



IETA statement to the Forest Carbon Partnership Facility (FCPF) 30th Participants Committee Meeting (PC30) 14 – 16 December 2021, Globally Remote

Dear Co-chairs and Distinguished Participants Committee Members,

The International Emissions Trading Association (IETA) appreciates the opportunity to provide comments to this meeting. IETA is participating as the Private Sector Observer to the Forest Carbon Partnership Facility (FCPF) and seeks to support the World Bank, FCPF Participants and Carbon Fund Participants by:

1. Leveraging opportunities for the private sector to engage in Natural Climate Solutions (NCS) and activities that are consistent with the objectives of the United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement and the recent Glasgow Climate Pact and;
2. Promoting effective market and results-based financing mechanisms for NCS that leverages the massive interest of private sector and that which are fair, open, efficient, accountable, scaled and consistent across national boundaries.

As the Private Sector Observer, IETA would like to raise the following three points which we feel need to be addressed over the coming months to ensure the World Bank maximizes its ability to “crowd-in” the private sector to support NCS and to prepare countries to access the massive amount of private sector climate finance that is coming to the market:

1. For the ~\$24 million in FCPF Readiness funds expected to be remaining in December 2022, this should be used to help countries most in need prepare for CERF RBP financing
2. CERF’s design and priorities should focus on leveraging ways for NCS countries to prepare and secure long-term private sector climate finance (i.e. crowd-in other funding) not through the CERF
3. Concerns about pricing under Carbon Fund ERPA’s given today’s carbon market prices.
4. Knowledge management delivery should continue but needs to adapt to be more effective in attracting private sector climate finance.

Further details on these three points are provided below.

Use of Remaining \$24 million of Readiness Funding

Based on the financials presented at the meeting, it is estimated that ~\$24 million will be remaining at the end of the Readiness Fund and IETA would like to see this retained for use in CERF with the following priorities:

- Funding should be deployed to build the “investment readiness” of countries that have missed out on RBP and who need support to secure climate finance from private sector to fund their sustainable landscape management programs and NDCs.
- Focus on new country recipients that have missed opportunities to be part of the FCPF (i.e. Malawi and others who are nowhere near accessing RBP).
- Provide grants only to countries that provide express and written commitment to engage in market-based transactions.
- Measure the success of providing this ~\$24 million in grant funding on the basis of how much private sector upfront finance was secured.
- The major risk of the national and subnational programs that are supported by the Carbon Fund and ISFL is the ability to produce emission reductions and removals over the long-term. This is because a “top down” approach rarely works without a direct connection to the land tenure holders and typically these jurisdictional programs will have a challenge mobilizing and rewarding change on the ground given 1) their typical governance structures, 2) the effectiveness of their nested FREL/MRV and 3) the design of benefit allocation programs. The Readiness funding remaining should be applied to make sure there is effective implementation on the ground between government and land tenure holders and that MRV and benefits capture this. Otherwise, communities will not contribute to what is needed from them to produce emission reductions and removals and they will not receive the benefits owed to them.

CERF’s design and priorities should focus on leveraging ways for NCS countries to access private sector Climate Finance

IETA will be pleased to hear additional details regarding the upcoming CERF that will be launched in 2022 and wishes the World Bank much success in fundraising for this new vehicle. For the NCS pillar, IETA would be very interested in the having a dialogue on the design of what will be offered to host NCS countries. Many of our IETA members have been entering into large and long-term climate finance agreements with host countries and they seek to expand these opportunities and look forward to an opportunity to increase their access to provide RBP for NCS reductions and removals.

Thus, from IETA’s perspective the CERF should focus on supporting the IETA members’ goals of accessing NCS emission reductions and removals and providing climate finance. To this end, we seek to have a dialogue with the World Bank on the CERF design, and we would offer the following in response to the limited information that has been shared on the CERF as it related to the value it provides NS host Countries and IETA members as potential investors or off-takers in these projects/programs:

- Investment readiness grant funding should be provided to prepare NCS countries to secure RBP funding from private sector
- Providing the countries risk mitigation support, such as price floors, that will allow countries to enter into long-term off take agreements with private sector that are index to the market, but if prices fall the CERF will provide the funding needed to operate the program



- Ensure that the high-level success metrics of CERF are directly pegged to the amount of private sector investment the NCS countries secure.

Carbon Fund ERPA Pricing

There was a brief discussion on the question of how the Carbon Fund ERPAs can continue to justify providing only \$ 5.00 per ton for payment on delivery when the market is currently at three times that pricing. IETA raised this question, as it seemed that donors to the Carbon Fund would appreciate and want to facilitate host countries having access to more funding for their verified emissions and removals. The response from the FMT was that the emission reductions units delivered under the Carbon Fund were not the same as market units that are trading at ~ \$14.00 per ton, as host countries are able to count these in their NDCs. However, this statement is incorrect as many transactions in the market today allow for voluntary buyers to use these units to meet their carbon neutral goals, as a complement to reducing their emissions through operational and supply chains improvements. IETA believes that Carbon Fund pricing, which is so far below the current pricing that could be secured through the market, could create an issue of equity with REDD+ country beneficiaries and should be reviewed in more detail by the Carbon Fund.

Knowledge Management Delivery

The knowledge management results that were presented at the meeting were impressive! IETA looks forward to working with the World Bank on another private sector engagement workshop in March of 2022.

A few thoughts in knowledge sharing as you design the next components:

- Knowledge sharing to be successful must be delivered under the most effective channels possible (remote, in-person) but not provide as a bunch of reports, because for knowledge delivery to be successful it needs tailored and interactive.
- A number of the work products that constitute knowledge management are being prepared by the same consultants, many of whom, used to work for the World Bank years ago. There should be some thought given to how best to engage new and innovative thinkers in the space.
- It is very important to be inclusive to show participants that private sector is making large and long-term investments in the sector. Many private sector investors have already deployed massive amounts of capital on the ground and that must be communicated clearly.
- NCS countries need help in engaging with private sector to 1) become investment ready and 2) to negotiate deals.

IETA welcomes the opportunity to work more closely with the World Bank on the design and implementation of knowledge delivery as it relates to attracting scaled private sector climate finance to natural climate solutions. Our members are putting sizable funding to work in the NCS sector, and this should be widely considered in both the design of CERF and the developing of the next priorities for knowledge management and training.

