

Suggested Principles for CF Methodological framework

[sent March 12, 2012 to FCPF Secretariat by BIC, Friends of the Earth, Bank Information Center]

1. Performance Based Payments

Rationale: The Cancun decision on REDD+ emphasizes payments for ‘results-based actions.’ Actions to reduce deforestation and forest degradation encompass, as a matter of necessity, a broad range of legal and institutional reforms. The majority of REDD+ countries will require financial and political support in order to achieve equitable and lasting results in reduced deforestation and forest degradation.

To achieve results in terms of reduced deforestation and forest degradation, governments will need to focus on a broad range of institutional and legal reform in the land use sector as a means of achieving the end objective. This will require a broad definition of ‘performance.’ Paying for emission reductions measured against a baseline will be insufficient to achieve the objective of creating a positive incentive for reducing forest loss. Finance needs to catalyze the structural change, policy and legal reform and long-term strategic planning necessary to address the drivers to deforestation and degradation. For this purpose it is critical to agree on an indicative list of performance elements, proxies and indicators that allow for the assessment of progress towards these results.

Given the diversity of national circumstances and country driven approaches to REDD+, the CF should seek to pilot a range of performance based payment schemes and emission reduction programs, and not just those directed at avoided deforestation and offset carbon markets.

Lastly, an exclusive focus on generating compliance-grade carbon credits would limit the opportunities for generating learning and maximizing country participation. The Carbon Fund should be wary of preparing countries for a market in forest carbon credits that may not materialize. Alternate performance metrics would increase the number of eligible REDD countries and enable the Carbon Fund to support a broader range of policies and measures with the potential of contributing to emissions reductions.

Principle: The CF will provide payments based on performance relative to a broad range of legal and institutional reforms, including improvements in rights and governance, biodiversity and natural forests, and livelihoods, which should also be measured, reported and independently verified over time.

Note: We therefore note that the addition of “relative to an agreed reference emission level (REL) and/or forest reference level (RFL)” to principle 2 (Background Note #2: Carbon Accounting Aspects for the Methodological Framework of the Carbon Fund of the FCPF) unnecessarily constrains the learning opportunities provided by the fund and inappropriately

narrows the objective of the fund from testing “results based payments” to carbon credit generation. We suggest it be deleted.

2. Addressing Drivers and Consistency with National REDD strategy

Rationale: REDD countries and donors have committed extensive resources to developing robust and strategic national REDD strategies. To maximize efficiency in resource allocation and achieve lasting results as quickly as possible, the Carbon Fund should evaluate the strategic relevance of the proposed emissions reductions program to the drivers identified in the readiness process. Further, non-additionality has been a major source of fraud in both the voluntary markets and the Clean Development Mechanism (CDM). To further the CF’s objective to credibly test approaches for performance based payments, the CF could mitigate concerns about non-additionality by ensuring that ER programs are grounded in national REDD strategies and evaluated in a holistic analysis of actions needed and already ongoing to address deforestation.

Principle: ER programs will be consistent with national REDD strategy, address priority actions and support activities that increase efforts to reduce deforestation and degradation..

3. Permanence and Leakage

Rationale: As has been consistently noted, non-permanence and leakage are key risks for the land use sector. Therefore, we recommend principles on these topics. Ignoring concerns about permanence and leakage may result in the inappropriate selection of ER programs, for example if the ER does not address a significant driver of deforestation that may overwhelm the supported ERs.especially if there are competing uses or drivers affecting the forests included in proposed ER programs.

However, the treatment of these issues depend on the types of activities financed and will likely be different for the two tranches. The stringency required for Tranche A, which allows offsetting will necessarily be higher than that required by Tranche B. This requires further evaluation.

Principle: ER Programs must prioritize actions to address underlying and proximate drivers of deforestation consistent with national REDD strategies and take actions to reduce non-permanence and emissions displacement.

4. Enhancing Indigenous Peoples Stewardship of Natural Resources

Rationale: Given the clear demonstration of the efficacy of protected areas, and particularly Indigenous Peoples territories in reducing deforestation and forest degradation and protecting standing forest, the CF should seek to support ERP’s that pilot REDD performance based payments to Indigenous Peoples territories and local communities.

Principle: The CF will seek to include ERP’s that pilot performance based payments toward the consolidation of management and the long-term financial sustainability of Indigenous Peoples territories

5. Monitoring of Results and Liability for Non-Performance

Rationale: Given the emphasis on testing payments for performance, it would be helpful to more fully elaborate the requirements for monitoring of performance, for example use of both satellite and field based data, and the collection of GHG, biodiversity, and livelihoods information. Institutional arrangements for ensuring the credibility of data collected should also be required, including any requirements for the processes used to develop the performance metrics. The CF projects are unique opportunities to test measures to ensure performance including community based monitoring; the level of staffing, compensation and education of forestry sector personnel and remote satellite monitoring.

Further, if ER programs generate carbon credits used to offset other emissions, as appears to be envisaged in Tranche A, the CF must address issues related to liability for reversals.

Principle[s]:

- Monitoring of results will be the responsibility of both the REDD Country and, in line with WB policies on supervision, the World Bank. The CF should seek to support ERP's that pilot innovative performance monitoring systems.
- Entities that use credits for resale or compliance purposes must employ independent monitors to verify that emission reductions have actually been achieved and the no reversals have occurred. Entities that use credits for resale or compliance purposes must retire and replace any invalidated credit generated through ER Programs.

6. Pricing

Rationale: Depending on country specific circumstances, some ER Programs may be less costly to implement than the base price, while the costs of implementing actions to address other drivers may far exceed the base price currently under discussion. Following a "what buyers are willing to pay" ethos for pricing and valuation methodology risks undermining the credibility of REDD and the FCPF by not providing adequate incentives to deliver transformational change in the land use sector.

Principle: Pricing and valuation methodologies should reflect actual costs of implementation of ERPs for REDD countries taking into account both carbon and non-carbon benefits.

Further Ideas for TAP/Expert work to support the WG:

1. Literature review of jurisdictional approaches and experiences with REDD, including a summary of main findings and lessons.
2. Literature review of monitoring of biodiversity, livelihood and governance benefits, identification of practical experiences and methodologies, summary of findings and lessons.

3. Literature review of carbon offset credit oversight and regulation, including measures to address fraud and corruption.
4. Literature review of relevant performance metrics to assessing the successful implementation of activities for REDD.
5. Review and assessment of COP 17 decisions on safeguard information systems and the implications for the CF.
6. Exploration of issues related to differing methodologies and standards for the restricted and unrestricted tranches of the CF,
7. Literature review of methods for enforcement from community based monitoring.
8. Review and assessment of allegations of illegalities, perverse incentives and fraud in carbon markets, and especially REDD projects undertaken to date.