



Forest Carbon Partnership Facility

4. Building the Methodological Framework and Pricing Approach: Update on Progress on Working Group and REDD Design Forum

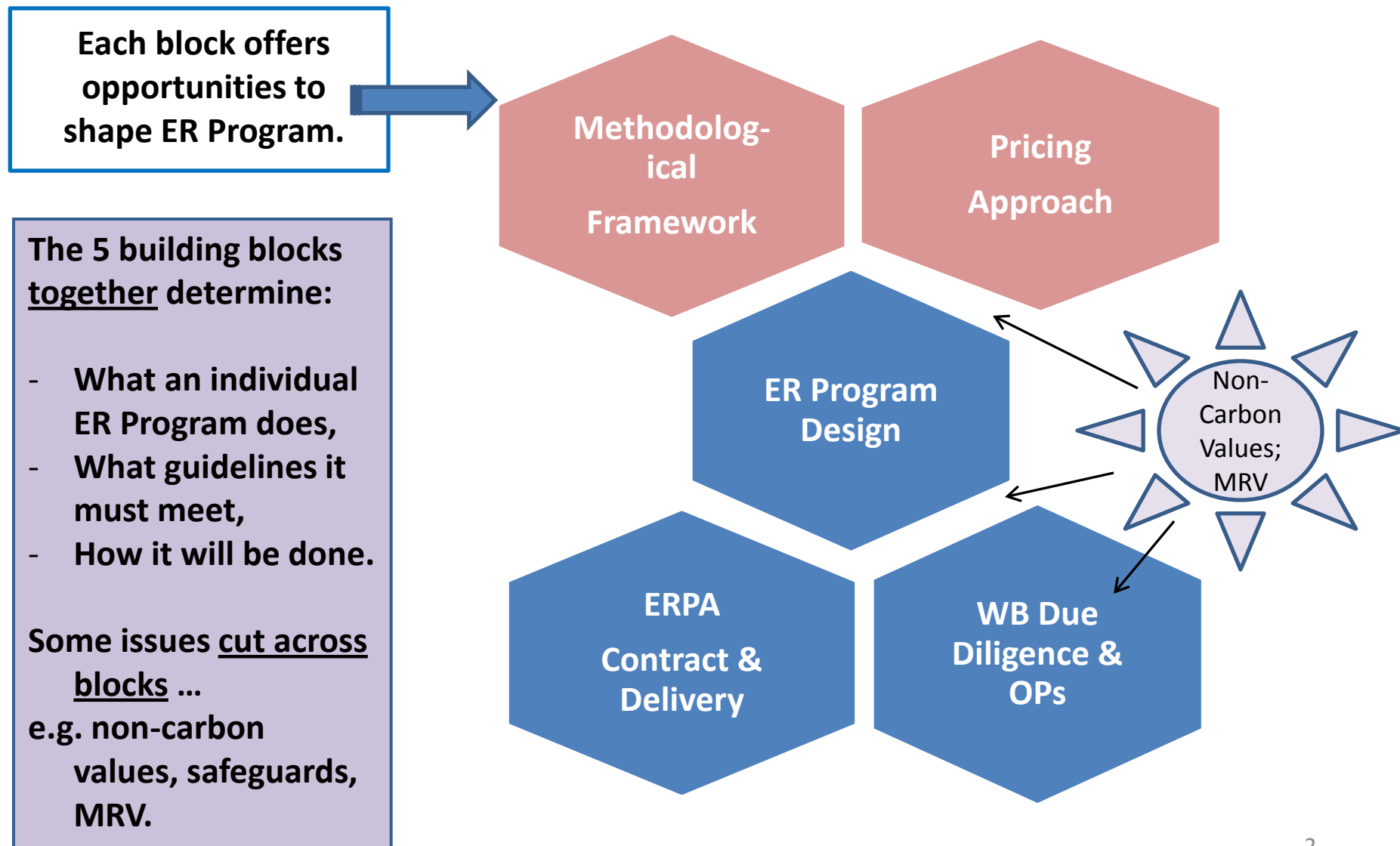
[revised Oct. 26, 2012 to reflect WG meeting #1 discussion]

