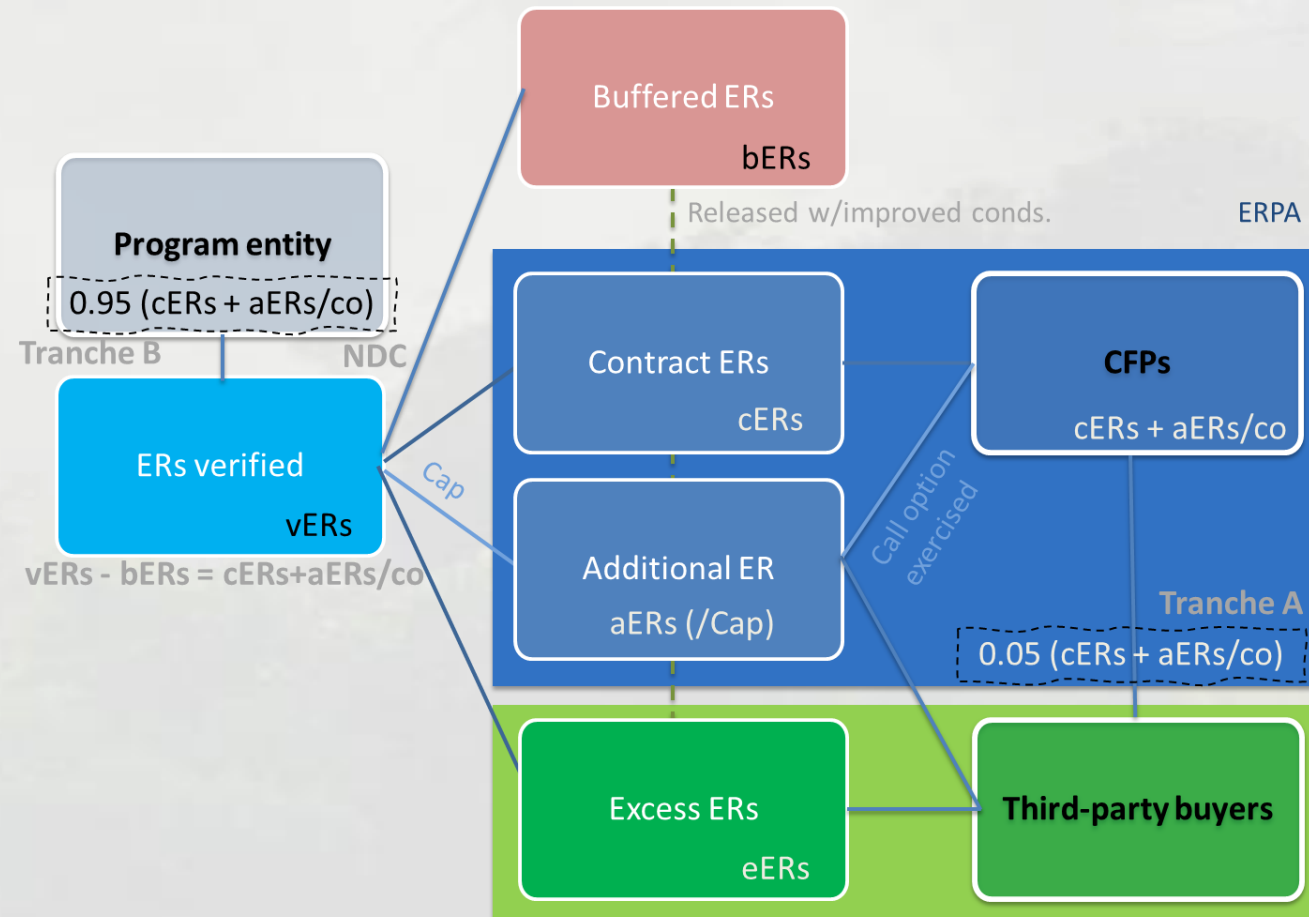




2h. Excess ERs and Third-Party Buyers

Excess ERs and Third-Party Transfers

Excess ERs refers to those ERs generated in a Reporting Period **in excess** of the ERs to be paid for by the FCPF Carbon Fund under the ERPAs, referred to as **Contract ERs** and **Additional ERs** (for which a Call Option has been exercised).

