

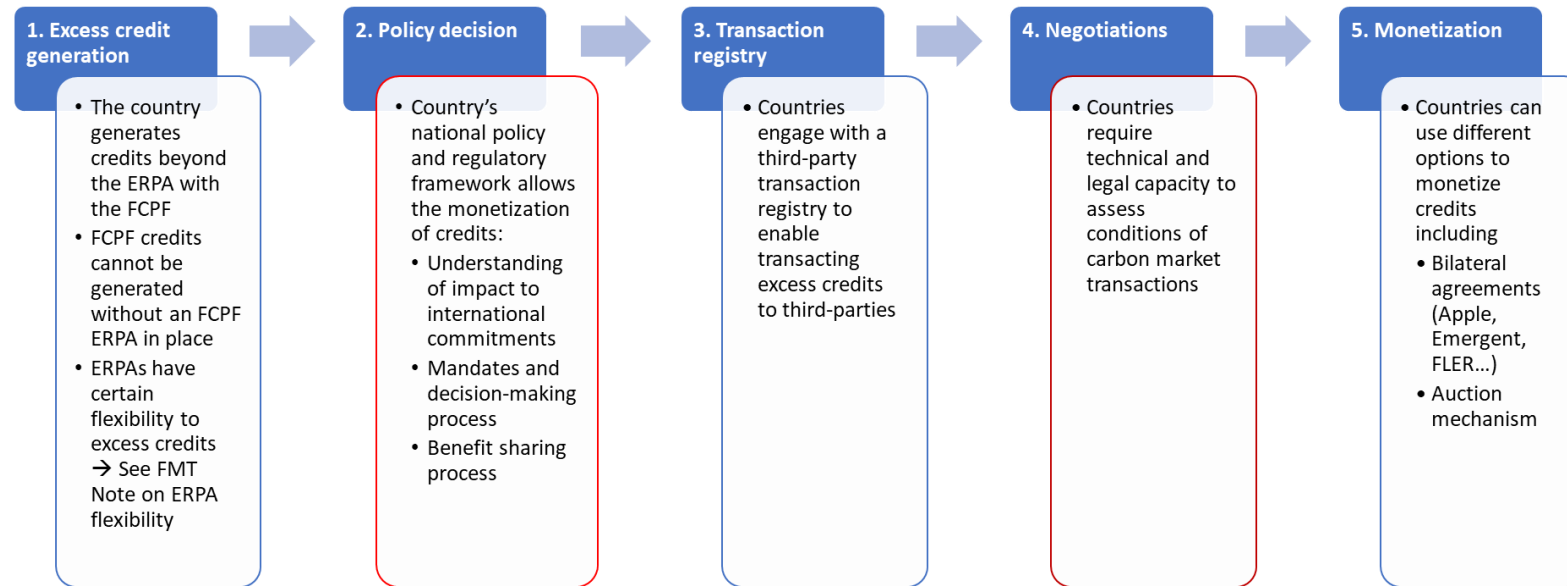


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Monetization of Excess ERs

Monetization – Background

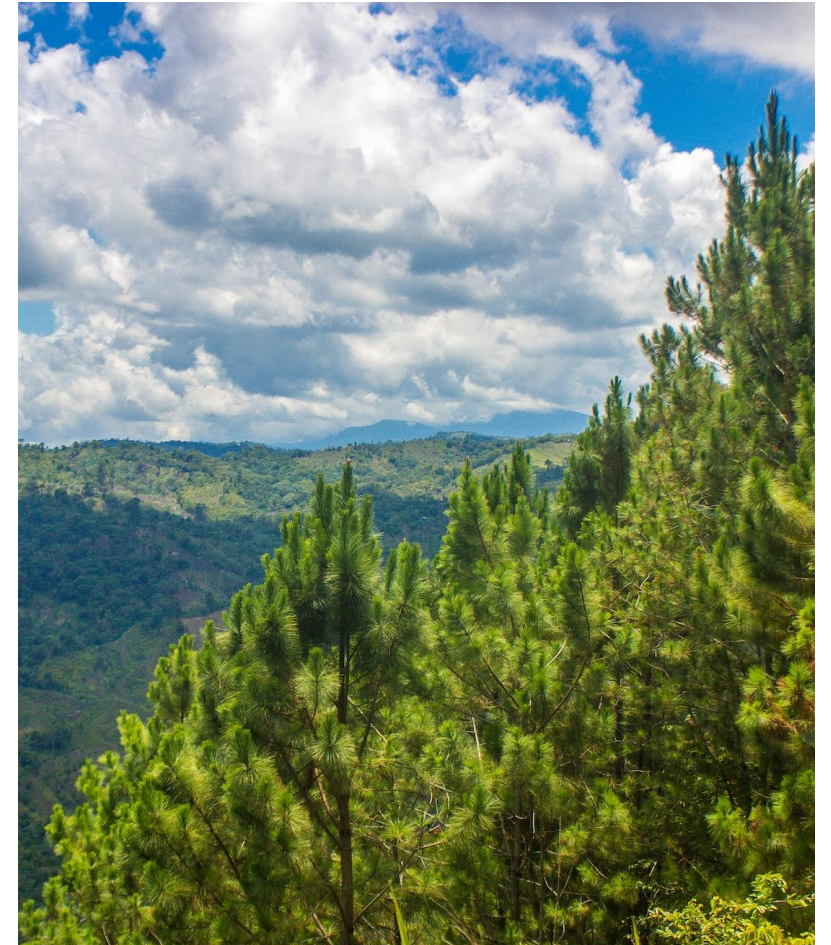
- At CF28, FMT explained the five-step monetization pathway that the World Bank has implemented to enable countries to monetize their Excess ERs
- FMT noted barriers to monetization due to inadequate policy and regulatory frameworks (Step 2) and lack of country technical and legal capacity to engage in negotiations with third-party buyers or other operators (Step 4)



- CFPs approved funding for addressing these barriers:
 - Support to policy and regulatory framework, addressing Step 2, Policy Decision (funding envelope up to \$1.8M)
 - Support to negotiations, addressing Step 4, Negotiations (funding envelope up to \$3.6M)

Step 1: Excess ERs Generation – Current status

- 5.9M Excess ERs have already been verified and issued for Viet Nam (of which 1M proposed to be paid for by FCPF)
- 0.1M Excess ERs have been issued for Costa Rica and have already been monetized with a third-party buyer
- A further 30M credits beyond the contract volume have been reported to date and are undergoing third-party verification, and could be excess ERs
- Madagascar and Côte d'Ivoire announced at COP29 their intention to monetize FCPF ERs in carbon markets.
- CFPs are exploring a change in the portfolio management strategy that would enable countries to generate additional Excess ERs



