# Forest Carbon Partnership Facility

## Technical Assessment: Final ER-PD for PERU

Twentieth Meeting of the Carbon Fund (CF20)

Washington DC, July 8 – 11, 2019

FOREST CARBON PARTNERSHIP FACILITY

# Presentation of TAP

- The technical assessment was conducted from 21st January to 14th June 2019 by the following team:

| Person | TAP expertise |
| --- | --- |
| **Ludovino Lopes** | Team Lead and Legal |
| **Ken Creighton** | Co-leader |
| **Agustin Inthamoussu** | Carbon Accounting Expert |
| **Mario Nanclares** | Social and Safeguards Expert |
| **Valentina Robiglio** | Local Expert |

# Overall assessment of final ER-PD

| | | Initial review | 2nd assessment | 3rd assessment |
|---|---|---|---|---|
| II. Level of Ambition | YES | 3 | 3 | 3 |
| | NO | 0 | 0 | 0 |
| | N.A. | 0 | 0 | 0 |
| III. Carbon Accounting | YES | 19 | 27 | 31 |
| | NO | 17 | 7 | 3 |
| | N.A. | 7 | 9 | 9 |
| IV. Safeguards | YES | 1 | 3 | 5 |
| | NO | 5 | 3 | 1 |
| | N.A. | 1 | 1 | 1 |
| V. Sustainable Program Design and Implementation | YES | 4 | 6 | 6 |
| | NO | 6 | 4 | 4 |
| | N.A. | 4 | 4 | 4 |
| VI. ER Program Transactions | YES | 6 | 7 | 7 |
| | NO | 4 | 3 | 3 |
| | N.A. | 1 | 1 | 1 |

# III. Carbon Accounting

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| **Ind. 5.1** The ER Program identifies the IPCC methods used to estimate emissions and removals for Reference Level setting and Measurement, Monitoring and reporting (MMR). | **NO** |

- The TAP reiterates encouraging Peru to use IPCC method and consider the carbon stocks in relevant pools at initial and final land use (also in degradation activity), with national statistical information and at least tier 1 level, for the reference level and monitoring periods.

- Moreover, there is a need to improve the method for estimating emissions in degradation activity, when analysing reference level and future monitoring.
  - It is not clear how emissions will be treated from forests that have been degraded during the reference period and subsequently deforested during ERPA.
  - This approach proposed by Peru would imply future adjustments of the reference level as emissions from these plots have been accounted in the reference level and would imply an overestimation of emissions. The approach can be simplified by accounting only the difference between non-intact forest and non-forest for deforestation of non-intact plots (net emission factors).

- This is considered as a major non-conformity

# III. Carbon Accounting

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| **Ind 8.2** Random errors and other uncertainties are minimized to the extent practical based on the assessment of their relative contribution to the overall uncertainty of the emissions and removals. | NO |

- ER Program has not elaborated an assessment of the relative contribution of identified uncertainties to the overall uncertainty. Neither have these sources of uncertainty been minimized to the extent practical or are under a plan to minimize them (improvement plan). In addition, there are various sources of random and systematic sources of uncertainty that have not been taken into account, such as the classification of degradation plots and assumption of 200m distance from degraded to non-degraded forest.
- The assessment can be done applying a sensitivity analysis, with a qualitative and/or quantitative approach. By this means, Peru will acknowledge the main sources of uncertainty and can plan, with a cost-effective approach, where to allocate resources to minimize uncertainties.
- The Indicator is not met. The TAP considers this as major non-conformity

# III. Carbon Accounting

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| **C 23** To prevent double-counting, ERs generated under the ER Program shall not be counted or compensated for more than once. Any reported and verified ERs generated under the ER Program…. | **NO** |

- The ER-PD describes that there are at least four REDD+ projects currently under execution and wholly or partially within the ER Program accounting area; the majority in San Martin. Their total estimated annual emissions reductions are 2,870,000 $tCO_2e$, which is about half of the emissions reductions expected under the ER Program (assuming that all the reductions originate in San Martin and Ucayali).

- The potential nesting issue of how these existing projects would be accounted for in a new ER-PD Program regime is not defined. A road map to establish the future regime is included in the ER Program and several options are still open to be discussed -see Section 18.1.

- To accomplish the allocation, three options of differing complexity and criteria are being analyzed (Option 1: allocation of FREL quotas based on the initial forest area of each initiative; Option 2: allocation based on forest area, which would be categorized into deforestation risk strata. Up to the moment, 3 sets of parameters were combined in differently to define these strata, resulting in 18 sub-options;Option 3: assignment based on a spatially explicit deforestation model for the Amazon, using a bigger set of parameters in comparison to option 2.

