



COFFEE BREAK



2d. Carbon Fund Extension

Current status

- The FCPF Carbon Fund was established in 2007 with the termination date of December 2020.
- The FCPF CF was extended from December 31, 2020 to December 31, 2025 in 2015.
- Despite the significant progress with the bulk of ERPAs signed in 2020, **the COVID-19 pandemic caused a significant delay** in meeting conditions of effectiveness by countries and submitting their first ER-MRs
- All 15 countries have already provided ER-MRs at least once, and they have so far reported a total of **95 million FCPF ERs, 71 million of which will be Contract ERs.**
- Due delays due to the COVID-19 pandemic, it is expected that by December 2025, 60% of the contract ER volume (85 million ERs) would be delivered.

Current Projections

	Cut-off date December 2025	Cut-off date December 2026	Cut-off date December 2027	Cut-off date December 2028
Contract ERs issued	85,915,945	95,384,455	125,289,992	125,289,992
Payments of contract ERs	\$429.6	\$476.9	\$626.4	\$626.4
Monitored benefit sharing	\$184.0	\$429.6	\$476.9	\$626.4
Additional ERs issued	5,000,000	10,000,000	15,000,000	19,000,000
Excess ERs issued	87,432,921	91,643,819	120,178,821	126,000,000
Total FCPF ERs issued	178,348,866	197,028,274	260,468,813	270,289,992

Current Projections

- Excess ERs could represent a very significant amount of finance being mobilized from carbon markets

	Cut-off date December 2025	Cut-off date December 2026	Cut-off date December 2027	Cut-off date December 2028
Excess ERs issued	87,432,921	91,643,819	120,178,821	126,000,000
Payments of additional/excess ERs minimum (\$5USD/tCO ₂ e)*	\$437.2	\$458.2	\$600.9	\$630.0
Payments of additional/excess ERs max (\$15 USD/tCO ₂ e) [†]	\$1,311.5	\$1,374.7	\$1,802.7	\$1,890.0

Current status

- Considering these projections, the FMT has assessed two options as presented in the FMT Note.
 - **Option 1:** Carbon Fund closes as currently scheduled on December 31, 2025
 - **Option 2:** Carbon Fund is extended to December 31, 2028 so as to maximize issuances and monitoring of benefit sharing

Option 1: Close on 31 Dec 2025

PROS

- **No change** to the Charter or **ERPAs**
- Provides a clear end, and incentive for host countries to generate as many ERs as possible (could also be a 'con')
- **Remaining funds could be used** by contributors for other purposes, including **additional programming** under SCALE.

CONS

- **Potential to generate carbon credits** and provide access to result-based climate finance and, especially carbon finance, is **limited significantly**.
- **Sustainability of ER Programs in risk** due to limited finance and lack of time to move to reach proof of concept and move to alternative options, including carbon markets.
- **Reputation of the FCPF Carbon Fund and perceived quality of FCPF carbon credits would be affected**, especially since benefit sharing will not be fully monitored.
- **Opportunities to generate knowledge and extract lessons learned**, namely on benefit sharing arrangements, would be **reduced significantly**.
- **The REDD+ process in host countries would be impacted** and reputational risks for the fund may materialize as beneficiaries would see that the promised climate finance would not arrive as promised and expected.
- **No further World Bank supervision of ER Programs**, limiting safeguards implementation and World Bank support to host countries.

Option 2: Extend Carbon Fund to 31 Dec 2028

PROS

- All host countries are expected to **maximize delivery** of their Contract ER volumes.
- **Excess ERs generation is maximized** with additional 38.5 million ERs, which could reach a carbon market value of US\$577 million with the right market conditions.
- **ER Programs and FCPF have time to enable an alternative** that ensures the sustainability of ER Programs (e.g., transitioning to other standards, FCPF 2.0,...).
- **Expectations of beneficiaries under BSPs could be met** (or even exceeded through Call Options and Excess ER monetization) and associated reputational risks reduced.
- **BSP implementation can be fully monitored.**
- **Host countries fully benefit from the ER Program**, including on Excess ERs (e.g., auctions).
- **Additional time allows for knowledge generation** and lessons learned to be extracted, informing future initiatives.

CONS

- **Changes to the Charter and legal documents must be made**, including amendments to ERPAs on a case-by-base basis, and approval by the World Bank Board would need to be secured.
- **Additional costs** of administering and supporting the fund (potentially offset by additionally generated investment income).
- Extending Carbon Fund could risk sending negative signals regarding effectiveness or time needed. **Countries could 'drag feet'**.
- Potential **perception of an overlap** between the FCPF Carbon Fund and **SCALE** (pillar 1).