Step 2: Support to policy and regulatory frameworks - Progress



- **Status:**
 - Task teams are in the process of undergoing analysis of the country needs and preparing proposals.
 - \$150k have been provided to Viet Nam's task team to:
 - Assess the avenues for carbon transactions for forestry credits generated by the FCPF program
 - Assess the regulatory framework and legal requirements for selling ERs to carbon markets
 - Identify list of potential buyers for FCPF carbon credits including their expectations
 - Proposals for Côte d'Ivoire and Madagascar are currently being reviewed.
- **Next steps**
 - Task Teams to finalize TA proposals and provide technical assistance

Step 3: Transaction registry



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Date Issued	Program ID	Program Name	Sovereign Program Developer	Crediting Program and Standard	Standard Version	Vintage
12/3/2024 11:57:22 PM	ART126	Costa Rica FCPF REDD+ Emission Reductions Program	Fondo Nacional de Financiamiento Forestal (FONAFIFO)	FCPF - Carbon Fund Methodological Framework	Version 1.0	2021

- **Status:**
 - Third-party registry solutions with Verra and ART already operational.
 - First FCPF ERs from Costa Rica, cancelled in CATS registry and re-issued in the ART Registry
- **Next steps:**
 - Continuous support to countries with Excess ERs to enable this option.

