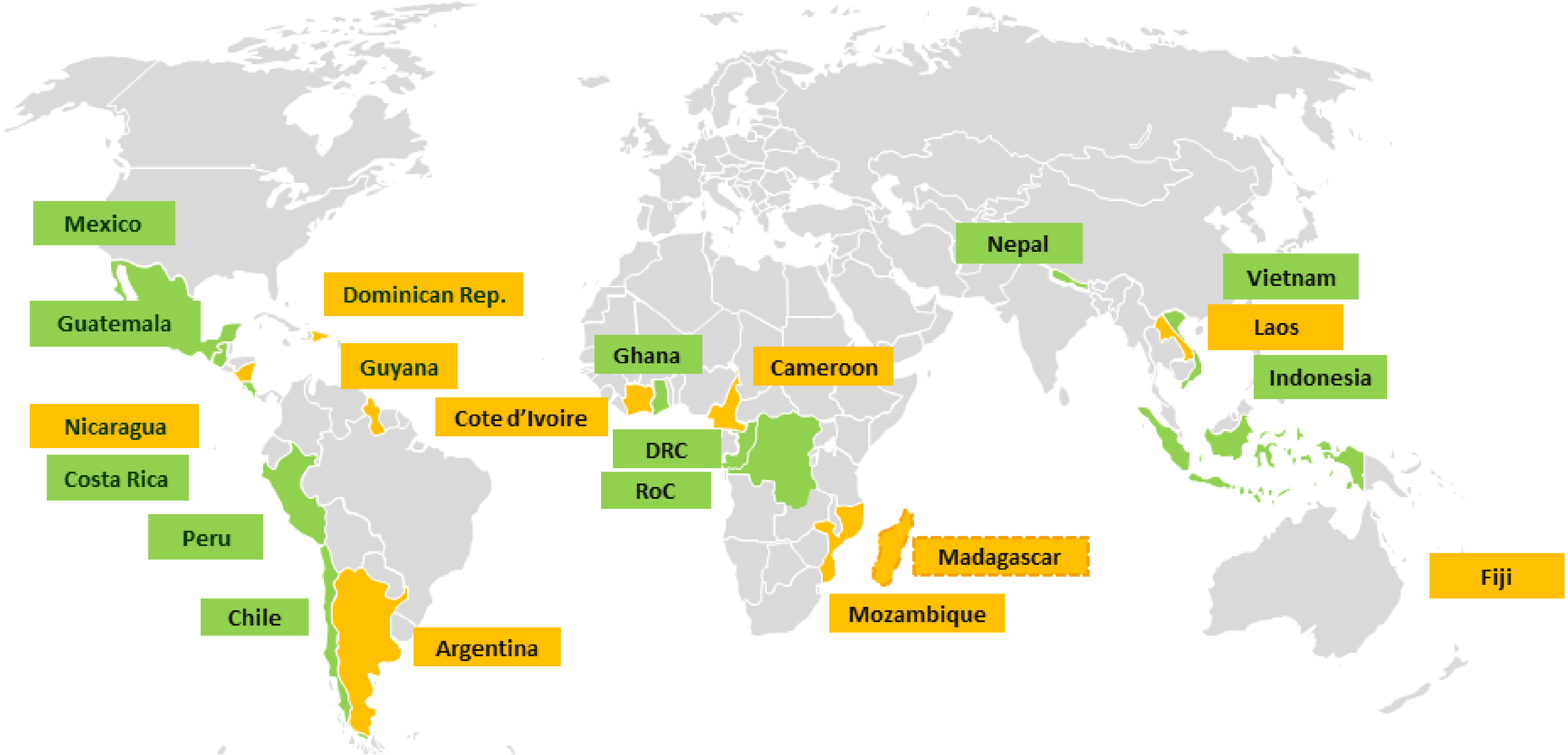
Forest Carbon Partnership Facility

3a. Setting the Stage for Early Ideas

Twelfth meeting of the Carbon Fund (CF12)
Paris
April 28-30, 2015

Building the portfolio



9 Early Ideas at CF12:

- Argentina
- Cameroon
- Cote d'Ivoire
- Dominican Republic
- Fiji
- Guyana
- Laos PDR
- Mozambique
- Nicaragua

Other Early Ideas:

- Madagascar

Building the portfolio

	ER-PINs in the pipeline	Early ideas at CF10	Early ideas at CF12
Africa	DRC Ghana Republic of Congo	Madagascar	Cameroon Côte d'Ivoire Mozambique
Asia and Pacific	Nepal Indonesia Vietnam		Fiji Laos
Latin America	Chile Costa Rica Guatemala Mexico Peru		Argentina Dominican Republic Guyana Nicaragua

- 11 ER-PINs in pipeline so far → 8-9 ERPAs in eventual portfolio
- Potential to re-open pipeline and expand portfolio → FMT invited more Early Ideas (to potentially add to the same pipeline)

Task at CF12

- Aim to close pipeline at CF13?
  - Think critically about the vision for the pipeline/portfolio at CF12.
  - Give guidance on Early Ideas now, so Countries can:
    - decide whether or not to pursue the Carbon Fund and, if so,
    - refine their ideas into ER-PINs.

