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**Subject:** RE: FCPF: Methodological and Pricing Approach for the Carbon Fund

Dear Colleagues and Dear FMT,

AFD would like to thank the working group for this work and the propositions of discussing it.

Unfortunately, we were not able to attend this week phone conference and we really thank Anja to have given us extra-time of discussion by phone.

In general we agree with the approach and the recommendations.

We have nonetheless two types of comments: i) the formers are related to what the choice of non giving a monetary value to non-carbon benefits should imply and ii) the latter are minor clarifications comments.

#### 1. The implications of no premium

On line with the former propositions of the working group and the discussions with it during the PC11 in Paraguay, the working group recommends that the pricing of the emission reductions do not monetary value the non-carbon benefits (no premium).

The assumption that grounds this option seems to be the following: such methodological option allows to avoid to face the accurate problem of how to monetary assess the non-carbon benefits (if an economic assessment of the value of the non carbon benefits is difficult but possible, its use to determine a price is far from easy and raises many methodological issues), non-carbon benefits being implicitly a criteria to select which country would be selected by the Carbon Fund.

Endorsing this assumption, implies that the non-carbon benefits and the benefit-sharing mechanism shall be significantly taken into account as criteria of the accounting and the programmatic characteristics. According to our reading, that does not seem to be sufficiently the case. If in some cases and especially regarding land tenure, strengthening what is required does not appeared to be operationally possible (no country would ever meet such requirements), some modifications of the wording could, to our mind, ensure to enhance the importance of these criteria.

- p.9 §19: The status of rights to carbon and benefit-sharing is one the major issue but one of the more critical as well. One additional criterion could be to give more details regarding the process of clarification of rights and land tenure.

- p.9 §20: The wording of the principle should be précised and strengthened: a minimum is to change the “could and should” formulations into “shall”, ant to remove the “as feasible” at the end; that is to say: “The ER Program contributes to broader sustainable development. This **shall** include, but is not limited to [...] The ER Program **shall** monitor and report on these no-carbon benefits ~~as feasible~~ ...”

Besides, the recommendations of CBD regarding “indicators to measure impacts of REDD+ on biodiversity and on indigenous and local communities” should be more taken into account. As a consequence, we propose the following wording: “The ER Program shall monitor and report on these non-carbon benefits, according to the UNFCCC and CBD recommendations.”

- p. 12 §26: The current wording on non carbon benefits does not seem to be strong enough, according to the importance of this issue and regarding all the efforts required from the countries in the implementation of their REDD+ strategies.

A minimum change in the wording would be: “The ERPA Price negotiation process offers an opportunity for non-carbon benefits to be taken into consideration, ~~although there would be non systematic quantification of non-carbon for pricing under the Carbon Fund~~”.

To be consistent, we propose to change also the last sentence of the rationale:

“The price negotiation process also offers an opportunity for both parties to discuss any specific non-carbon benefits in the ER Program, and to decide ~~whether and~~ how they should be taken into consideration

#### 2. Clarifications

- p.5 §11: According to the current wording, “the comparison of ER Program benefits from different countries” is based on some “objective” criteria but also on qualitative data that are heterogeneous. As a consequence, the criteria as well as some precisions on the methodology for comparing qualitative data should be précised (eg : would the comparison be made for every type of co-benefits (connectivity, ecosystem services...)?)
- p.6 §13: The international displacement of emissions should be also addressed in the ER Program: if they could not be measured as such, a precise analysis of the risks of displacement should be carried out and if possible, the probability of such displacement –according to the place it could occur- should be assessed.
- p.8 §18: the notion of “transparency” regarding the stakeholder consultations should be précised.

I hope this comments will be helpful.

See you next week,

Best regards,

Valérie

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