Step 4: Support to negotiations - Progress

- **Status:**
 - Process to establish a Recipient-Executed (RE) grant with an Intermediary Organization to provide support to negotiation process is ongoing.
 - Delays due to time to identify and select the Intermediary Organization, develop the concept note and identify a team in the Bank to lead the establishment of the RE grant.
 - Region in charge of the implementation of the RE grant has been identified and grant processing will begin soon.
 - Since this process to implement the RE grant will take some time and countries already require some support, the FMT developed an interim solution consisting in hiring a firm to provide targeted Technical Assistance (without legal support such as drafting legal agreements) to host countries.
- **Next steps:**
 - Establish the RE grant → expected by end of FY25
 - Select firm to provide TA to countries → February 2025

Step 5: Monetization - Progress

- **Status:**
 - First 100,000 Excess ERs from Costa Rica have been monetized, setting a first-of-its kind transaction under the FCPF and paving the way to potential additional transactions in the carbon market
 - The country has mobilized significant additional finance, more than doubling the finance it would have received from the FCPF CF.
 - The World Bank has provided countries with support related to monetization:
 - Six Excess ER monetization webinars delivered
 - Four in-country workshops completed: Viet Nam (2023), Indonesia (2023), Madagascar (2024), and Côte d'Ivoire (2024)
 - Several trainings on monetization and transaction registry held for Costa Rica.
 - Two in-country workshops planned in 2025: DR Congo and Guatemala
 - Several introductions to potential auction platforms and buyers
- **Next steps:**
 - Continue supporting Côte d'Ivoire and Madagascar (and other countries as needed) in their efforts to monetize their Excess ERs.



United Nations
Climate Change

Forests and Climate Negotiations

Keiichi Igarashi, AFOLU unit, UN Climate Change

27 January 2025

Forests and COP

There are no agenda items dedicated to forests. However, **the outcomes of some agenda items could impact opportunities for forests directly or indirectly.**

- ✓ Global Stocktake
- ✓ Guidance to the Green Climate Fund
- ✓ Global Goal on Adaptation
- ✓ Sharm el-Sheikh mitigation ambition and implementation work programme
- ✓ Article 6
- ✓ New collective quantified goal on climate finance



BTR and NDCs

BTR

- Close to **half of the Parties** submitted their first BTRs by the 31 December 2024 deadline.
- 6 Parties (Bhutan, Chile, Colombia, Guyana, Indonesia and Panama) also **submitted technical annex on REDD+** (REDD+ results).

GST and NDCs

- The first GST noted the need for enhanced support and investment.
- Being informed by the first GST, Parties are expected to **consider enhanced efforts** for halting and reversing deforestation and forest degradation in their next NDCs (**NDCs 3.0**) due by Feb 2025.



Article 6.2

Under Article 6.2 (cooperative approach),

- Internationally Transferred Mitigation Outcomes (ITMO) are defined to include both emission reduction and removals, without explicit inclusion or exclusion of specific sectors.
- ITMOs must be generated from 2021 onwards, **making all REDD+ activities implemented after this date eligible to qualify as ITMOs.**
- **Guyana and Suriname submitted their first initial reports** for cooperative approaches in the forest sector (their reviews are in progress).

Article 6.2 initial report (Initial Report)

Referred to in Decision 2/CMA.3, Annex, Chapter IV.A

SURINAME

ITMOs resulting from Paris Agreement Article 5.2: Reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.



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Article 6.4

14th Article 6.4 SB (October 2024)

- A6.4 Supervisory Body adopted standards for methodologies and removals ([A6.4-SBM014-A05 / 06](#)).
- They indicate **the possibility for REDD+ activities under A5.2 of the PA to be credited under A6.4.**
- REDD+ projects by the private sector and/or at jurisdictional scale shall require demonstration that these are included in national reporting on REDD+.

COP29 (November 2024)

- **Afforestation and reforestation activities under the CDM may be registered as Article 6.4 activities** subject to the following conditions being met:
 - ✓ Request and approval by no later than 31 December 2025
 - ✓ Complying with the rules, modalities and procedures for the mechanism under Article 6.4



Forests and finance

40th GCF meeting (October 2024)

- The GCF Board adopted a proposal ([GCF/B.40/11](#)) for a landmark policy integrating REDD+ RBP into the Fund's regular project activity cycle.
- The policy is **fully aligned with the Warsaw Framework for REDD+**.
- To apply for the funding, countries need to have the framework referred to in A5.2 of the PA fully in place.

