Forest Carbon Partnership Facility

4d. Emerging questions on ER-PD development

Twelfth meeting of the Carbon Fund (CF12)

Paris, France

April 28-30, 2015

Emerging questions in ER-PD development

- Questions related to the implementation and financing of the program
  - Only summarized in this presentation, but not dealt with in detail
  - Separate session of program financing later
- … and on the 'how to?' of implementing certain requirements stipulated by the Methodological Framework (MF), for example
  - Which kind of proxies will be acceptable to estimate degradation?
- Questions related to interpretation of the MF
  - Criteria and indicators that purposefully created room for interpretation or negotiation, for example criteria 11 on reference period or criteria 13 on acceptable justification for adjustments
  - Questions on which the MF is unclear or silent, for example on the issue of 'Crediting period' of the ER-Program for countries that are actively seeking recognition for 'early actions

Emerging questions related to implementation and financing of ER Programs

- In most programs there is an investment gap to finance necessary actions
  - Results-based finance provided by the Carbon Fund is part of a finance package that needs to be structured
  - Some options will be presented later; CFP feedback requested
- The necessary detailed implementation planning is a major task going forward
  - Translate the ideas in the ER-PIN into actions that can deliver the estimated results requires additional capacity at the program level (jurisdiction) and resources (human, financial, technical)
- The World Bank (FMT and Global Practices) are currently actively supporting REDD countries on both financing and implementation

Other questions that are being asked on ‘how to?’ meet MF requirements

- What proxy methods are acceptable to estimate degradation emission?
- How to produce and report uncertainty estimates associated with emissions reduction estimates?
- Whether and how to include removals that occurred in the Reference Period in the construction in the reference level?
  - These can be difficult to estimate and are generally smaller than emission reductions from avoided deforestation.
  - Payments for removals provide a different incentive from payments for avoided deforestation.

Outcome of web-conference

- During the web-conference on February 19, the FMT presented 3 options to deal with the questions related to the interpretation of the MF
  - **Option 1:** CFPs dedicate time in the CF meetings to provide guidance to programs on these issues or virtual discussion between meetings
  - **Option 2:** Issues are discussed between the CFPs, the TAP and the countries in a series of ‘TAP calibration’ workshops but before the ER-PDs are submitted
  - **Option 3:** Issues are discussed when the advanced draft ER-PD are being submitted

- During the web-conference, CFPs and Observers expressed a preference for a combination of option 1 and 2

- Todays session is a trial of option 1

Questions related to the interpretation of the Methodological Framework (MF)

- **Question 1**: Request from DRC on the choice of end-date for the Reference Period
- **Question 2:** Request from DRC on the approach for setting a reference level for planned degradation
- **Question 3:** Request from countries to provide clarification on Emission Reductions from ‘early actions’ before the Term of the ERPA

Request from DRC on *the choice of end-date for the Reference Period*

Relevant MF criteria / indicators

- **Indicator 11.1:** The end-date for the Reference Period is the most recent date prior to 2013 for which forest-cover data is available to enable IPCC Approach 3. An alternative end-date could be allowed only with convincing justification, e.g., to maintain consistency of dates with a Forest Reference Emission Level or Forest Reference Level, other relevant REDD+ programs, national communications, National ER program or climate change strategy.
- **Indicator 11.2:** The start-date for the Reference Period is about 10 years before the end-date. An alternative start-date could be allowed only with convincing justification as in Indicator 11.1, and is not more than 15 years before the end-date.

Clarification request / Question

- Based on the provision in indicator 11.1 that an alternative end-date could be allowed, the ER Program in DRC would like to use an end-date of 2014.
  - Question to Participants: can DRC use an end-date later than 2013?
- Other programs are likely to have the same question as dates for ERPA signature become clearer (not before 2016 as per current estimates)

Justification provided by the DRC

- ER Program is planning to stratify the Accounting Area for the construction of its Reference Level,
- For the calculation of the reference emission level for the unplanned deforestation stratum (REL UNDEF), the ER Program will be using a systematic sampling approach
- The sampling approach used to calculate REL UNDEF requires imagery which is as close to the ER-Program active dates as possible since it is paired with high resolution images from Google earth and Bing maps
- The Mai Ndombe ER-Program is also looking at registering under VCS JNR with a Program start date as January 1, 2014 .
- The optimal historical reference period are therefore defined as 2004-2014
- ER Program suggests that the rules for defining the historical reference period be dependent on Program start-date (e.g. "the historical reference period end-date shall be no more than one year earlier or later than the Program start-date" or something similar)

