WORLD BANK GROUP
Climate Change

FCPF UPDATES

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January, 2024

FOREST CARBON PARTNERSHIP FACILITY

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Updates to the Validation and Verification Guidelines

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UPDATES TO VALIDATION AND VERIFICATION GUIDELINES (VVGS)

- Clarifications or new requirements mostly applicable to VVBs:
  - The requirements for accreditation of VVBs have been adjusted to enable other Accreditation Bodies to provide accreditation services under the FCPF.
  - Language requirements for VVBs have been enforced to ensure they possess working language skills necessary for the engagement
  - A new requirement has been included to ensure VVBs comply with the timelines defined for the assessment as part of the audit plan.

"The VVB shall review and respond to ER Program responses to non-compliances and clarifications within a reasonable time period **and not more than 30 calendar days from receipt**. This is regardless of delays or deviations from the agreed upon timeline, including delays from the ER Program. VVB delays beyond 30 calendar days shall be communicated and justified in advance to the FMT."

Updates to the Process Guidelines

UPDATES TO THE PROCESS GUIDELINES

- Section 7.7 has been added to clarify the double claiming procedures for CORSIA eligible Emissions units:
  - ER Programs shall obtain a LOAA – the LOAA shall be submitted to CATS before the units can be issued
  - Authorize ER Programs to use ERs under CORSIA
  - Declare that those ERs will not be used towards the NDCs
  - Execute the Corresponding Adjustment and report to the UNFCCC

- Once the Carbon Fund acquires evidence that the respective Corresponding Adjustment has been applied, the relevant CORSIA Eligible Emissions Units will be labelled
- In order to guarantee that the emissions units covered by a LOAA avoid double claiming , the ER Program shall obtain a guarantee, in a form acceptable to the World Bank
- These requirements may be adjusted as we make progress with the discussions with MIGA

UPDATES TO THE PROCESS GUIDELINES

Annex I. LOAA template

Model Letter of Authorization

To: [*Address*]

[*place, date*]

REDD Country designated authority for authorization ("Authority")	[insert name of government authority and official]
Contact details for REDD Country Authority	[insert contact details]
Name of Applicant	[insert contact details for entity seeking authorization]
Date of letter	[insert date]
Effective date of Authorization	[insert date]
Expiration of Authorization	[insert date]

The Authority confirms that [REDD Country X]:

- [Is a Party to the Paris Agreement, having ratified the agreement on [insert date].]
- [Has prepared and communicated a "nationally determined contribution" ("NDC") to the secretariat of the UNFCCC on [insert date of NDC submission], in accordance with Article 4.2 of the Paris Agreement and decision 4/CMA.1]
- [Has arrangements in place for authorizing the use of internationally transferred mitigation outcomes ("ITMOs") towards [Country X]'s NDCs pursuant to Article 6 of the Paris Agreement and arrangements in place for tracking ITMOs.]
- [Has provided a recent national inventory report in accordance with decision 18/CMA.1 on [insert date].]
- [Its participation contributes to the implementation of its NDC [and long-term low-emission development strategy], and the long-term goals of the Paris Agreement.]
- [Is participating voluntarily in the cooperative activity described in this letter.]

This Authorization is in reference to the specific [cooperative approach identified below:

Name of cooperative approach	[insert name of ER Program]
Program Entity	[insert name and full contact details]
[Public program participants/ proponents]	[insert name and full contact details]
[Private program participants/proponents]	[insert name and full contact details]

Name of Crediting Framework	FCPF Carbon Fund
Program Document	[insert reference]
NDC Implementation Period	[insert Host Country's NDC time frame]
Vintage years of the ERs	[all years during which mitigation outcomes will be verified]
Sector	REDD+
Activity type	[insert a description of the activity type]
Location of activity	[insert geographic location]
Party intending to use ERs	[insert party]
Type of Authorized use	[insert use] [for use for other international mitigation purposes, specify how "first transfer" is defined consistently with Paris Agreement Rules]
Volume of Authorized ERs	[insert total volume of ERs Authorized]
Registry	[insert Registry intended to be used to effectuate Transfer of ERs]

In terms of the cooperative approach specified above, the Authority confirms the following:

- It (i) promotes sustainable development and environmental integrity in [REDD Country] and (ii) relates and contributes to the implementation of its nationally determined contribution (NDC)
- [REDD Country X] shall not use the internationally transferred mitigation outcomes (ITMOs) from ERs Authorized pursuant to this Authorization Letter to demonstrate achievement of its own NDC.
- [REDD Country X] will apply [Indicative Corresponding Adjustments]/[Corresponding Adjustments] as required by the Paris Agreement and its implementing rules (Paris Agreement Rules) for ERs authorized pursuant to this Authorization Letter, using [*insert method*];
- The Applicant has the right to rely on this Authorization for future transfers, provided that all conditions specified for transfer are met and that this Authorization is based on true and accurate information provided by the Applicant upon which the Authority has the ability to rely for the decisions herein; and
- In the event any information provided by the Applicant is inaccurate or is modified during the duration of this Authorization, Applicant has the responsibility to notify the Authority immediately and provide necessary information.
- The Authorized mitigation outcomes represent mitigation from 2021 onwards.

This letter of authorization is done in two (2) originals in the English language.

Sincerely,

By_____

[Name of Signatory]

Updates to the Monitoring Report template

UPDATES TO THE MONITORING REPORT TEMPLATE

- List of acronyms
- Section 4.3 – new tables to be use when there are reversals

>> In case of non-performance or reversals in previous period

This table is only applicable when the monitoring and reporting periods are the same (they are multiple of full calendar years). If not applicable, please remove it.

A	**Total Reference Level emissions during the Reporting Period (tCO_2-e)**	
B	**Net emissions and removals under the ER Program during the Reporting Period (tCO_2-e)**	
C	**Cumulative quantity of Total ERs estimated for prior reporting periods (tCO_2-e, only use if negative)**	
D	**Emission Reductions during the Reporting Period (tCO_2-e) (A-B+C)**	

>>

This table is only applicable when the monitoring and reporting periods are different and a pro-rata is applied. If not applicable, please remove it.

A	**Total Reference Level emissions during the Monitoring Period (tCO_2-e)**	
B	**Net emissions and removals under the ER Program during the Monitoring Period (tCO_2-e)**	
C	**Emission Reductions during the Monitoring Period (tCO_2-e) (A-B)**	
D	**Length of the Reporting period / Length of the Monitoring Period (# days/# days)**	
E	**Emission Reductions during the Reporting Period (tCO_2-e) (C*D)**	
F	**Cumulative quantity of Total ERs estimated for prior reporting periods (tCO_2-e, only use if negative)**	
G	**Cumulative Emission Reductions during the Reporting Period (tCO_2-e) (E+F)**	

UPDATES TO THE MONITORING REPORT TEMPLATE

- Section 5.2 – estimation of cumulative uncertainty

		Reporting Period		Crediting Period	
		Total Emission Reductions*	Forest degradation**	Total Emission Reductions*	Forest degradation**
A	**Median**				
B	**Upper bound 90% CI** (Percentile 0.95)				
C	**Lower bound 90% CI** (Percentile 0.05)				
D	**Half Width Confidence Interval at 90% (B – C)/ 2**				
E	**Relative margin (D / A)**	%	%	%	%
F	**Uncertainty discount**	%	%	%	%

*Remove forest degradation from the estimate if forest degradation has been estimated with proxy data.