Strong signal for **long-term implementation of national REDD+**

COP29 (November 2024)

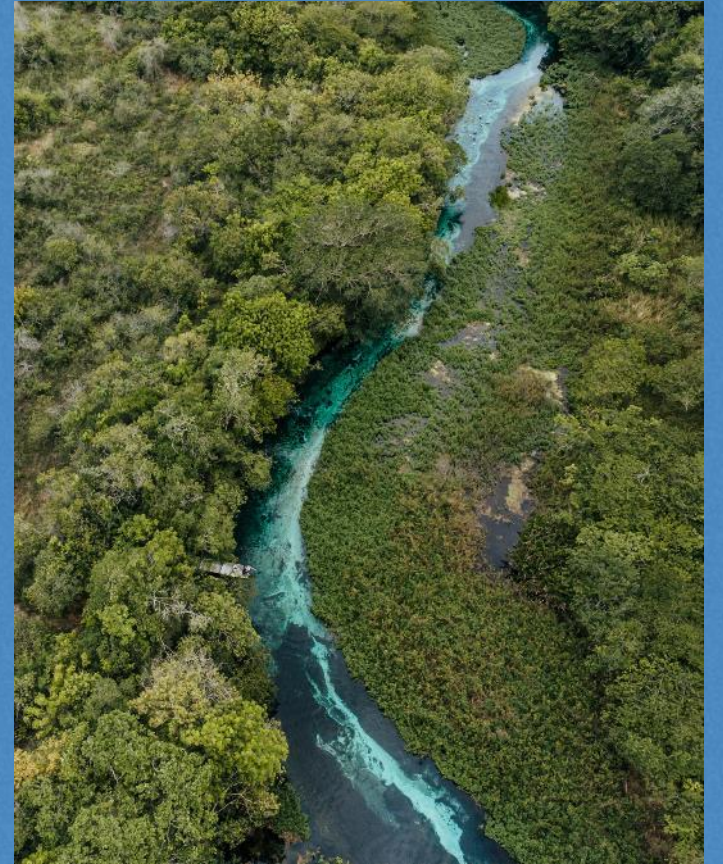
- **Triple finance to developing countries**, the previous goal of USD 100 billion annually, to USD 300 billion annually by 2035.
- Secure efforts of all sectors to work together to scale up finance to developing countries, from public and private sources, to the amount of USD 1.3 trillion per year by 2035.

Strong signal to **enhance financial support for the forest sector**



COP30

- Negotiation agenda currently has no forest-specific topics, but **several agenda items under which forests could play a bigger role.**
- Brazil has clearly communicated that **the COP will give a boost to the visibility of forests and the importance of forests for addressing climate change.**



Article 6.2: Key Outcomes – Authorization

Scope: Clarifies it contains three components - cooperative approaches, ITMOs, and entities

Content: what shall the Auth statement contain:

- Unique identifier (CARP), Name of entity, use covered by authorization, vintage, metrics including conversation, sectors, activities and its types;
- Date and duration including, final date for issuance, use and cancellation;
- Cross reference to regulations, frameworks, standards, methodologies;
- Condition for change in authorization, including process to avoid DC;
- Tracking infrastructure identification, underlying framework, regulations, track participation and transaction of entities.

Format: Voluntary standardized template by the Secretariat.

Changes: Shall not apply to first transferred ITMOs and consistent with the conditions elaborated in Authorization statement, including avoidance of the DC.

Transparency: CARP provide publicly accessible copies of Auth, changes, statements, updates.



Article 6.2: Key Outcomes

Reporting

- Provide supplementary information to be included in the Initial Report (IR);
- Request the parties to use the Updated the Agreed Electronic Format for reporting annual information;
- Clarify the sequence and timing between the IR/UIR and annual and regular information.

Application of first transfer

- Clarify the timing and sequencing between authorization and first transfer (NDC or OIMP, only OIMP);
- Specify the application of first transfer of ITMOs for OIMP with robust arrangements by the first transferring Party including a recording deadline (no later than 31 December of the year prior to the submission of the BTR);
- Specify the voluntary contribution to the AF and OMGE as first transfer (CA will apply).



Article 6.2: Key Outcomes

Addressing the inconsistencies

- Adopt the tagging approach* for ITMOs under the review process and transparent disclosure for stakeholders (e.g., “*no inconsistencies identified*”, “*inconsistencies identified*”, “*not available*”);
- Specify the Parties’ responsibility to address the inconsistencies and their consequences, requesting that ITMOs identified as inconsistent ‘not be used’;
- Decide on ‘significant’ or ‘persistent’ inconsistency to be identified and addressed by A6 technical expert review team.

