon Fund meeting. With the meeting scheduled for the week of October 11th, the deadline for countries to submit ER-PINs to the FMT will be September 11th.

Progress was also made on what is needed in the next stage both in terms of the FCPF process and the broader REDD+ system. For REDD Countries that are further along in ER program development, the meeting was a forum for CFPs to discuss and clarify issues related to program financing, development and implementation, and technical aspects (registries, reference levels, crediting periods). CF12 also discussed broader issues such as linkages with the Green Climate Fund, which will be revisited as the GCF and the broader REDD+ institutional framework evolve.

I look forward to following progress at the next Carbon Fund meeting. If you have any questions or concerns, please do not hesitate to contact me at Nicolas.Duval-Mace@RNCAN-NRCAN.gc.ca or the FMT at fcfsecretariat@worldbank.org.

Sincerely,

Nicolas Duval-Mace, Canada
CF12 Chair