**Remove the column if forest degradation has not been estimated using proxy data.

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Updates to the Buffer Guidelines

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Proposed modifications to the Buffer Guidelines

January 2024

Proposed revisions to the Buffer Guidelines

Rationale for making revisions at this stage

- ER Programs and the carbon market has evolved substantially since the FCPF Carbon Fund began:
  - Scrutiny has increased significantly, particularly on REDD+, including the FCPF Standard, ER Programs and the World Bank
  - ER Programs have started to generate ERs, including excess ERs that might enter the market
  - Some ER Programs have started to experience reversals
- Permanence is a critical issue to determine the credibility, quality and market acceptance of REDD+ ERs, thus having a robust reversal management mechanism is key to maintain the value of ERs
- The FMT has recently identified a number of issues in the Buffer Guidelines that need to be revised in order to strengthen the Reversal Management Mechanism of the CF, improve reversal estimates and clarify the relationship between the Reversal Buffers, Uncertainty Buffer and Excess ERs.

Proposed revisions to the Buffer Guidelines

Revisions proposed

1. Merging ER Programs´ Reversal Buffers with the Pooled Reversal Buffer
2. Establishing requirements for the replenishment of Pooled Reversal Buffer ERs after a reversal
3. Revising the operational definition of “reversal” to include all issued ERs
4. Revising the equation used to estimate the quantity of Reversal Buffer ERs to be cancelled in case of a reversal
5. Cancelling Uncertainty Buffer ERs and excess ERs in case reversals go beyond the contribution of the ER Program to the Pooled Reversal Buffer
6. Disallowing the transference of excess ERs in cases where the ER Program has not fully replenished the Pooled Reversal Buffer after a reversal
7. Disallowing the release of Uncertainty Buffer ERs in cases where the ER Program has not fully replenished the Pooled Reversal Buffer after a reversal
8. Requiring Uncertainty Buffer ERs to contribute to the Pooled Reversal Buffer before being released as transferrable ERs
9. Requiring the cancellation of Excess ERs to cover Pooled Reversal Buffer debits at the end of the Crediting Period

1. Merging ER Programs´ Reversal Buffers with the Pooled Reversal Buffer

Current requirements

- "7.6 A certain quantity of ERs out of the Total ERs shall be allocated as Buffer ERs to the Reversal Buffer and the Pooled Reversal Buffer account to help manage the Reversal Risk"
- "7.9 From the Actual Reversal Risk Set-Aside Percentage (…) half of the Default Risk percentage of 10% shall be deposited as Buffer ERs into the Pooled Reversal Buffer account while the remainder of the Actual Reversal Risk Set-Aside Percentage shall be deposited as Buffer ERs into the Reversal Buffer account"

Rationale for the proposed revision

- Recent experiences have shown that ER Program reversals may be considerable, and, in some cases, higher than expected based on reversal risk assessments
- Merging the ER Programs´ Reversal Buffers with the Pooled Reversal Buffer will thus increase the robustness of the overall CF´s reversal management system, particularly in case of large reversals, thus enhancing the credibility of CF ERs, ER Programs and the CF Portfolio
- At the same time, pooling all buffer accounts serves to reduce the contribution of each of the ER Programs compared to a scenario of individual buffer accounts or limited pooling
- Due to these reasons, all other jurisdictional REDD+ standards (i.e., JNR and TREES) use a totally pooled buffer

1. Merging ER Programs´ Reversal Buffers with the Pooled Reversal Buffer

Proposed revision

- It is proposed to eliminate the ER Programs´ Reversal Buffer accounts and to transfer all their current and any future Buffer ERs to the Pooled Reversal Buffer Account
- However, each individual ER Program´s Pooled Reversal Buffer contributions will be identifiable

Implications for ER Programs

- ER Programs facing catastrophic reversals will be less likely to inflict deficits (i.e., debits beyond the available buffer ERs) to the Pooled Reversal Buffer (thus safeguarding their and the CF´s credibility) while making relatively reduced reversal buffer contributions (and/or avoiding increased contributions)

2. Requirements for replenishing Pooled Reversal Buffer ERs after a reversal

Current requirements

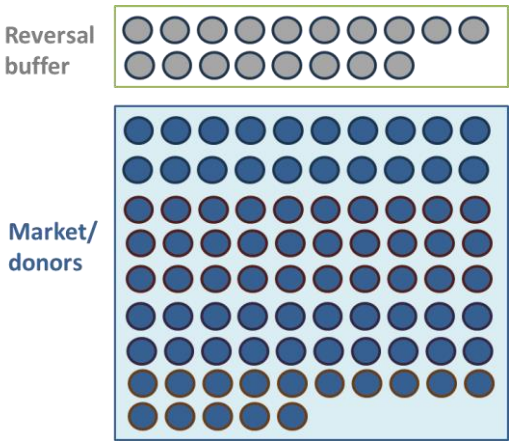
- No reversal buffer replenishments are required

Rationale for the proposed revision

- Pooled Reversal Buffer replenishments are needed to maintain the reversal risk coverage level of the CF portfolio (as determined through the application of the BGL risk assessments)
- If replenishments are not made, higher buffer contributions would have to be set to maintain the same ratio between the transferred/transferrable ERs and the Pooled Reversal Buffer ERs
- ER Programs having suffered a reversal need incentives to continue, so they are allowed to transfer a limited amount of the ERs generated subsequently
- Relatively large or "late" reversals are considered particularly risky, so the flexibility rule described above does not apply to such cases

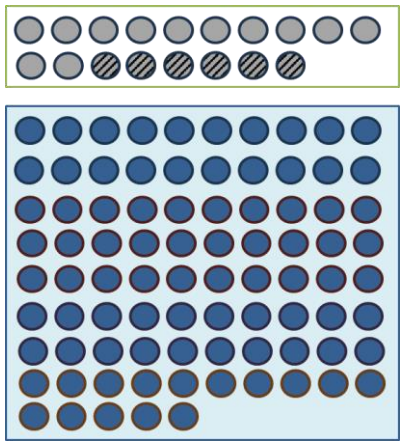
2. Requirements for replenishing Pooled Reversal Buffer ERs after a reversal

Before the reversal



Transferred ERs/buffer ERs ratio: 4,76 - meaning that **there are almost 5 transferred ERs" for each buffer ER**, or that **each transferred ER is backed by 0.21 buffer ERs**

After the reversal



Transferred ERs/buffer ERs ratio: 7,20 - meaning **that there are 7 transferred ERs for each buffer ER**, or that **each transferred ER is backed by 0.14 buffer ERs**

If buffer ERs are not replenished, transferred (and transferrable) ERs are more risky, less credible, and their market value (in the case of Excess ERs) may decrease as a consequence