Fifth Meeting of the Carbon Fund (CF5)

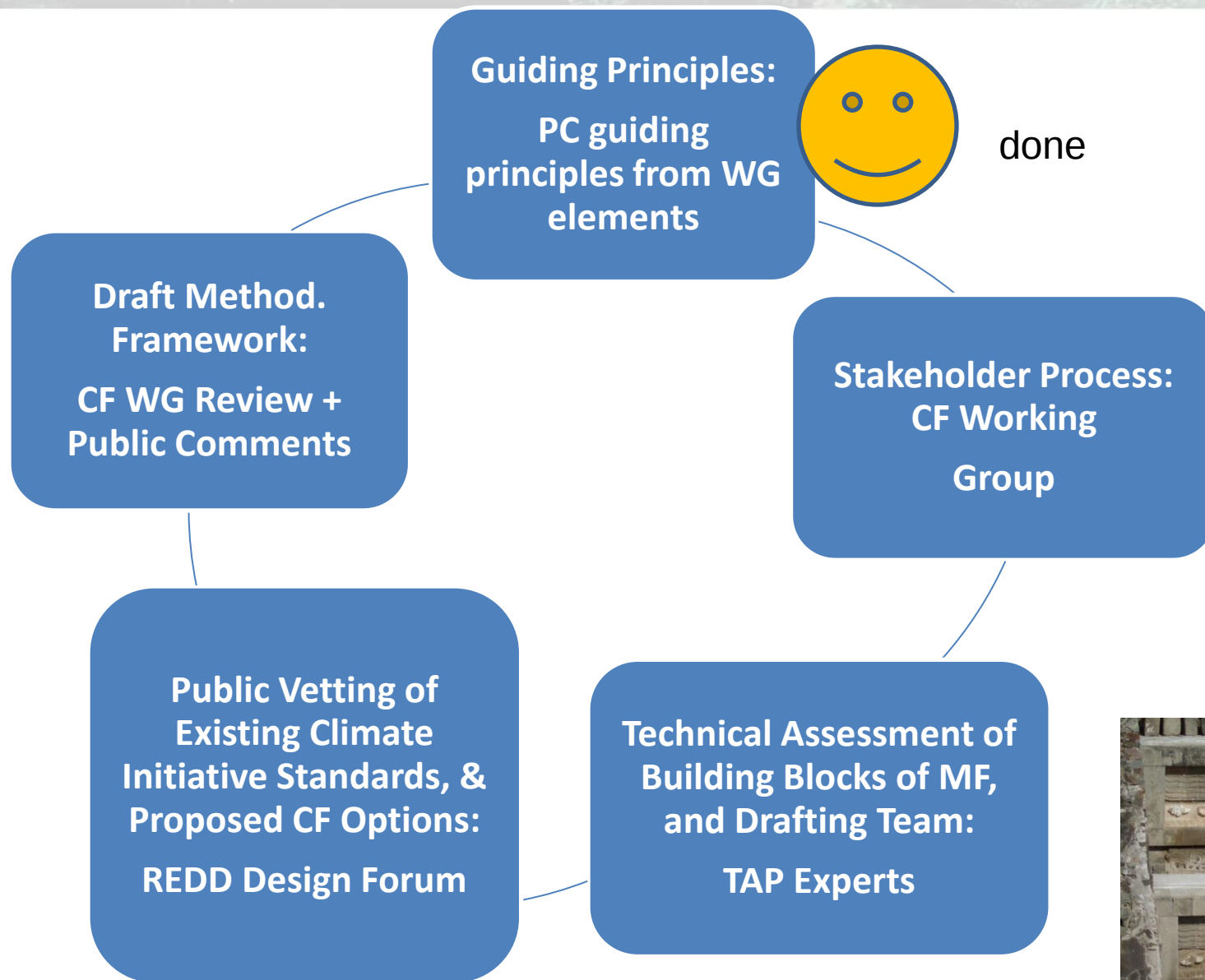
Paris, France

October 16 -17, 2012

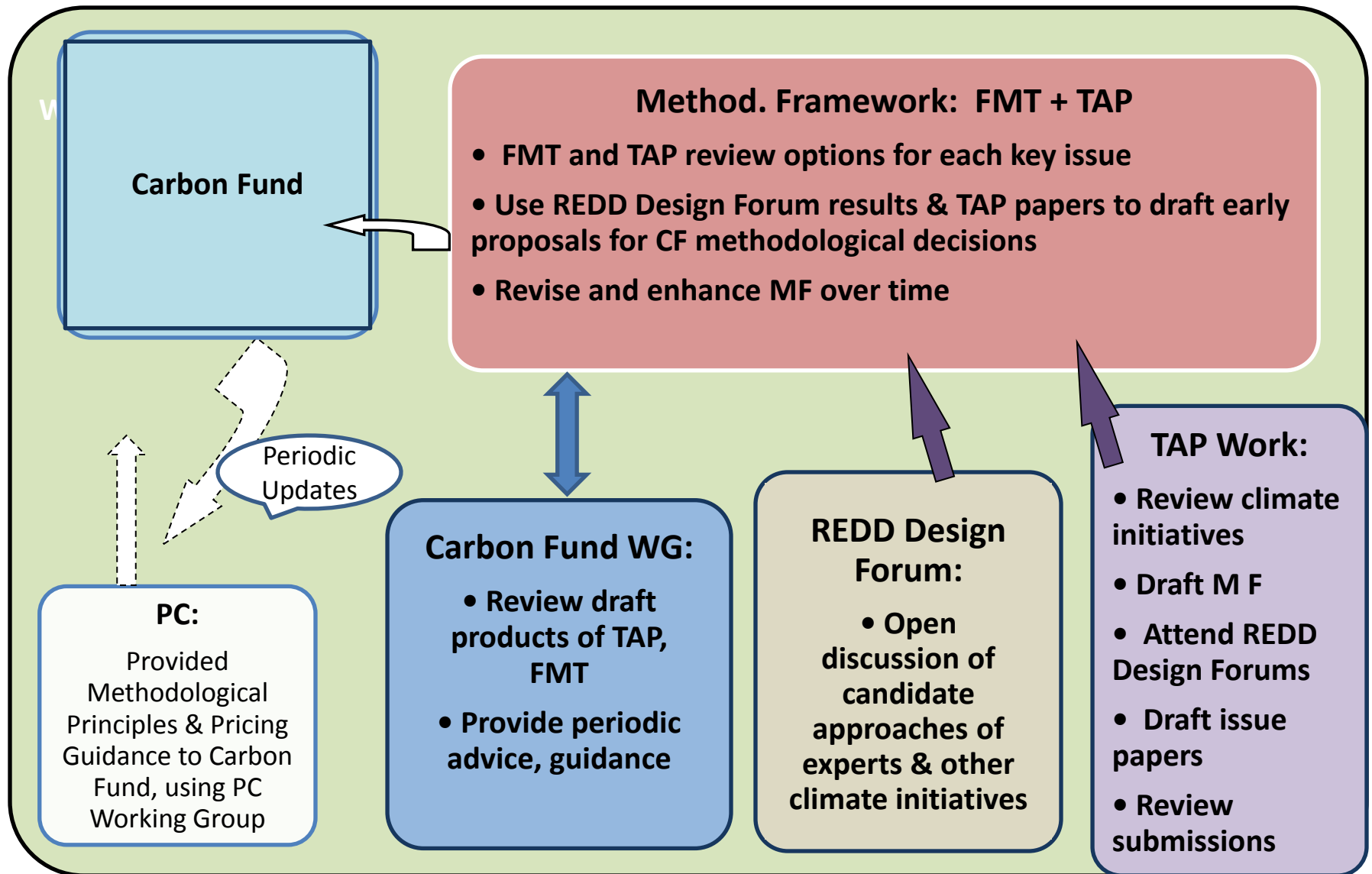
Method. Framework & Pricing Approach Are Part of 5 Building Blocks of an ER Program



Some Functions Required for Developing A Method. Framework for CF



Process for Development of Methodological Framework and Pricing Approach for CF

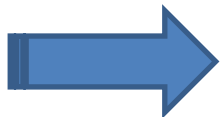


The New “Carbon Fund Working Group”