Looking forward to CF13 and beyond

- Countries may present ER-PINs for selection into the pipeline at CF13:
  - 10 Countries that have submitted early ideas at or before CF12
  - Any FCPF REDD Country that has signed a Grant Agreement, even if they have not presented an early idea.
- Number of ER-PINs selected into the pipeline will depend on:
  - The outlook for financial contributions at that time.
  - The quality of programs presented.
  - CFPs' appetite for risk (Not all concept-stage ideas (ER-PINs) will necessarily become full ER Programs with Emission Reductions Payment Agreements).
- Development of early ideas and ER-PINs will require significant effort by Countries and the FMT.
- First ER-PDs may be up for selection as early as March 2016.

Framing the early ideas: Criteria for selection into the pipeline

7 formal criteria:

1. Progress towards Readiness
2. Political commitment
3. Methodological Framework
4. Scale
5. Technical soundness
6. Non-carbon benefits
7. Diversity and learning value

Other parameters raised by CFPs:

- Regional balance across portfolio
- Quality matters
- Goal of net emission reductions across portfolio
  - countries with high forest cover and low deforestation (HFLD) should not represent a disproportionately large share of the total ER volume or total financial value of the portfolio.

Key characteristics of early ideas

Countries/ Characteristics	Argentina	Cameroon	Cote d'Ivoire	Dominican Republic	Fiji	Guyana	Lao PDR	Mada-gascar	Mozam-bique	Nica-ragua
Program Name/Scope	ER Program in Misiones & Salta provinces	Eco-region in south, includes Congo Basin	Eco-region covering 3 juris-dictions	National	Discrete sites on island of 8 provinces	National	6 northern contiguous provinces	North-South eco-region in the East	Jurisdiction covering 4 districts of Zambezia province	National
Key drivers	Tobacco, soy, cattle, illegal logging	Agriculture, forest exploitation, energy, infra-structure, mining	Agriculture; firewood; logging; mining; infra-structure	Agriculture, livestock, urbaniza-tion, fire, storms	Agri-culture, Logging	Infra-structure, Agri-culture, mining, fire	Infra-structure; Agriculture	Agriculture, logging, mining, livestock	Agriculture Firewood; Logging	Agriculture, cattle, fire, settle-ments
Accounting Area *[mln ha, % of country]*	18.5 [7%]	10.4 [20%]	3.6 [11%]	4.8 [100%]	1.0 [57%]	21.4 [100%]	8.0 [34%]	20.5 [35%]	3.8 [5%]	13 [100%]
Forest Area in Accounting Area *[mln ha, % of Accounting Area]*	9.7 [52%]	9.2 [89%]	1.1 [32%]	1.9 [40 %]	0.65 [65%]	18.5 [85%]	8.0 [100%]	4.0 [20%]	2.5 [66%]	3.9 [29%]
Average Annual Emissions during Reference Period *[mln tCO2e/yr]*	19.4	7.5	6.9	0.8 (emission-removal)	-	11.6	11.6	6.2	4.0	6.9
Estimated Program ERs *[mln tCO2e]*	22.8	10	12.2	3.7	0.6	22.8 (incl. max. HFLD adjustment of 0.1%)	5.8	7.7-15.5	14.8	20.7
Total ERs offered to Carbon Fund *[mln tCO2e]*	11	10?	12.2	3.7	0.6	22.8	5.8	6.2-12.4	10.4	20.7
Max value at $5/ton ($m)	55	50	61	18.5	3	114	29	31-62	52	103.5

Financial Situation

- Committed funding approximately $450m, no more than $420m available for purchase of emission reductions
- Value of existing pipeline (best information): assuming a price of $5 per ton, the estimated capital requirement is between approximately $467 million and $701 million, depending on assumptions around the reversal buffer

Portfolio Simulation (Oct 2014)			
Reversal Buffer	40%	25%	10%
Aggregate ER Payments (11 ER programs)	$467m	$584m	$701m

- Value of Early Ideas (assuming a price of $5 per ton):
  - without reversal buffer >$500million
  - with 40% reversal buffer >$300 million

THANK YOU!

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