Forest Carbon Partnership Facility

5a. Update on developing guidelines on modalities and procedures for ER Program buffers

Twelfth meeting of the Carbon Fund (CF12)

Paris, France

April 28-30, 2015

FOREST CARBON PARTNERSHIP FACILITY

ER Program buffer guidelines: background

The Methodological Framework of the Carbon Fund foresees the potential use of buffers for:

- Uncertainty
  - Criterion 9 requires that uncertainty of the Emission Reductions (ERs) be quantified
  - Criterion 22 requires that a number of ERs (proportional to the estimated uncertainty) be set aside in a buffer reserve
- Reversals
  - Criterion 19 requires that the ER Program account for Reversals from ERs that have been transferred to the Carbon Fund during the Term of the ERPA
  - To do this, one option is that ERs from the ER Program are deposited in an ER Program-specific buffer, managed by the Carbon Fund (ER Program CF Buffer), based on a Reversal risk assessment

ER Program buffer guidelines: background (cont')

- Transfer of Title
  - Criterion 36 requires that the ER Program Entity demonstrate its authority to enter into an ERPA and its ability to transfer Title to ERs to the Carbon Fund
  - Footnote 15 adds that if Title to ERs becomes contested after the transfer of ERs to the Carbon Fund has occurred, the ERPA should provide for appropriate remedies, including the potential use of a buffer reserve

ER Program buffer guidelines: process so far

- At PC18, the PC adopted the FCPF General Conditions Applicable to Emission Reductions Payment Agreements (Resolution PC/18/2014/2).
- These General Conditions refer to Buffer Guidelines that will lay out the guidelines and the risk assessment tools for the buffers identified in the Methodological Framework.
- As part of the resolution, the PC further requested the Carbon Fund to establish a review group, which will review and provide feedback to the FMT on the Buffer Guidelines during the preparation of these Guidelines.
- The Carbon Fund Participants have followed this request and established the review group.
- A consultant was hired to develop draft buffer guidelines.

Members of the review group

Member	Individuals
Chile (LAC)	Angelo Sartori
Costa Rica (LAC)	Alexandra Saenz Faerron
DRC (Africa)	Victor Kabengele Wa Kadilu
Nepal (Asia)	Resham Dangi
Canada	Nicolas Duval-Mace
EC	Michael Bucki
Germany	Iven Schad, Kay Kallweit, Christiane Ehringhaus
Norway	Henrik Fliflet, Morten Nordskag, Maarten van der Eynden
UK	Sean Frisby, Beth Nelson
US	John Verdieck, Chris Dragisic
IP observer	Daniel Ole Sapit
NCSO observer	Ruben Lubowski (Environmental Defense Fund)
SCSO observer	Augustine Njamnshi (PACJA)
Private sector observer	Christopher Webb (CMIA), Christina Elvers (CMIA)

Terms of Reference for consultant

- Task 1: Consideration of a pooled risk buffer
  - Analyze feasibility and the pros and cons of pooling the different risk categories identified in one buffer and make a clear recommendation if the risks should be pooled or not.

- Task 2: Buffer for uncertainty associated with the estimation of ERs
  - Define the procedures for depositing ERs in the buffer at the time of the first verification and/or transfer.
  - Define the procedures for depositing and releasing ERs at the time of a subsequent verification and/or transfer.
  - Define what will happen with the ERs deposited in the buffer at the end of the lifetime of the ERPA.

Terms of Reference for consultant (cont')

- Task 3: Buffer for Reversals
  - Draft a risk assessment tool, including assessment criteria.
  - Define the procedures for depositing ERs in the buffer at the time of the first verification and/or transfer.
  - Define the procedures for depositing and releasing ERs at the time of a subsequent verification and/or transfer.
  - Further refine the requirement in the MF to allow transition from the buffer to the 'post-ERPA' Reversal management mechanism, including initial process for assessing the proposed Reversal management mechanism.

- Task 4: Buffer for situations where Title to ERs becomes contested
  - Assess feasibility of using a buffer reserve for dealing with situations where Title to ERs becomes contested after the transfer of ERs to the Carbon Fund has occurred.
  - If feasible, define the procedures for depositing and releasing ERs and define what will happen with the ERs deposited in the buffer at the end of the lifetime of the ERPA.

Timeline

- Consultant hired with delays due to longer-than-expected procurement process.
- **Mid April**: draft guidelines to be shared with the review group.
- **Early May**: review group to provide written comments and conference call to discuss the first draft and comments.
- Depending on comments received, a face-to-face meeting could occur before or during the PC meeting in Washington, DC (May 17-19, 2015).
- **Early-Mid June**: second draft of the guidelines to be shared with the review group.
- **End of June**: final draft.
- **Endorsement by CF through virtual decision making or at next CF meeting.**

THANK YOU!

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