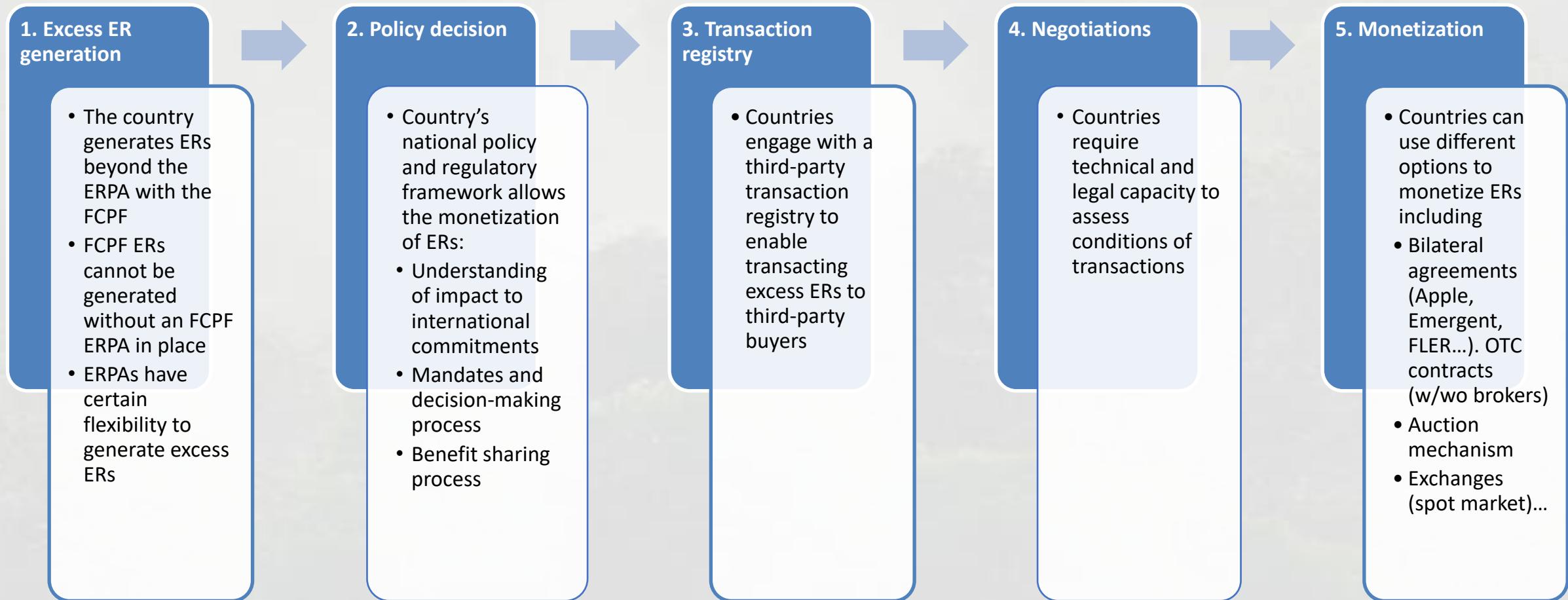


Access to result-based finance climate/carbon mobilization

- All REDD+ Countries have expressed their interest in increasing results-based finance mobilization, including through the monetization of Excess ERs in carbon markets.
 - Viet Nam has Excess ERs already available
 - DRC, Indonesia, and Guatemala have already reported Excess ERs
 - Côte d'Ivoire and Madagascar are expected to report Excess ERs in the coming months
 - Dominican Republic and Fiji will generate Excess ERs in the late stages of their ERPAs.
 - Other countries are not expected to generate (substantial) Excess ERs
- In consultation with REDD+ Countries, the WB has developed a five-step monetization pathway to support countries to increase access to results-based finance.

