Forest Carbon Partnership Facility (FCPF)

Transition Strategy for Carbon Crediting

June 2025

This FMT note presents a strategy to support REDD+ countries transition their emission reductions (ER) programs from the FCPF Carbon Fund, and proposes for CFP consideration and approval an allocation of up to US$4 million to implement the strategy.

Background

The FCPF Carbon Fund (CF) was designed to assist eligible REDD+ countries in their efforts to implement REDD+ programs and to achieve ERs from the REDD+ activities, and pilot results-based payments for these ERs. While the CF itself will continue to operate until 31 December 2028, the emission reductions payment agreements (ERPAs) signed with the 15 CF countries are currently all scheduled to close on 31 December 2025.

The FCPF has received requests from several countries to extend their ERPAs to allow them to report on their ERs, receive payment upon completion of independent verifications, and implement the benefit sharing plans (BSPs). Other countries either wish to end their program or are in discussion with the World Bank on extension. While extension of the ERPA is a viable option for most countries[1], the crediting periods under all ERPAs ended in December 2024, and all ERPAs will eventually terminate no later than December 2028.

It is against this backdrop that CF countries have started to contemplate how they can continue crediting beyond 2024, and are seeking advice and support from the World Bank in both assessing their options and pursuing the option deemed most appropriate given their specific country context and the government's priorities and aspirations. Given that the FCPF was established with a view to promoting sustainable large scale positive incentives for REDD+, FMT believes countries should be afforded this support to aid them in continuing their ER Programs going forward.

Country needs

Countries that wish to continue their ER Programs will have to do so by adjusting their ER Programs to the requirements of a new crediting Standard. Although countries might define their own crediting standards—and there have been discussions regarding the spin-off of the FCPF Standard—the clearest options at this time are the two international jurisdictional REDD+ standards: The REDD+ Environmental Excellence Standard (TREES) operated by the Architecture for REDD+ Transactions (ART), and the Jurisdictional and Nested REDD+ (JNR) Standard operated by Verra. Each of these alternatives to the FCPF Standard has different requirements a program would need to comply with.

Analysis of Standard requirements by the FMT identifies the various activities that need to be undertaken by each country in order to comply with the requirements of the new standard, whether ART TREES or

[1] While extension is in theory possible for each country, extension requires approval from both the country and the World Bank.

Verra JNR. These include 1) Feasibility assessment of new ER program; 2) Estimate the emissions baseline and ex-ante emissions; 3) Analysis of regulatory framework and governance arrangements, including nesting. The exact complexity of these activities depends on specific country context and circumstances, but the FMT considers that an average cost would be at least $400,000.

At the same time, the country must assess how the continuation of the program is financed, covering both the emission reductions activities, as well as all elements involved in standard compliance (e.g., program preparation, MRV, monetization, benefit sharing (if applicable), legal and regulatory aspects).

Proposal

Several countries have already planned and implemented approaches to ensure the crediting of their programs beyond 2024 (e.g., Ghana, Costa Rica). Others have requested support to conduct the preparatory work (e.g., DRC through SCALE).

To provide countries with the necessary support it is envisioned that an average of $400,000 is required to conduct the preliminary analytical work prior to crediting under any of the market standards (e.g., analysis of regulatory and governance arrangements including nesting, update of baseline data).

Once the country defines the pathway it wishes to pursue to continue its ER Program, any work covering the actual development of the ER Program document, including the enhancement of safeguards instruments and stakeholder consultations, and validation/verification would have to be financed through other means. A specific proposal on this will be made under SCALE.

The FMT considers that a maximum of 10 countries would require this support since there are already ER Programs that have this transition in place or have finance to support this transition. For the 10 countries in the portfolio, the expected expenditure is thus $4,000,000.

The Task Teams of countries that are interested in developing plans for crediting beyond 2024 may access this funding by submitting a detailed proposal to the FMT. The FMT will evaluate them in accordance with the following criteria:

- Strong government interest in continuing crediting of their FCPF program beyond 2024.
- Activities proposed are linked to the necessary steps to support countries to transition.
- The funding is not allowed to be used for preparing an ER program document for another standard.

FMT Proposal for consideration by the CFPs

The FMT recommends the approval of a budget of up to US$4 million to support FCPF Carbon Fund countries in successfully transitioning them to a new framework of crediting standard and financial mechanism.