Alignment with SCALE

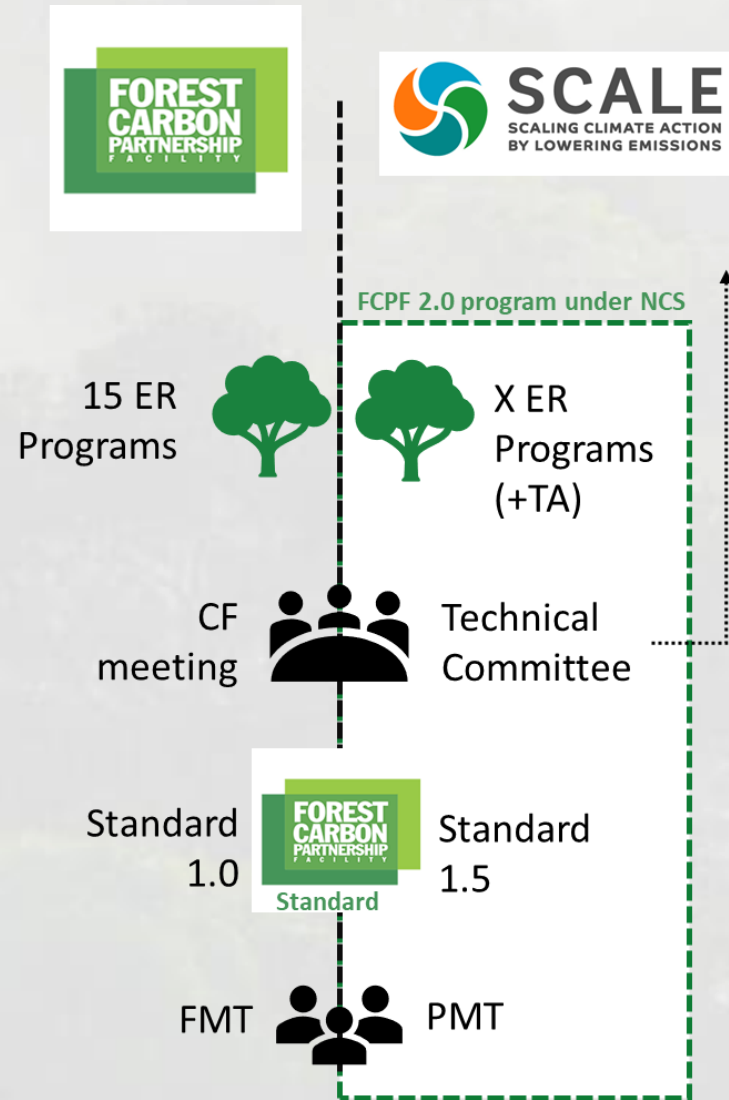
- Additional programming of REDD+ Programs would happen under the new Multi-Donor Trust Fund SCALE
- Therefore, it is important that there is alignment between the work under the FCPF CF and SCALE
- Two options, which can be implemented sequentially, have been considered:
 - **Option 1: Coordination** – FCPF CF and SCALE coordinate
 - **Option 2: Integration** – FCPF CF integrates within SCALE

Note: These options are not presented for decision, but for information and discussion purposes. A future decision will be required for Option 2 if CFPs decide to pursue this.

Alignment with SCALE

Option 1: Coordination

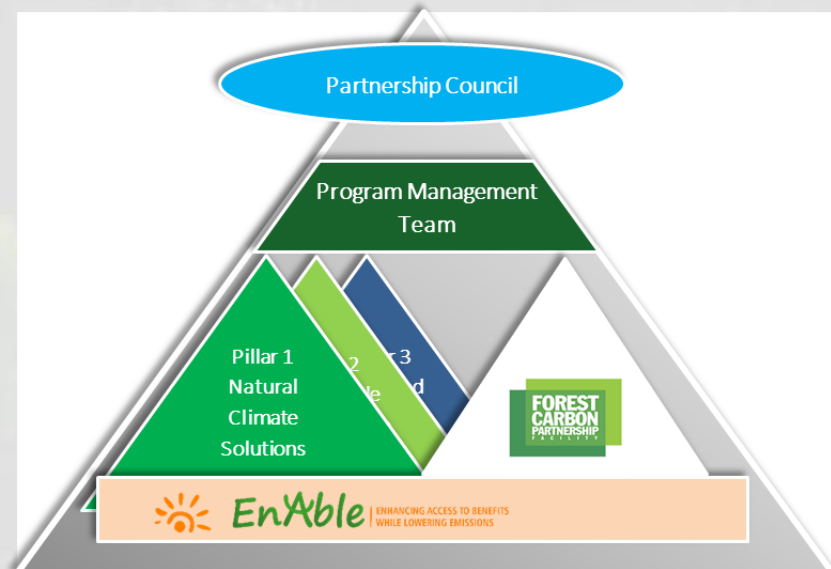
- FCPF CF would run in parallel to SCALE but there would be clear coordination:
- SCALE could have a program on forests (FCPF 2.0)
- SCALE's Partnership Technical Committee (PTC) would have the same composition as the CF Meeting and meetings would be organized back-2-back
- FCPF Standard under FCPF CF and SCALE would be centrally managed
- Same team working as FCPF FMT and SCALE's PMT



Alignment with SCALE

Option 2: Integration

- FCPF CF would be moved as associated Trust Fund under SCALE.
- This would open interesting options for future programming, i.e., allocated uncommitted funds for additional ERPA's.
- FCPF CF would adopt the governance and stakeholder engagement under SCALE → CFPs would be part of the Partnership Council, and technical discussions would occur in SCALE's PTC
- Other contributors to SCALE that were not contributors to the FCPF CF, cannot decide on the work program of the FCPF CF associated trust fund.
- This option requires further exploration and discussion.



For decision

- FMT recommends CFPs to extend the Carbon Fund to 31 December 2028.
- This extension will be for the purposes of enabling countries sufficient time to present their ER-MRs, conduct verification and monitoring of benefit sharing arrangements.
- The FMT will enforce timelines to ensure efficient country delivery.



THANK YOU
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