- FCPF Charter provides that “the CF Participants shall make decisions on issues related to the Carbon Fund.”
- Resolution CFM/3/2012/2 (March, 2012): established Carbon Fund Working Group (WG) after PC12. Members of the WG:
 - Carbon Fund Participants (self-selected): Australia, BP (sharing seat with CDC Climat), Canada, EC, Germany, Switzerland, TNC, and the US)
 - PC Bureau nominated 5 REDD Country Participants: Colombia, Liberia, Nepal, Suriname, Vietnam.
 - Observers selected representatives: Indigenous Peoples (Soikan Meitiaki), Civil Society (Josh Lichtenstein), and Private Sector (Chris Webb, Andrew Hedges).
 - WG meeting #1 agreed to allow 2 representatives per Participant or Observer. 2nd CSO, IP observers to be identified.
 - The WG “will provide feedback and advice to the FMT, as requested, during its development of a preliminary draft methodological framework for consideration by the Carbon Fund Participants at the Fifth Carbon Fund meeting.”
- WG to review draft products – not create them.

Comments Received on FMT Proposals for Developing Method. Framework, Working Group, REDD Design Forum (at CF5, PC13)

- WG should largely review draft products. Cannot attend REDD Design Forum events.
- WG not expected to submit submissions, but submissions are useful to encourage new ideas.
- Reschedule issue papers to earlier drafts for WG; and seek full draft MF presented in June, 2013 at CF7.
- Address challenging issues like safeguards, benefits-sharing etc. early enough, not too late.
- Development of MF will take over a year, so develop draft MF, then update and refine over time.



Revised role of WG, schedule, etc. as agreed by WG is shown in this presentation.

Issue Papers: Require Significant Drafting and Review to Reflect CF Needs

- Most climate initiatives have expert groups draft about 10 internal issue papers
- E.g., VCS: 10 papers, 1.5 years, proprietary and not public, never refined beyond drafts
- E.g., Governors' Climate and Forest Task Force (GCF) for California, Chiapas, Acre: REDD Offset Working Group now in 2nd year of drafting a fairly general guidance (not public)
- CF TAP will include some ROW, VCS, SES, ACR, CI REDD portfolio and country authors
- Plan: 1-3 TAP authors draft 7 issue papers, receive comments from other TAP and FMT, revise for use by REDD Design Forum and CF WG.

CF Methodological Framework Issue Paper Topics (revised)

Format: Review Other Initiatives, Propose CF Approach for Discussion, Identify Issues.
(Half papers are underway. Cooperating with 3-4 other climate initiatives.)

- 1: General Approach for MF: standards and indicators vs. methods vs. positive list
- 2: Reference Levels; and additionality
- 3: MRV design: carbon, non-carbon, community role; and Registries
- 4: Displacement (leakage), and Reversals of GHG benefits (permanence), and sustainability of ER Programs
5. Safeguards: WB safeguards, reporting on Cancun safeguards; Feedback and grievance mechanisms
- 6: Benefit sharing mechanisms, inc. equitable distribution; Carbon rights, land, and resources tenure; Non-carbon benefits, inc. biodiversity, and valuation
- 7: Financial strategy for ER-Programs, in context of country plans

Very Rough
Draft, or a
Paper to
Build On:

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X

X

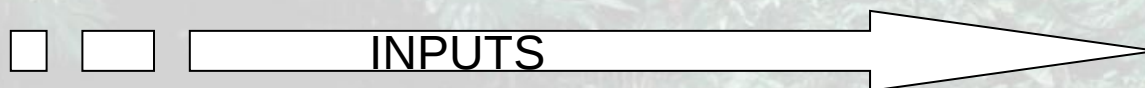
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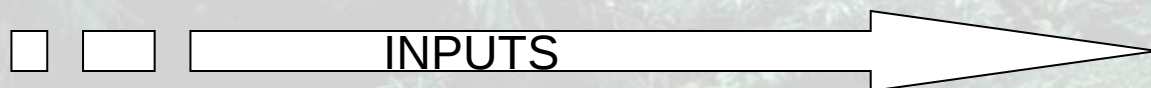
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Overview of Methodological Framework Development