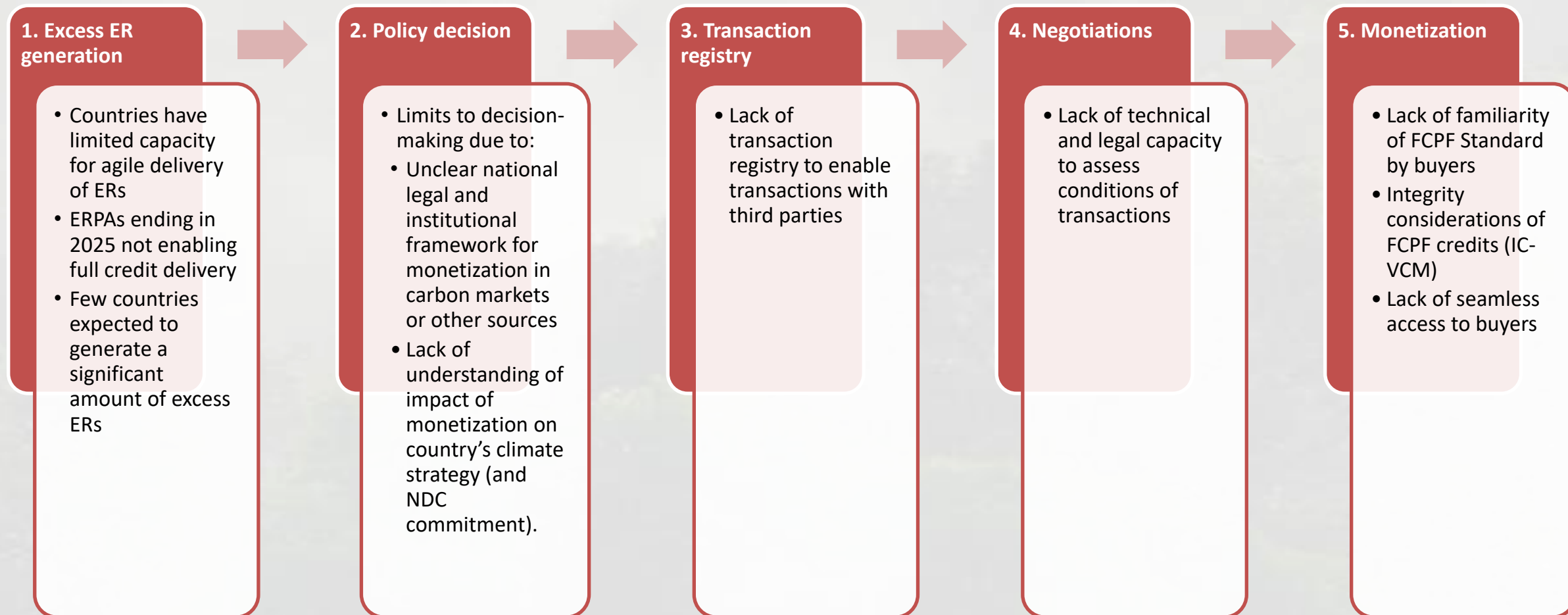
Access to result-based finance climate/carbon mobilization

- Five-steps for mobilization of additional result-based finance mobilization



Access to result-based finance climate/carbon mobilization

- All these steps have significant barriers:



WB support to country finance mobilization

Step 1 – Excess ER generation

- Extension of ERPAs beyond December 2025
- Support to additional ERPA flexibility (See *FMT Note on ERPA Flexibility*)

Step 2 – Policy-decision

- Technical Assistance to countries to support policy-decision on the use of Excess ERs (See *FMT Note on Enhancing Country Access to Finance*)

Step 3 – Transaction registry

- CATS upgrades in functionality
- Enabling transactions in third-party registries, (Cooperation Agreements) e.g., Verra registry, ART Registry, EcoRegistry

Step 4 - Negotiations

- Technical and legal support to countries in negotiations on transactions (See *FMT Note on Enhancing Country Access to Finance*)

Step 5 - Monetization

- Excess ER workshops
- Support in the establishment of an auction mechanism
- CORSIA approval and application to IC-VCM and/or ICROA

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Step 3 – Transaction registry

1. CATS

- CATS is in the process of being upgraded (CATS 2.0) to include additional required functionalities to meet new market requirements including:
 - **Public dashboard and Reporting Tools** to respond to the new accounting and market framework required under the PA & CORSIA (pilot/1st phase (* **Completed in June 2023/ March 2024**))
 - **Double claiming procedures** to address risk of double claiming, including CAs as required (e.g.) by CORSIA (1st phase) (* **Completed March 2024**)
 - **Options paper for third-party transactions**: Comprehensive solution “**Ecosystem Infrastructure**” with 3 components : (1) Outsourcing third-party transaction services (Cooperation Agreements with transaction registry service providers), (ii) Connecting CATS to trading platforms to allow access to a broad list of commercialization options (OTC contracts, w/wo brokers, auctions, spot or future contracts in exchanges) and (iii) Fail-safe mechanisms: (a) using CATS as a backup option and (b) tokenization of ERs (external platform) (completed; QER conducted, ‘go/no-go’ decision as part of CATS 2.0 - **June 10th**)
 - **Connecting CATS** to the **Climate Action Data Trust** (meta registry) (initiated).
 - **Digital MRV**: Incorporation of an MRV data integration interface to generate a simple geodatabase with basic information by GHG category.
 - **Host-country support and capacity building** on transaction registries.

