2c ERPA Extensions & post-2024 crediting plans

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ERPA Extension - projected FCPF Delivery

- In May 2024, the WB Board of Directors approved – upon endorsement by CFPs and recommendation of the WB President – the extension of the FCPF Carbon Fund from December 31, 2025, to December 31, 2028.
- Extension was granted to enable ER Programs to continue reporting and verification, maximize results-based payments for generated emission reductions, and have more time to implement benefit sharing plans (BSPs).
- FMT Note on Carbon Fund extension included clarification that this did not automatically extend ERPAs.
- FMT has been following-up with WB task teams to support discussions regarding extension, many discussions depending on the first payment.
- WB decision-making regarding extensions consider aspects that go beyond the FCPF.

ERPA Extension – Process

Task Team

- Discusses and agrees with client country on the new closing date
- Engages with Country Management Unit and obtains their approval
- Informs FMT on the proposed extension

Country

- Submits a letter to the Country Director (CD), requesting the ERPA extension

FMT

- Consults FCPF Carbon Fund Participants (CFPs) for their no objection on the extension
- Informs task team after no objection is received

Task Team/CMU

- Task Team prepares restructuring package
- CD (or Regional Vice President) will approve the extension
- Country is informed of the official decision

Extension status

Extension request received or expected	Not extending	Under discussion
Costa Rica (Dec 2028)	Viet Nam	Dominican Republic
Côte d’Ivoire (Jun 2027)		Indonesia
DR Congo (Jun 2027)		Guatemala
Ghana (Dec 2027)		Fiji
Chile (Jun 2027)		Mozambique
		Rep of Congo
		Madagascar
		Lao PDR
		Nepal

Implications of non-extension

- Trustee notifies Program Entity (PE) of closure of the ERPA.
- In line with section 7.6 of the FCPF Process Guidelines and section 12 of the Buffer Guidelines, upon ERPA closing the PE's pro-rata share of the pooled buffer ERs will be cancelled.
- Trustee responsibility ends upon ERPA closing, including supervision of BSP and safeguards requirements.
- The only surviving responsibilities are related to Default Notices being issued during the ERPA term. So far, no Default Notice has been issued.
- Reputational risks or beneficiary risks could still exist upon closing, so WB task teams, in consultation with the country management unit, are considering options to address these, including monitoring through a separate project.

Transition Strategy

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Transition strategy

- All crediting periods have ended on 31 December 2024.
- FCPF ERPAs will terminate between 31 December 2025 and 31 December 2028.
- Success of the FCPF Carbon Fund is measured in part on its programs continuing to reduce emissions and continue accessing climate finance.
- While several countries have demonstrated their capacity to transition to a different crediting standard (e.g., Costa Rica, Ghana), others will require continued support.

"To pilot a performance-based payment system for Emission Reductions generated from REDD activities, with a view to ensuring equitable benefit sharing and promoting future large scale positive incentives for REDD."

FCPF Charter, Section 2.1(b), Objectives

Transition needs

- This transition requires a set of country-specific analytics:

Activity	Sub-activity
Discuss Regulatory framework and governance arrangements including nesting	If going national or if the Program area increases, perform an analysis of governance and regulatory framework that could enable a national MRV system. This analysis should include recommendations on how to improve/operationalize the national REDD+ strategy and a proposal for a long-term plan for the MRV unit and national REDD+ coordination units.
	Develop and test (if possible) a nesting protocol that can be used for the entire Program area
Discuss and define the scale of the ER Program, carbon pools and REDD+ activities	Perform an analysis of drivers and agents of deforestation to analyze emission and removal sources and identify possible interventions. Also, develop a study to assess risks of leakage and estimate leakage discounts
Estimate the emissions baseline and ex-ante emissions	Update/improve the national/sub national forest monitoring system
	Data collection (activity data) and analysis (activity data and emission factors)
	Estimation of the emissions baseline and the ex-ante emission reductions, including the uncertainty analysis.

- The estimated average cost per program is $400,000.

Transition proposal

- FMT proposes an allocation of **up to $4 million** to provide support CF countries with their analytics.
- These will be executed by WB task teams on a country-by-country basis.
- Any work covering the actual development of the ER Program document, including enhancement of safeguards instruments, stakeholder consultations, and validation/verification, will not be financed by the FCPF (not eligible for financing as bank-executed funds).
- A flanking and complementary proposal will be made under SCALE to finance these activities through recipient-executed finance.

FMT evaluation criteria of proposals:

- Strong government interest in continuing crediting of their FCPF program beyond 2024, i.e., letter from government.
- Activities proposed are linked to the necessary steps to support countries to transition.
- Activities are aligned and do not overlap with activities from other partners in development
- The funding must be used consistent with Bank policies.

Thank you!

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Any questions?
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