2. Requirements for replenishing Pooled Reversal Buffer ERs after a reversal

Proposed revision

- ERs from the Pooled Reversal Buffer cancelled due to a Reversal need to be replenished by the affected ER Program before the end of the Crediting Period.
- To do so, all the ERs generated after the reversal by the ER Program shall be transferred to the Pooled Reversal Buffer until at least 50% of the Program´s debit (including, if applicable, any subsequent reversals) has been covered.
- After this level has been reached, the ER Program may transfer up to 30% of the ERs generated, while the remaining amount shall be used to cover the rest of the Program´s Pooled Reversal Buffer debit until it is fully replenished.
- If the Reversal takes place from the third year of the Crediting Period on, or if it represents more than half of the current net Pooled Reversal Buffer balance of the ER Program, the ER Program shall not be able to transfer any ERs generated subsequently until it has fully replenished the amount of cancelled Pooled Reversal Buffer ERs resulting from such (and any subsequent) Reversal

Implications for ER Programs

- ER Programs will need to replenish the Pooled Reversal Buffer before the end of the Crediting Period

3. Revising the operational definition of "Reversal"

Current requirements

- "10.1 A "Reversal" occurs if one or more disturbance event(s) result in the aggregate amount of ERs measured and verified within the Accounting Area for one Reporting Period being less than the aggregate amount of ERs measured and verified within the Accounting Area for the previous Reporting Period(s)."
- "10.4 (…) A Reversal can only occur if ***ERs have been transferred to the CF or other buyers***, for at least one prior Reporting Period."

Rationale for the proposed revision

→ The current requirements (section 10.4 in particular):

- → Are not clear
- → Seem to ignore that all verified and issued ERs are susceptible of being "reversed", including those in the ER Program account and the various buffers
- → May lead to misleading ER Program holding account balances and Reversal Buffer balances

Proposed revision

- It is proposed to modify Section 10.4 so that all ERs issued by the FCPF CF are recognized as reversible

3. Revising the operational definition of "Reversal"

Implications for ER Programs

- The proposed modification will change the amount of what is considered as a reversal in a monitoring period

4. Revising the equation used to estimate the quantity of Reversal Buffer ERs to be cancelled in case of a reversal

Current requirements

10.6 The quantity of Buffer ERs canceled from the Reversal Buffer account shall be equal to the amount of transferrable ERs[3] generated in previous Reporting Periods and are proportionally affected by the Reversal. The amount of transferrable ERs affected by the Reversal shall be calculated as follows:

$$R_c = C/T_{t-1} \times (T_{t-1}-T_t)$$

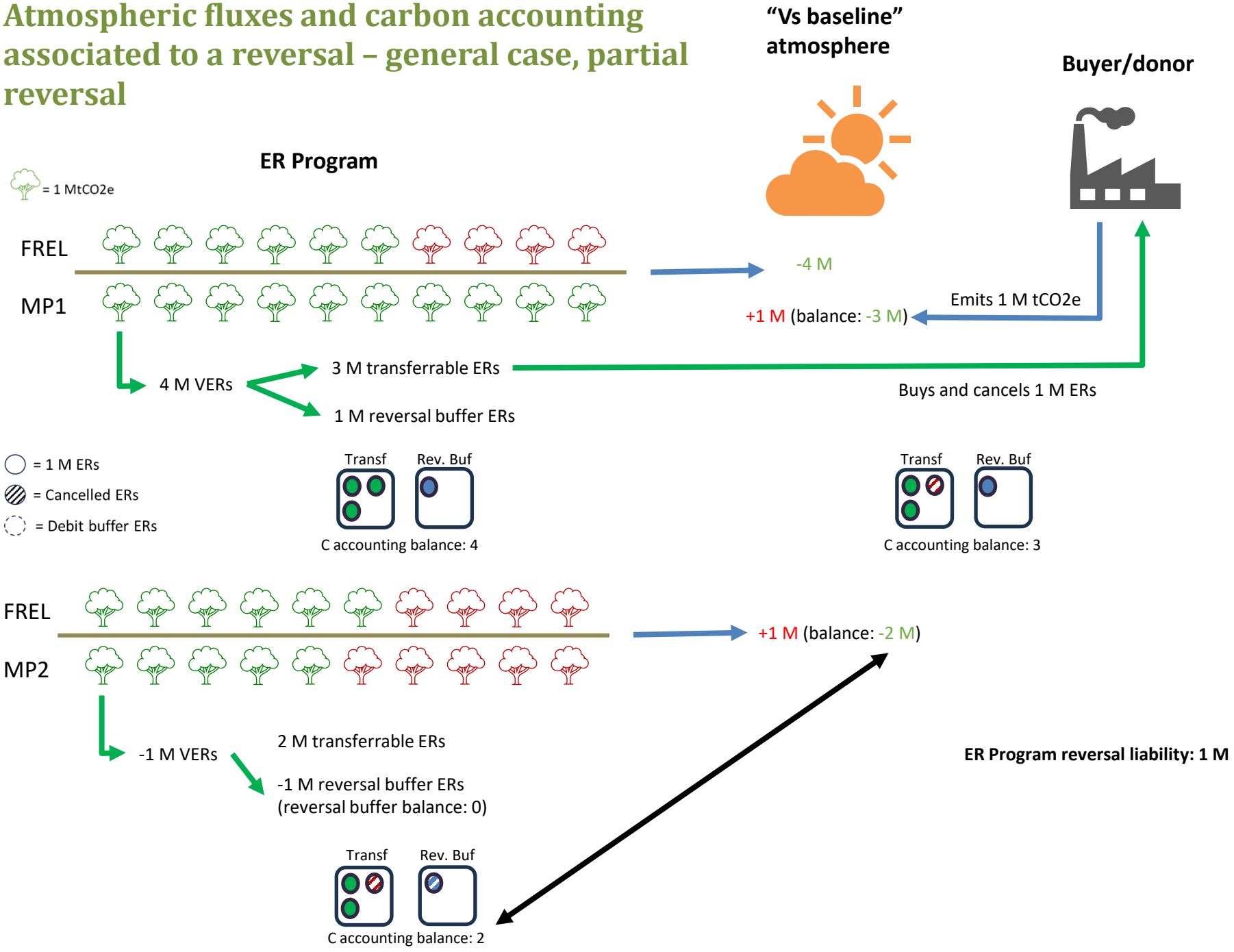
Where:

R_c	=	Quantity of Buffer ERs canceled from the Reversal Buffer account
C	=	Quantity of transferrable ERs since the Crediting Period Start Date.
T_{t-1}	=	Cumulative quantity of Total ERs estimated for prior Reporting Periods (as an aggregate of ERs accumulated since the Crediting Period Start Date)
T_t	=	Cumulative quantity of Total ERs estimated including the current Reporting Period (as an aggregate of ERs accumulated since the Crediting Period Start Date)