Step 3 – Transaction registry

2. Third-party transaction registries

- Cooperation agreements with Verra and ART have resulted in ability to transact FCPF ERs to external registries
 - Verra Registry: full functionality achieved in April 2024
 - ART Registry: full functionality achieved in May 2024
- FCPF ERs will continue to be issued under CATS, then retired upon request of account holder prior to being re-issued under the registry of account holder's choice as FCPF ERs.
- From external registry, account holders may transact with external parties.
- The FMT is working on the analysis of other alternatives
 - CATS 2.0
 - Tokenization: **Chia/GMEX**
 - Registry service providers: **Ecoregistry, Xpansiv/APX, S&P Global/IHS Markit** (Cooperation Agreement with Ecoregistry finalized)
 - Exchanges: **CBL/Xpansiv, CTX, ACX, CIX...**

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Step 5 – Monetization

1. Excess ER workshops

The FMT (SCCFM), in collaboration with WB Country Offices, ENB, and the Climate Finance and Economics (SCCFE) unit (CCG), will support country's monetization efforts through Excess ER workshops only in countries that have expressed high-level interest in monetization of Excess ERs.

1. Provide an overview of monetization options
2. Provide an overview of key elements needed for monetization, e.g., transaction registries, demand-side integrity, ...
3. Introduce the auction mechanisms and its options.
4. Define action plan for monetization of Excess ERs.

**DR Congo & Guatemala,
September 2024**

- **Workshop on excess ERs and roadmap monetization**

Focus on excess ERs available for monetization, including auction. Address legal/regulatory/policy decisions to be made, implications for country's climate change strategy and international commitments (incl Paris Agreement and NDCs). Explore avenues available for monetization, including auction, direct sale, as well as retention. Cover other legal aspects, including benefit sharing mechanism requirements

Step 5 – Monetization

2. Auction mechanism

- The FMT has been working with various auction providers to provide services to REDD+ Countries.
- Auctions **will help establish a transparent market related price** for Excess ERs under FCPF and can also help **improve awareness of FCPF** to potential buyers
- This ‘price discovery’ would also serve to inform and incentivize other REDD+ Countries on their endeavors to monetize Excess ERs
- As part of Vietnam’s Excess ER workshop, the FMT introduced three auction providers: i) CME, ii) Xpansiv, iii) CIX.
- Based on interviews with the different auction providers the Government of Vietnam provided an initial preference for CIX as auction provider
- Waiting for the government’s decision to proceed with an auction, the FMT has been working with CIX in the preparation of marketing materials and conducting a survey across 11 potential auction participants to socialize the FCPF and understand key participant’s requirements.

Step 5 – Monetization

3. CORSIA

- CORSIA confirmed on December 7th, 2022, the approval of the Forest Carbon Partnership Facility (FCPF) to supply CORSIA eligible emissions units for its **2021-2023 compliance period (pilot)**.
 - **Vintages:** between the first crediting period through 31 December 2020.
 - **Scope:** ERs generated under REDD+ ER programs associated with FCPF that have an FCPF-equivalent reversal management mechanism through at least 31 December 2037
- CORSIA confirmed on December 14th, 2023, the **conditional approval** of the Forest Carbon Partnership Facility (FCPF) to supply CORSIA eligible emissions units for its **2024-2026 compliance period (first phase)**.
 - **Vintages:** 2021 through 2026.
 - **Scope:** Same as for pilot phase.
- Conditions are mostly related to the **procedures necessary to prevent double-claiming**, including country attestations/ letter of authorization and mechanisms for compensating the revocation of the Letter of Authorization and Assurance.
- FMT addressed the points raised by CORSIA and re-submitted its application for full approval for the first phase on 29 March 2024 and is awaiting response

Step 5 – Monetization

3. ICROA and IC-VCM

- **ICROA** (International Carbon Reduction and Offsetting Accreditation) and **IC-VCM** (Integrity Council for the Voluntary Carbon Market) provide quality assurance and guidance to enhance the market's integrity by setting the standard for ERs and offsetting to deliver Paris-aligned reduction pathways and enhance best practice.
- ICROA and IC-VCM endorse Voluntary Carbon Standards that comply with certain criteria and principles that are laid out in their respective requirements.
- After an initial review of ICROA and IC-VCM the FMT is confident the FCPF can meet the criteria.
- A first draft application for ICROA has been prepared. However, the ICROA template was updated. The FMT is working on updating the answers to align them with the new template.
- A first application for IC-VCM has been prepared, but FMT is pending discussions between WB and IC-VCM in the context of the WB Engagement Roadmap on Carbon Markets.



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