- The TAP considers this is a major non-conformity, taking into consideration that if the nesting will not be addressed, this will generate double counting and significant risks related to the transfer of title to the Carbon Fund. Nevertheless, this is an issue that the host country probably can updated with more relevant information in the near future.

# IV. Safeguards

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| **Ind 24.2** Safeguards Plans address social and environmental issues and include related risk mitigation measures identified during the national readiness process, e.g., in the SESA process and the ESMF, that are relevant for the specific ER Program context (e.g., land tenure issues), taking into account relevant existing institutional and regulatory frameworks. | NO |

- Section 14.1.1 of the Final ER-PD states that the evaluation of environmental and social safeguards applicable to REDD+ in Peru is being developed through a participatory process aimed at generating a National Safeguards Approach.

- A road map to finalize the SESA and the ER Program's ESMF is in place (Section 14.2). According to this road map, documents are expected to be concluded by October 2019, together with the Environmental and Social Commitment Plan (ESCP), which will set out measures and actions required for the ER Program to achieve compliance with the World Bank's ESS over a specified timeframe.

- While substantial progress is noted in this section of the ER-PD and an ambitious road map is presented in Section 14.2 Table 14.2.1 Safeguards Road Map, the indicator is not met and it is considered as a major non-conformity

# V. Sustainable Program Design and Implementation

| Ind 28.1 ; 28.2 and 28.3<br>The ER Program has undertaken and made publicly available an assessment of the land and resource tenure regimes present in the Accounting Area | NO |
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- The final SESA is not yet delivered and neither the referred draft of the SESA was accessible to the TAP Team to analyze in order to address the stage and evolution of the document .
- The ER Program describes in section 4.4 in a detailed way the elements that are identified in indicator 28.1 from the legal point of view, including among others:
  - I.The range of land and resource tenure rights and categories of rights-holders present in the Accounting Area (including Indigenous Peoples and other relevant communities); II.The legal status of such rights, and ambiguities or gaps in the applicable legal framework, including as it pertains to the rights under customary law; III Areas within the Accounting Area that are subject to significant conflicts or disputes related to contested or competing claims or rights, and if these are critical to the successful implementation of the ER Program, IV.Any potential impacts of the ER Program on existing land and resource tenure in the Accounting Area.
- The ER PD doesn't describe the legal mechanisms that exist in the country to address how such conflicts or disputes have been or are proposed to be addressed.
- The Project Entity (MINAM) has proposed that a legal instrument be established that would enable MINAM working with the Ministry of Foreign Affairs to transfer credits to the Carbon Fund, but such a legal instrument has not yet been established.

# V. Sustainable Program Design and Implementation

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| **Ind 33.1** The design and implementation of the Benefit-Sharing Plan comply with relevant applicable laws, including national laws and any legally binding national obligations under relevant international laws | **NO** |

- A brief description of the benefit sharing mechanism is provided in the ERPD. But the TAP was not able to access the draft Benefit-sharing Plan, which is under development according to the host country.
- Further complementation and description of the relevant applicable laws, especially relevant international laws in the context of the design and implementation of the benefit sharing plan will be needed.
- The TAP considers that the Indicator is not met. This is a minor non-conformity.

# VI. ER Program Transactions

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| **Ind 36.1 ; 36.2 and 36.3**<br>The ER Program Entity demonstrates its authority to enter into an ERPA and its ability to transfer Title to ERs to the Carbon Fund | **NO** |

- The ER Program Entity has not yet fully demonstrated its authority to enter an ERPA with the Carbon Fund. A clear legal framework that addresses the legal nature of carbon rights and ERs require new legal procedures.
- Two legal options are described in the ER PD text to achieve the necessary legitimacy and competence of MINAM to sign the ERPA and transfer Title to ERs.
- These are major non-conformities at present until the final goal of the proposed roadmap to draft and enact the new legal and regulatory provisions will be achieved.

# Concluding remarks

- Overall, a strong and detailed Final ER-PD;
- Full package of proposed activities (very well integrated ER program) within the country's overall institutional and legal framework.
- Ambitious structure and governance model including national and subnational levels (Ucayali and San Martin)
- Sophisticated National MRV system and advanced Data Management and Transaction Registry;
- Significant historical background on REDD+ that was developed during the last two decades of experiences, strong factor;
- An unique and singular proposal of the native Amazon rainforest biome ( eastern slope of the Andes).

# Thank You

The TAP team would like to express its thanks to the Government of Peru for the permanent interaction and availability to address the TAP considerations and questions.

For the hospitality and pleasant reception in Lima as well as for the spirit of permanent collaboration and receptivity with which we were given…