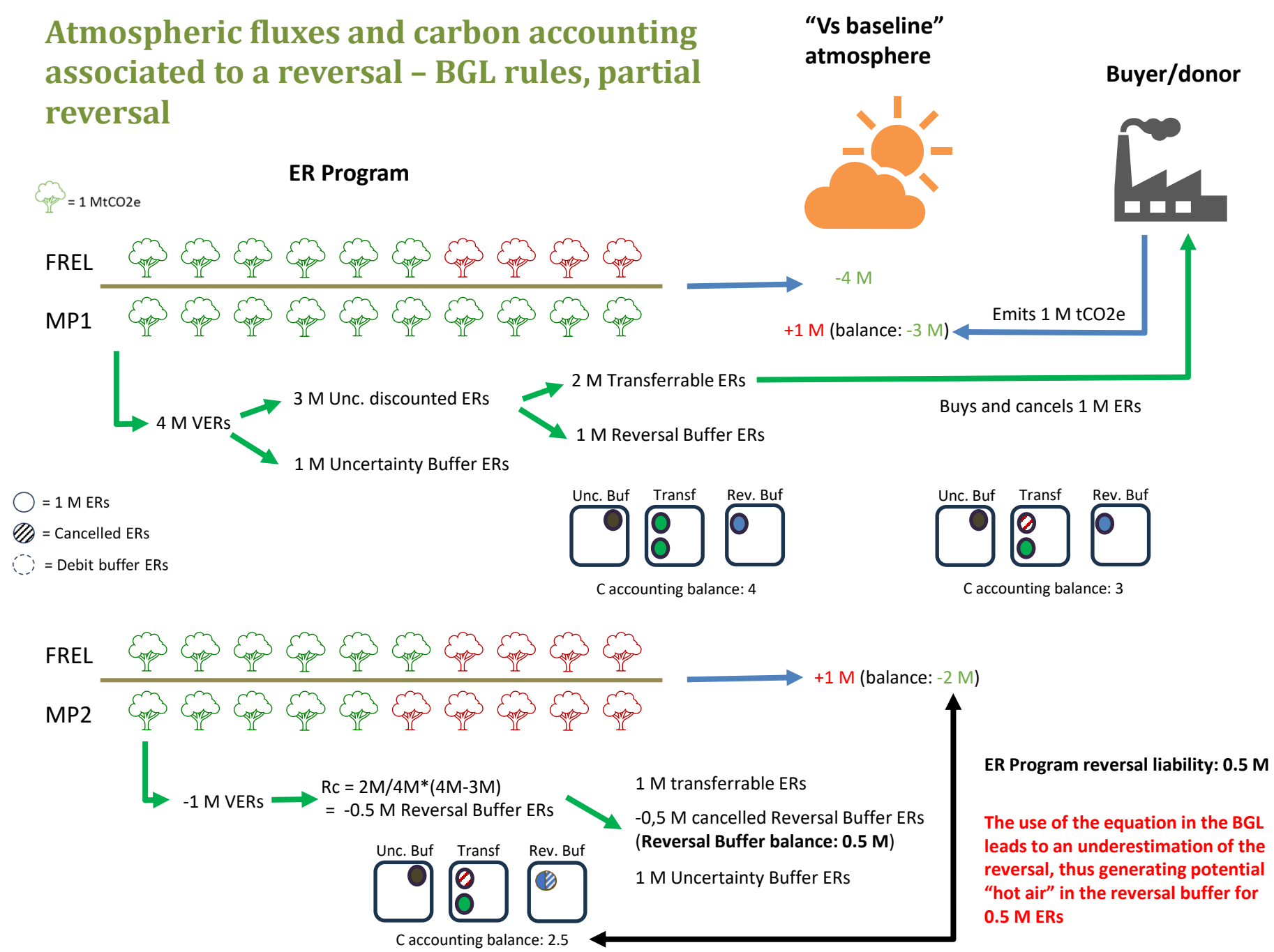
[3] Transferrable ERs are equal to Total ERs minus the set aside Buffer ERs.

- There are two critical issues associated to this equation:
  - The accuracy of carbon accounting (i.e., the equation should help reflect "what the atmosphere sees" when a reversal takes place)
  - The liability of the ER Program in case of a reversal (i.e., the amount of Reversal Buffer ERs that shall be cancelled in case of a reversal)

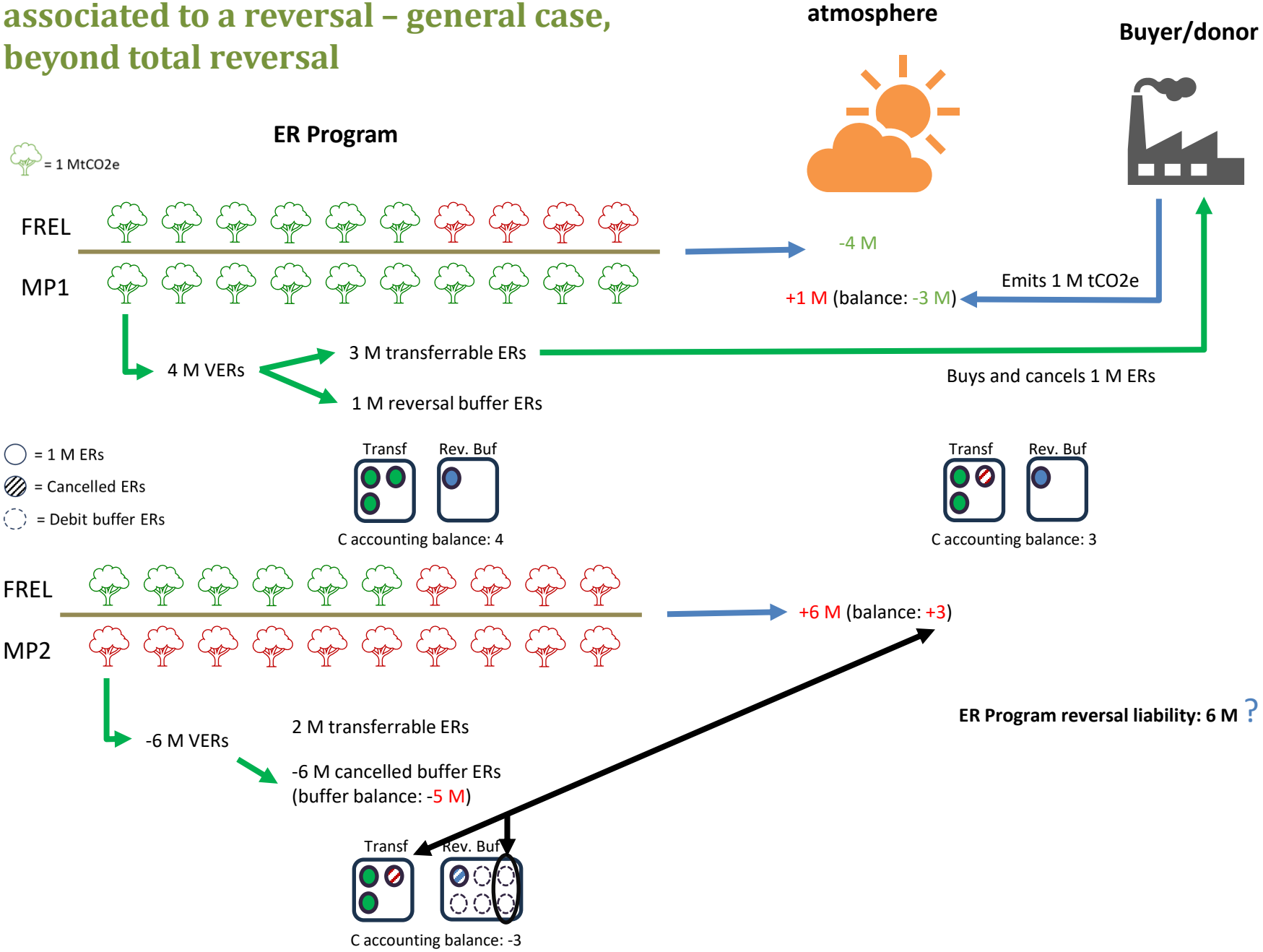
Atmospheric fluxes and carbon accounting associated to a reversal – general case, partial reversal