Tentative Dates	Inputs: TAP Work	REDD Design Forum	WG on MF
October 22, PC13 Brazzaville	Ideas on General Approach for MF: standards vs. methods vs. positive list		WG Meeting 1: Schedule, Objectives, General Approach
November, 2013	FMT: Public call for short submissions to the MF process, with due dates.		December: 2-3 draft issue papers to Working Group
Early January, 2013 Washington, DC	<i>Issue Papers:</i> 1: General approach 2: Reference Levels and Additionality 3: MRV design 4: Displacement, Reversals	REDD Design Forum #1: <i>Overview of existing standards in initiatives. Carbon Accounting</i> Issues: Reference Levels, MRV, Displacement, Reversals	
Early February, 2013 Washington, DC	<i>Issue Papers:</i> 5: Safeguards 6: Benefit sharing	REDD Design Forum #2: Safeguards; Benefit sharing; Non-C benefits; Grievance mechanisms.	

Overview of Methodological Framework Development: 2



Tentative Date, Location	Inputs: TAP Work, Submissions	REDD Design Forum: Topics to be Addressed	WG on Method. Framework (MF):
Just prior to CF 6, March 2013 Washington, DC	Issue papers 1 - 4, + Forum summary		WG meeting 2: Carbon Accounting. Integration of MF
April, 2013 Washington, DC	<i>Issue papers 3, 6, 7: 3. (registries part) 6: Benefit sharing 7: Financial strategy</i>	<i>Forum #3: Carbon rights, land tenure. Registries. Previous issues if needed. Integration into MF.</i>	
early May, 2013 Washington?	Issue papers 5 – 7, + summary of REDD Forum #2		WG Meeting 3: Safeguards; Benefit sharing; Forum #3 topics; integration
May?			Public comment period
mid June, 2013 CF7 Lombok, Indonesia	Summary of Forum #3; draft presentation of full MF		WG Meeting 4 (day prior to CF7): Review presentation of full MF

Carbon Fund Working Group Meetings: As Proposed at WG Meeting #1

- Tuesday, Oct. 16th: preparatory for Meeting #1 at PC 13
- WG Meeting #1: held at PC 13 in Brazzaville, Oct. 22nd

WG face-to-face meetings:

- Meeting #2: just prior to CF6 ~ March 15-16??, 2013.
Washington, DC
- Meeting #3: May xx, 2013, Washington, DC probably
- Meeting #4: day before mid June, 2013, CF7 meeting,
Lombok, Indonesia

REDD Design Forum: Public Discussion of Potential Approaches for Method. Framework

- **Propose: Create open discussion (by invitation) to:**
 - Learn how climate initiatives address key building blocks (UNFCCC, VCS, Governors Task Force, etc.)
 - Review TAP and FMT early ideas to address building blocks for CF.
- **Organization:**
 - Invite: major climate initiatives; TAP experts (core team + specialists); Observer representatives; FMT
 - CF Working Group members: not expected to attend
 - Propose 3 events, January – April 2013, on specific topics.
- **Inputs:** TAP issue papers; short submissions by interested organizations.
- **Outputs:** Summaries of discussion of each issue. Feedback on early options for Method. Framework from experts, initiatives, stakeholders.

WG Meeting #1 Proposal for Submissions of Short Ideas for MF

- **WG endorsed FMT proposal for short, targeted submissions by anyone on proposals for how to address parts of the MF**
- **Submissions to be a set of sharp questions FMT seeks ideas on, not broad open-ended topics**
- **TAP would review submissions; no reply to them needed**
- **Tight page limit, say 3 – 5 pages maximum**

Key Building Blocks for Method. Framework: Identifying Candidate Options for Carbon Fund

Key Building Blocks	Major Other Initiatives' Approach Assessed	Rationale for Selection Filters/criteria: • UNFCCC guidance • Agreed CF principles • Capacity needs implementation	Advantages / disadvantages of proposed options including: • Barriers and benefits • Feasibility challenges	Early Candidate Options for Carbon Fund	Further Analysis Needed or Issues to be Considered
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CARBON ACCOUNTING:

Reference level		<i>Conceptual Example</i>			
MRV					
Nesting					

PROGRAMMATIC AND NON-CARBON:

Benefit Sharing					
Safeguards					

Key Decision To Guide Development of Method. Framework:

What General Approach to Take: Standards, Methods, Positive List?