Registries to track ITMOs

- Clarify the connection between the A6.4 mechanism registry and party registry – Auth A.6.4 ITMOs to IR;
- A6.2 participating Parties’ registries with ‘pull and view’ function on holding and action history of the A.6.4 ITMOs using interoperability provisions;
- Add new registry services, including issue of MOs on-demand basis.



Article 6.4: Key Outcomes

A.6.4 PACM registry: Participating party registry may voluntarily connect to MR; connection enable transfer of **AUTHORIZED A.6.4 ER**; Ability to also pull and view data and information on holdings, and action history of Authorized A.6.4 ERs.

Transition: A/R project activities and PoA may transition from the CDM to the A6.4 mechanism. Request for transition with approval from A6.4 DNA needs to be received by 31.12.2025.

LDC and SIDS: exempt from SOP for adaptation, but they may choose not to....

Operation of the A6.4:

- Consideration of international environment agreements in A6.4;
- Balance to be stricken between continuous improvement to reflect best available science and regulatory stability for standards/tools/procedures.



Article 6.4: Key Outcomes

Methodological work: Expedite the work *additionality, baseline, leakages, standardized baselines, suppressed demand, non permanence and reversals, and revision of CDM methodologies.*

Authorization: Clarification that statement, the A6.4 mechanism can:

- Authorize in full or part or (correspondingly adjusted) A6.4ER;
- Does not Authorize;
- Allow Mitigation Contribution Units (MCUs) ...while authorization may be done at a later stage (before being transferred in or out of the mechanism registry (first transfer);
- UNFCCC sec to develop template for Authorization;
- PACM SBM to determine need for a timeline based on experience and report to CMA.



Article 6.4: Key Outcomes

CMA took note of the methodological and removal standards of the PACM – SBM, ask to implement and seek guidance as necessary from CMA.

“Methodologies and removal” Standard

- Downwards adjustment in baseline approaches:
 - Applies to 36 (iii) – existing actual or historical emissions;
 - Applies to 36 (i) and (ii) – BAT and ambitious benchmark (unless decided otherwise by the SBM);
- Default approach for additionality: financial additionality (barrier analysis and performance-based approach as alternatives); Regulatory analysis, prior consideration and avoidance of lock-in are always required;
- Article 5 para.2 activities of the PA are allowed under 6.4; also link to CP 19 decisions;



Article 6.4: Key Outcomes

“Methodologies and removal” Standard (continued)

- Other principles: NDC, LT-LEDs, temperature goal of PA: simple demonstration of alignment; encouraging ambition over time; real, transparent, conservative and credible; below BAU; contributing to equitable sharing; etc.
- Defines removals avoidable reversals, and unavoidable reversals; how removals are calculated; MRV requirements, Addressing reversals, post crediting monitoring with principle of monitoring unless risk of future reversals negligible and/or remediated).



Article 6.4 SBM on PACM FUTURE WORK

Article 6.4: Developed standards for developing mechanism methodologies

- Developed standards for activities involving removals;
- Adopted mandatory environmental and social safeguards (SD tools);
- Adopted the first ever UN carbon market Appeals and grievance procedures;
- DNA designated under Article 6 touched 95+;
- DOEs submitted application for accreditation is 20+;
- New activities submitted prior notification 1000+;
- Transition activities approval 10;
- Transition activities completed GSC process 1500+;
- Host party fulfillment forms to UNFCCC 10;
- The A.6.4 interim transactional registry will be in place Dec 2024;
- Flexibility in Admin SOP for LDCs. – proposed;

The technical expert panels have started working on tools and guidelines.



Article 6.2: FUTURE WORK PLAN

Need to swift transition for the full-implementation phase

- Clear signal to Parties and non-Party stakeholders to participate in A6.2 with enhanced environmental integrity and transparency provisions;
- The Secretariat will provide capacity building programmes;
 - ✓ Institutional Arrangements:
 - ✓ Participation requirements (Recording, Reporting and tracking Infrastructure):
 - ✓ Baseline approaches for 6.4 methodologies:
 - ✓ Participation in Article 6 increase Ambition (dialogue with each SBI).
- 6 countries completing the review, Additional training to reviewers, Annual reporting on reviews;
- Revision of A.6 Manual 2025;
- RSA forum to establish the interoperability and communication standards and procedures 2025;
- Infrastructure CARP, A.6 DB, and International registry in 2025;
- Review of existing guidance and remaining matters only by 2028.





Thank you!

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Any questions?

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Lunch Break

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