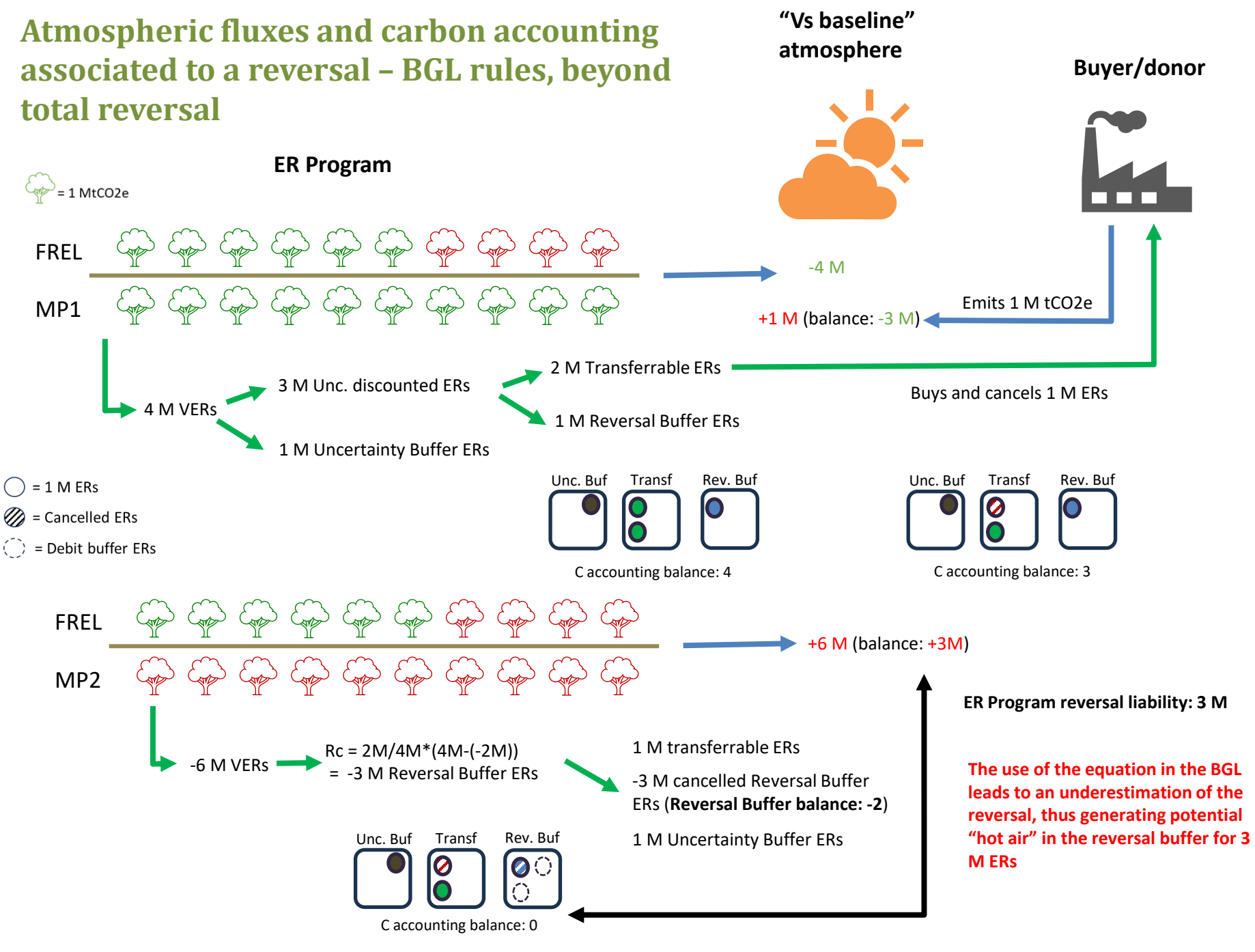
Atmospheric fluxes and carbon accounting associated to a reversal – BGL rules, partial reversal



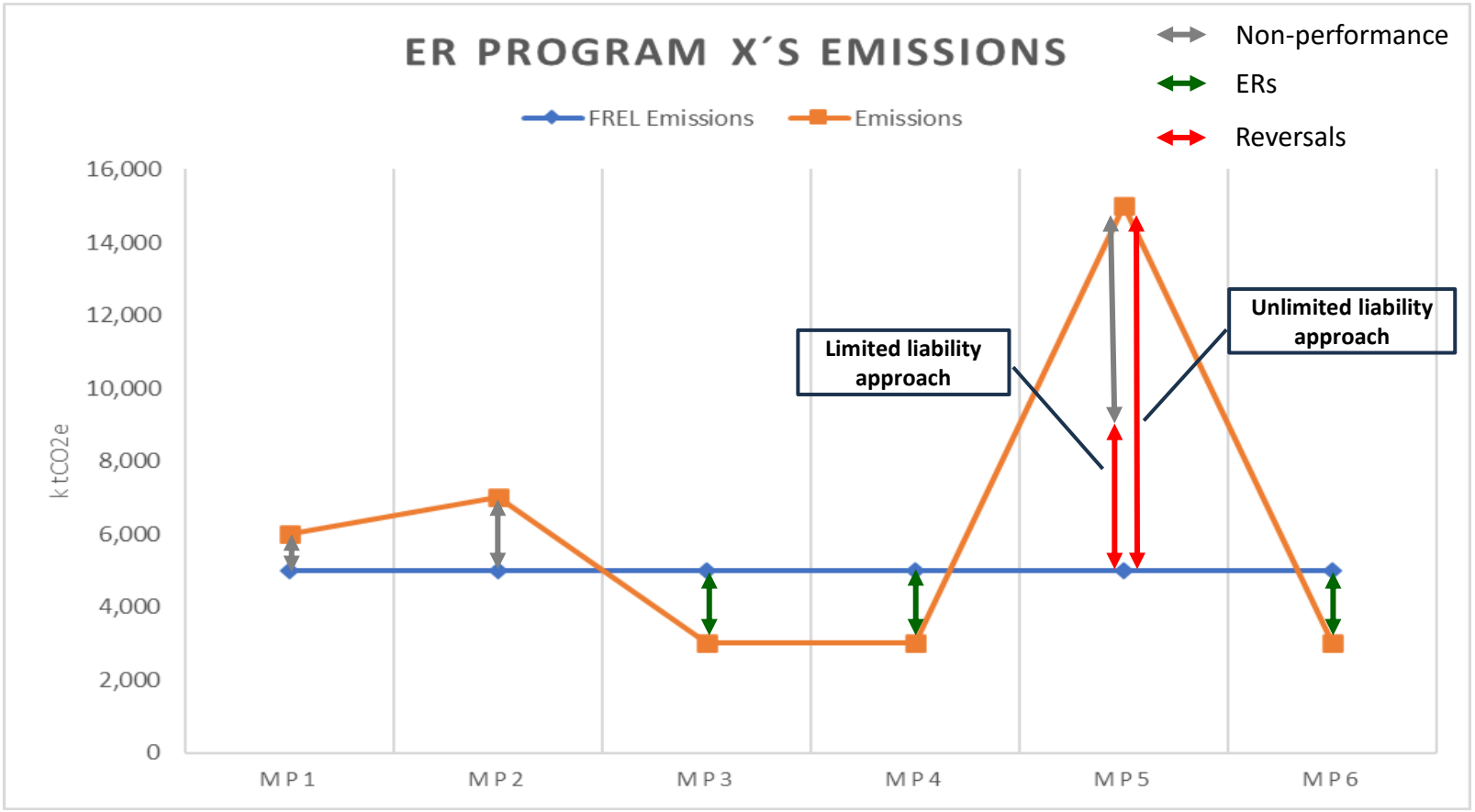
Atmospheric fluxes and carbon accounting associated to a reversal – general case, beyond total reversal