Request from DRC on *alternative approach for determining Reference Level for planned degradation*

Relevant MF criteria / indicators

- **Criterion 11:** A Reference Period is defined
- **Criterion 13:** The Reference Level does not exceed the average annual historical emissions over the Reference Period. For a limited set of ER Programs, the Reference Level may be adjusted upward by a limited amount above average annual historical emissions

Clarification request / Question

- ER Program would like to account for emissions from planned degradation, which is mainly caused by industrial logging.
- The MF requires a Reference Level based on the average annual historical emissions.
- Instead of historic data, the ER Program would like to enquire whether or not (interim) forest management plans (plan d’amenagement, plan de gestion), which define logging quotas based on intensive field inventories (carried out by third parties) as stipulated by the forest code and associated technical guidance (guide opérationnel) could be used for the REL for planned degradation.

Justification

- The industrial logging sector in DRC has undergone a significant reform over the past 2 decades with the introduction of new forestry policies and guidelines.
- As such historical data is unlikely to accurately reflect future emissions from industrial logging (In fact, historical emissions may be higher). Further, historical data availability is poor and not centrally available
- Planned degradation (industrial logging) is a legally sanctioned economic activity in the DRC which requires substantial amounts of planning and thus documentation to be provided to the government of the DRC
- Consequently, the DRC government would like to propose to not base REL calculations for planned degradation on historical data analysis alone but rather on these planning documents.
- Forest management plans set clear limits for timber quantities to be extracted and would allow a more accurate estimation of emissions from industrial logging during the program period than historical records.

Justification (cont')

- Management inventories are statistically sound inventories and technically supported and supervised by qualified third parties.
- Where management plans are not yet available the ER Program proposes a tiered RL approach
  1. Where full management plans are available, these plans should be used for calculating the concession specific REL. Since usually the AAC is never completely used, the calculation uses a factor often referred to as 'AAC used', expressed as a percentage of the AAC, which is derived from recent historical records
  2. Where only interim management plans are available, these should be used. Once interim management plans are replaced by full management plans, baseline emissions would be corrected based on the full management plan. Baseline emissions based on interim management plans should be subject to a higher buffer withholding to cover uncertainties and provide incentives to develop a full management plan.
  3. Where neither 1 nor 2 are currently available, historical records of the concession license holder from the reference period together with information on the concession area (new inventory data) to estimate future emissions.
  4. Where neither 1 nor 2 are available and no historical records exist or where historical records are deemed inaccurate, the calculation of a ‚common practices scenario', e.g. by using a cross-company or cross-concession average emission factor to estimate future emissions.

Clarification on the interpretation of the MF on *Emission Reductions from ‘early actions’ before the Term of the ERPA*

Relevant criteria / indicators

- **Indicator 14.2:** Activity data are determined periodically, at least twice during the Term of the ERPA, and allow for ERs to be estimated from the beginning of the Term of the ERPA.

Clarification request / Question

- Many GHG accounting standards have the concept of a crediting period which defines a period during which emission reductions accounted for by a program or project can lead to the generation or issuance of a unit under a certain standard
- The FCPF Methodological Framework does not have a similar concept. The General Conditions use the term “Reporting Period” which is defined as "each time period specified in the ERPA for which the Program Entity has to measure and report on ERs generated under the ER Program in the form of ER Monitoring Reports”
- Question from several countries is if the Carbon Fund would be willing to pay for ERs generated from the end of the Reference Period but before the signing of an ERPA (ie Reporting Period starting before signing of ERPA)
- It has been the understanding of the FMT that ER Programs can account for their emission reductions (and generate ERs) from the end of the Reference Period however that the CFPs are only willing to pay for ERs generated during the Term of the ERPA. Under this interpretation, a Reporting Period can only be defined within the Term of the ERPA and hence no payments will be made from the Carbon Fund for ERs generated before the Term of the ERPA

For discussion and feedback

- Type of questions
  - Some questions presented here require policy guidance CFPs (e.g., on end-date of reference period), whereas others are highly technical and may be more appropriate for consideration by technical experts or the TAP (e.g., on planned degradation).
  - Which questions did you feel comfortable discussing and providing guidance on?
- Type of information provided and needed
  - Was sufficient information provided in the background notes to be able to provide guidance?
  - If not, what other type of information would be helpful?
  - Is direct interaction with the ER Program representative needed?
- Other feedback?

THANK YOU!

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