Atmospheric fluxes and carbon accounting associated to a reversal – BGL rules, beyond total reversal



Reversal liability level



	Limited liability approach				
	FREL	Emissions	ERs	Transferrable ERs	Reversal buffer contributions (assumes 20% risk discount)
MP1	5,000	6,000	-1,000	0	0
MP2	5,000	7,000	-2,000	0	0
MP3	5,000	3,000	2,000	1,600	400
MP4	5,000	3,000	2,000	1,600	400
MP5	5,000	15,000	-10,000	0	-4,000
MP6	5,000	3,000	2,000	0	2,000
Totals	**30,000**	**37,000**	**-7,000**	**3,200**	**-1,200**

	Unimited liability approach				
	FREL	Emissions	ERs	Transferrable ERs	Reversal buffer contributions (assumes 20% risk discount)
MP1	5,000	6,000	-1,000	0	0
MP2	5,000	7,000	-2,000	0	0
MP3	5,000	3,000	2,000	1,600	400
MP4	5,000	3,000	2,000	1,600	400
MP5	5,000	15,000	-10,000	0	-10,000
MP6	5,000	3,000	2,000	0	2,000
Totals	**30,000**	**37,000**	**-7,000**	**3,200**	**-7,200**

4. Revising the equation used to estimate the quantity of Reversal Buffer ERs to be cancelled in case of a reversal

- Under Verra´s JNR, the amount of a reversal is calculated as the difference between the current total to-date GHG benefit and the benefit at the previous verification event. Buffer credits from the jurisdictional pooled buffer account shall be cancelled to fully account for the reversal
  - This implies an "unlimited liability" to the jurisdictional program

- Under ART TREES, when a reversal is identified in a monitoring report, credits shall be retired from the pooled buffer equal to the lower of:
  - The number of emissions above the crediting level
  - The total number of credits previously issued to the program
    - The latter assumes that buffer credits are permanent, and both conditions together imply that the highest reversal possible is equal to the total number of credits previously issued

Rationale for the proposed revision

- The proposed revision fixes the issue of only considering transferred ERs as reversible and therefore results in more accurate and robust carbon accounting
- It also establishes the "limited liability" of ER Programs when accounting for reversals

5. Revising the equation used to estimate the quantity of Reversal Buffer ERs to be cancelled in case of a reversal

Proposed revision

- The proposed revised equation:
  - Recognizes that all VERs are reversible, thus maintaining consistency between the ER Program carbon accounting and "what the atmosphere sees"
  - Establishes a "limited liability" for ER Programs equal to the total VERs generated by a program before the reversal took place

10.5 The quantity of Buffer ERs canceled from the Pooled Reversal Buffer account (and the Uncertainty Buffer, if needed) shall be equal to the difference between the cumulative ERs up to the year before the reversal took place and the cumulative ERs in the year of the reversal, noting that this quantity should be limited to the sum of transferrable ERs[3] generated in previous Reporting Periods plus the cumulative contributions to the Pooled Reversal Buffer and the Uncertainty Buffer by the ER Program up to the moment of the reversal. Therefore, the quantity of Buffer ERs affected by the Reversal shall be calculated as follows:

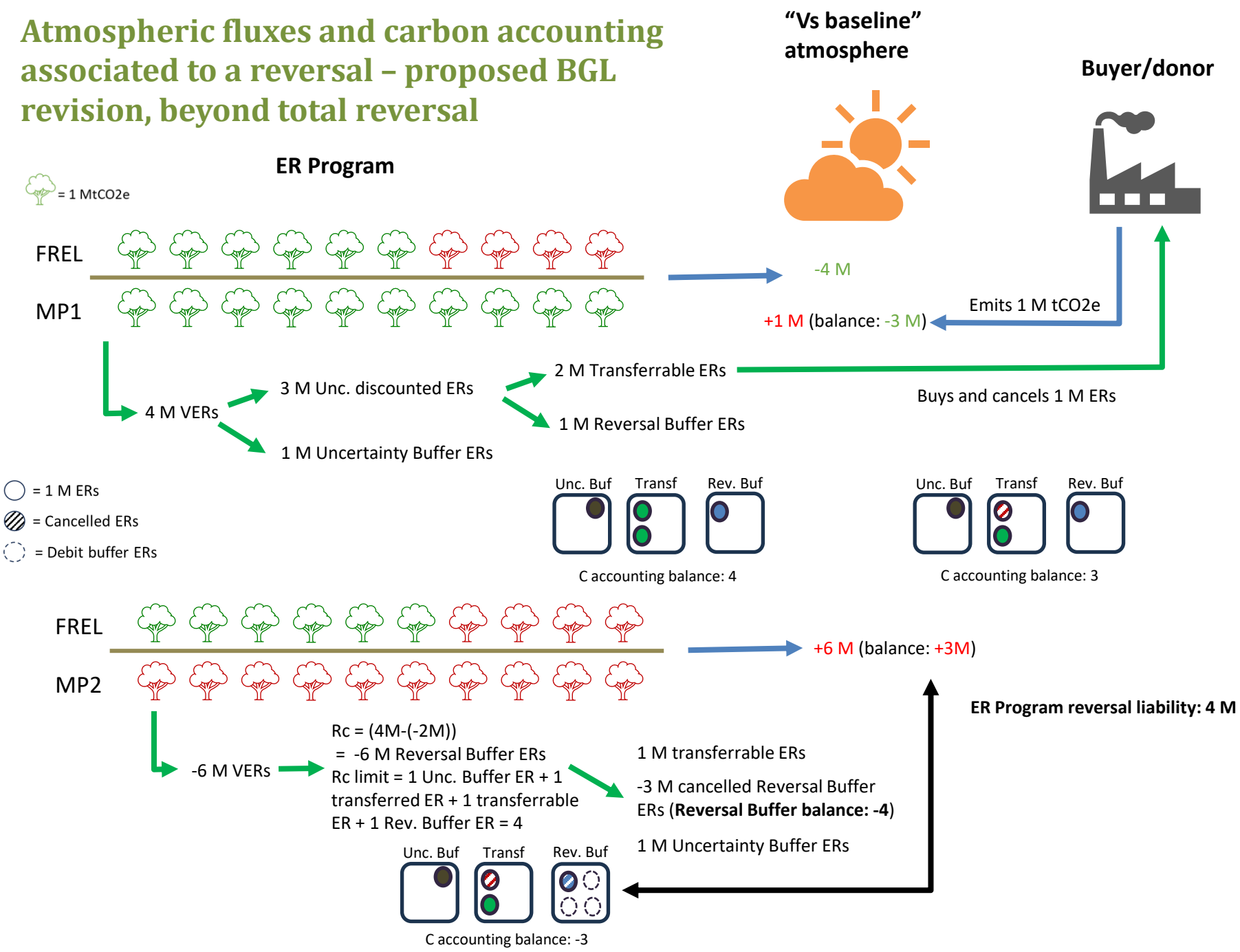
$R_c = T_{t-1} - T_t$

$R_c \leq C+B+U+RP$[4]

Where:

R_c	=	Quantity of Buffer ERs canceled from the Pooled Reversal Buffer account
T_{t-1}	=	Cumulative quantity of Total ERs estimated for prior Reporting Periods (as an aggregate of ERs accumulated since the Crediting Period Start Date)
T_t	=	Cumulative quantity of Total ERs estimated including the current Reporting Period (as an aggregate of ERs accumulated since the Crediting Period Start Date)
C	=	Cumulative quantity of transferable ERs estimated including the current Reporting Period (as an aggregate of transferable ERs accumulated since the Crediting Period Start Date)
B	=	Cumulative ER Program´s Pooled Reversal Buffer contributions estimated including the current Reporting Period (as an aggregate of Pooled Reversal Buffer ERs accumulated since the Crediting Period Start Date)$_t$
U	=	Cumulative ER Program´s Uncertainty Buffer contributions estimated including the current Reporting Period (as an aggregate of Uncertainty Buffer ERs accumulated since the Crediting Period Start Date)
RP	=	Cumulative ER Program´s Pooled Reversal Buffer replenishments estimated including the current Reporting Period (as an aggregate of Reversal Buffer ERs replenished since the Crediting Period Start Date)

Atmospheric fluxes and carbon accounting associated to a reversal – proposed BGL revision, beyond total reversal



4. Revising the equation used to estimate the quantity of Reversal Buffer ERs to be cancelled in case of a reversal

Implications for ER Programs

- All ER Programs will need to apply the revised equation as soon as it is approved
- In case of a total reversal, ER Programs will only be liable up to the level of (positive) verified ERs they have produced by the time the reversal took place

5. Cancelling Uncertainty Buffer ERs and excess ERs where reversals exceed the contribution of the ER Program to the Pooled Reversal Buffer

Current requirements

- There are no existing requirements linking Uncertainty Buffer ERs and excess ERs to reversal cancellations

Rationale for the proposed revision

- Where the contribution of an ER Program to the Pooled Reversal Buffer is not sufficient to address a reversal, Uncertainty Buffer ERs and any existing excess ERs shall be cancelled before cancelling other Program´s contributions to the Pooled Reversal Buffer, thus reflecting the responsibility of the affected ER Program and the fairness of the reversal management mechanism

5. Cancelling Uncertainty Buffer ERs and excess ERs where reversals exceed the contribution of the ER Program to the Pooled Reversal Buffer

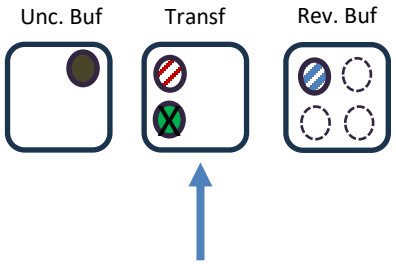
Rationale for the proposed revision

Monitoring Period 1
(from previous example)

= ERs
= Excess ERs
= Cancelled ERs
= Debit buffer ERs

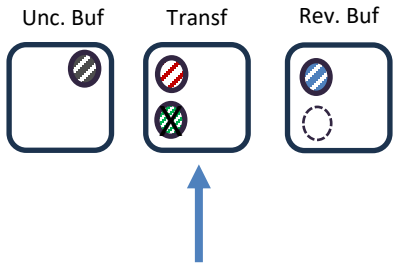
Monitoring Period 2
Total reversal = 4 M ERs

Current requirements



Under the current BGL rules, the ER Program´s reversal would almost completely be compensated by other ER Program´s contributions to the Pooled Reversal Buffer, while the Program would still hold (potentially transferrable) Uncertainty Buffer ERs and Excess ERs

Proposed requirements



With the proposed modification, the affected Program´s Uncertainty Buffer and Excess ERs would be used to compensate the reversal before cancelling other Program´s Pooled Reversal Buffer ERs

5. Cancelling Uncertainty Buffer ERs and excess ERs where reversals exceed the contribution of the ER Program to the Pooled Reversal Buffer

Proposed revision

- It is proposed that ER Programs experiencing a reversal larger than their contributions to the Pooled Reversal Buffer cancel the ERs they have deposited in the Uncertainty Buffer and any available excess ERs before being able to cancel further Pooled Reversal Buffer ERs
- Cancellation order:
  1. Pooled Reversal Buffer ERs contributed by the affected ER Program;
  2. Uncertainty Buffer ERs contributed by the affected ER Program;
  3. Excess ERs;
  4. Pooled Reversal Buffer ERs contributed by other ER Programs (on a pro-rata basis)
- Replenishment order:
  1. Pooled Reversal Buffer ERs contributed by other ER Programs;
  2. Pooled Reversal Buffer ERs contributed by the affected ER Program;
  3. Uncertainty Buffer ERs contributed by the affected ER Program

Implications for ER Programs

- ER Programs affected by “large” reversals will have to cancel their Uncertainty Buffer ERs and, if available, excess ERs, in addition to their contributions to the Pooled Reversal Buffer before affecting other Program´s contributions to it
- ER Programs not affected by reversals will be guaranteed that the cancellation of parts of their ER contributions to the Pooled Reversal Buffer by other Programs will always be a “last resort” option

6. No transference of Excess ERs in cases where the ER Program has a Pooled Reversal Buffer "debit"

Current requirements

- There are no current requirements limiting the transference of Excess ERs in cases where an ER Program has not replenished the Pooled Reversal Buffer after a reversal

Rationale for the proposed revision

- Under the current requirements, an ER Program with a Pooled Reversal Buffer debit could transfer excess ERs registered before the reversal took place

Proposed revision

- It is proposed to introduce a rule that would not allow an ER Program to transfer excess ERs until it has replenished any Pooled Reversal Buffer debits in accordance with the proposed replenishment rules

Implications for ER Programs

- ER Programs will have to address any Pooled Reversal Buffer debits before being able to transfer excess ERs held in their accounts

7. Release of Uncertainty Buffer ERs where ER Programs have Pooled Reversal Buffer "debits"

Current requirements

- "8.4 c) If the revised quantity of required allocations to the Uncertainty Buffer for the prior Reporting Periods is less than the original allocation, then the Buffer Manager may release ERs from the Uncertainty Buffer and transfer them to an account designated to hold ERs following the instructions of the ER Program Entity or World Bank, as applicable. The quantity to be released shall be equal to the difference between the original and revised allocation requirements"

Rationale for the proposed revision

- Under the current requirements, an ER Program that, due to a reversal has a Pooled Reversal Buffer debit, could potentially release Uncertainty Buffer ERs if it managed to reduce the uncertainty of its ER estimates
- The proposed revision would make it a priority to replenish the Pooled Reversal Buffer and would avoid a situation where an ER Program could transfer Uncertainty Buffer released ERs before addressing such debit

Proposed revision

- It is proposed to introduce the condition that the release of ERs from the Uncertainty Buffer can only occur if the ER Program has completely replenished any Pooled Reversal Buffer debits

7. Release of Uncertainty Buffer ERs where ER Programs have Pooled Reversal Buffer "debits"

Implications for ER Programs

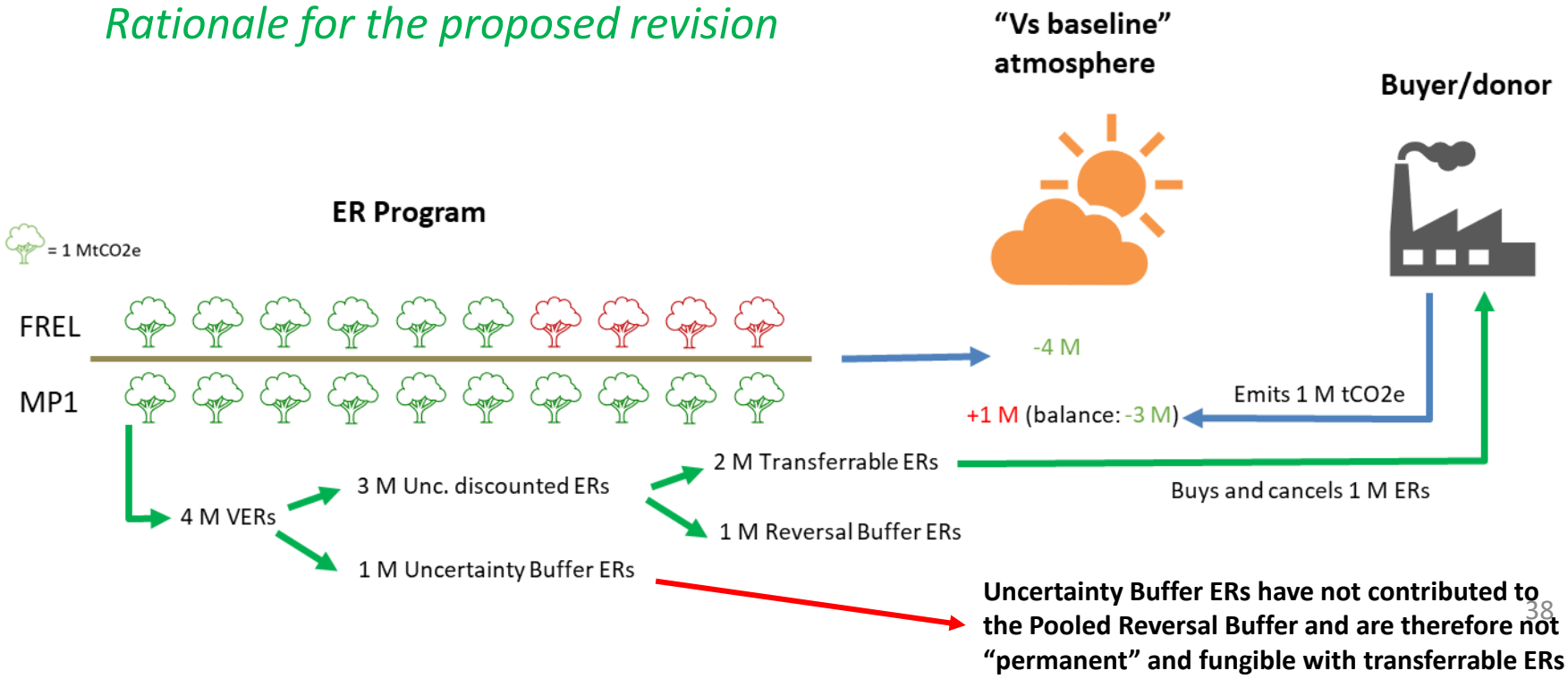
- ER Programs will not be able to release Uncertainty Buffer ERs until they have addressed any Pooled Reversal Buffer debit

8. Requiring Uncertainty Buffer ERs to contribute to the Pooled Reversal Buffer before being released

Current requirements

- "7.6 A certain quantity of ERs out of the Total ERs shall be allocated as Buffer ERs to the Reversal Buffer and the Pooled Reversal Buffer account to help manage the Reversal Risk. This quantity is calculated following each Reporting Period as a percentage of the Total ERs for that Reporting Period minus the quantity of ERs allocated to the Uncertainty Buffer for that Reporting Period"

Rationale for the proposed revision



8. Requiring Uncertainty Buffer ERs to contribute to the Pooled Reversal Buffer before being released

Proposed revision

- It is proposed that, before being released from the Uncertainty Buffer, ERs should contribute to the Pooled Reversal Buffer Account by applying the current Actual Reversal Risk Set-Aside Percentage

Implications for ER Programs

- While releasing ERs from the Uncertainty Buffer, ER Programs will need to estimate the proportion of such ERs that should be transferred to the Pooled Reversal Buffer and the "net" ERs released

9. Cancellation of Excess ERs to cover Pooled Reversal Buffer debits at the end of the Crediting Period

Current requirements

- There are no current requirements to cancel Excess ERs to be cancelled to compensate an ER Program´s Pooled Reversal Buffer debit at the end of the Crediting Period

Rationale for the proposed revision

- ER Programs that reach the end of the Crediting Period with Pooled Reversal Buffer debits shall make every effort to address this situation
- The cancellation of Excess ERs, where available, is one of the most straightforward alternatives to do so

Proposed revision

- It is proposed that, if at the end of the Crediting Period an ER Program has not completely replenished the Pooled Reversal Buffer, any remaining Excess ERs held by such Program shall be cancelled up to the amount required to compensate its Pooled Reversal Buffer debit

Implications for ER Programs

- ER Programs with Pooled Reversal Buffer debits holding Excess ERs will have to use them to cover such debits to the extent possible

Thank you