- **Three major approaches (or combinations of them):**
 - 1) Standards and indicators approach: general guidance and country proposes how it will meet the standard
 - 2) Standards and indicators approach + methods guidance in detail
 - 3) Positive list approach: If Emissions Reductions Program meets an existing standard for a topic (say SES for safeguards; or VCS on nesting subnational to national) , it meets the CF standard for this topic.
- **FCPF discussion to date focused on standards and indicators**
- **Q: Use one approach for all elements (C accounting, programmatic) . . . Or: mix of different approaches? [favored by WG #1 meeting]**
- **Q: How much guidance is needed, now . . . vs. later?**
- **Q: What are implications for: REDD country capacity required? Time to develop? Resources?**

How Climate Initiatives Have Developed Guidance

- **UNFCCC for CDM:**
 - Developed general guidance (≈ 2 years)
 - Detailed methodologies for project types ($\approx 1 - 2$ years each)
 - IPCC Good Practice Guidelines (≈ 3 years 1st version, + 3 years for 2nd)
- **VCS Jurisdictional Nested REDD Initiative:**
 - Used existing project protocols to develop general guidance (≈ 1.5 years)
 - Drafted ≈ 10 issue papers by experts ($\approx 1+$ year)
 - Detailed Technical Recommendations (≈ 1.5 years, 3 versions)
 - Piloting Recommendations in 4 – 8 countries ($\approx 1 - 2$ years?)
- **FCPF:**
 - R-PP template went thru 6 versions in ≈ 3 years
 - R-Package guidance (≈ 1.5 years)
 - DRC and Costa Rica drafting of early ER-PINs (taking $\approx 9 - 15$ months)

PC Working Group & PC12 Identified 16 Elements as Guidance for CF Developing Method. Framework

Recommendations for elements on carbon accounting:

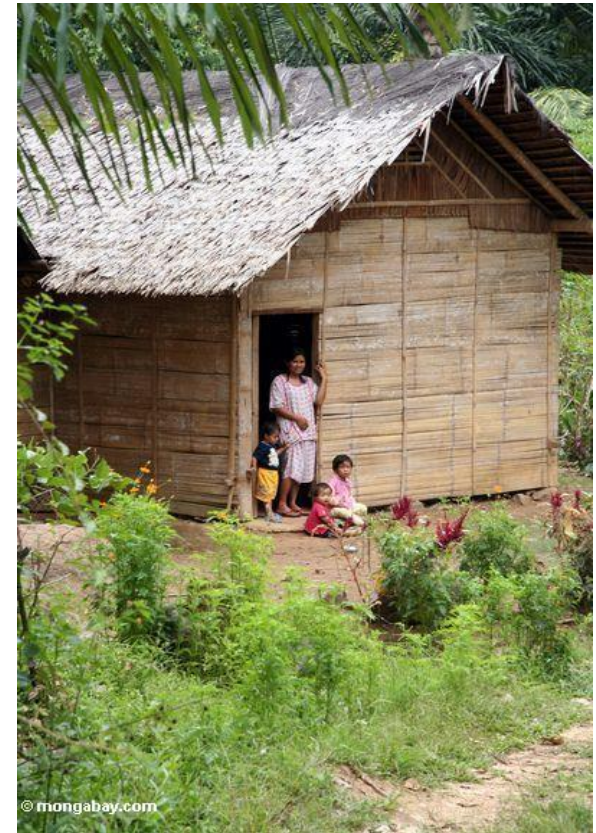
1. Stepwise approach to reduce uncertainties
2. Reference level
3. Consistency with monitoring system
4. Address reversals
5. Address displacement (leakage)

Recommendations on programmatic characteristics:

1. Endorsement and implementing capacity
2. Scale and ambition
3. Safeguards
4. Stakeholder participation
5. Benefit sharing
6. Non-carbon benefits

Recommendations on pricing elements:

1. Fairness, flexibility and simplicity
2. Price structure
3. Informed negotiations
4. Non-carbon benefits

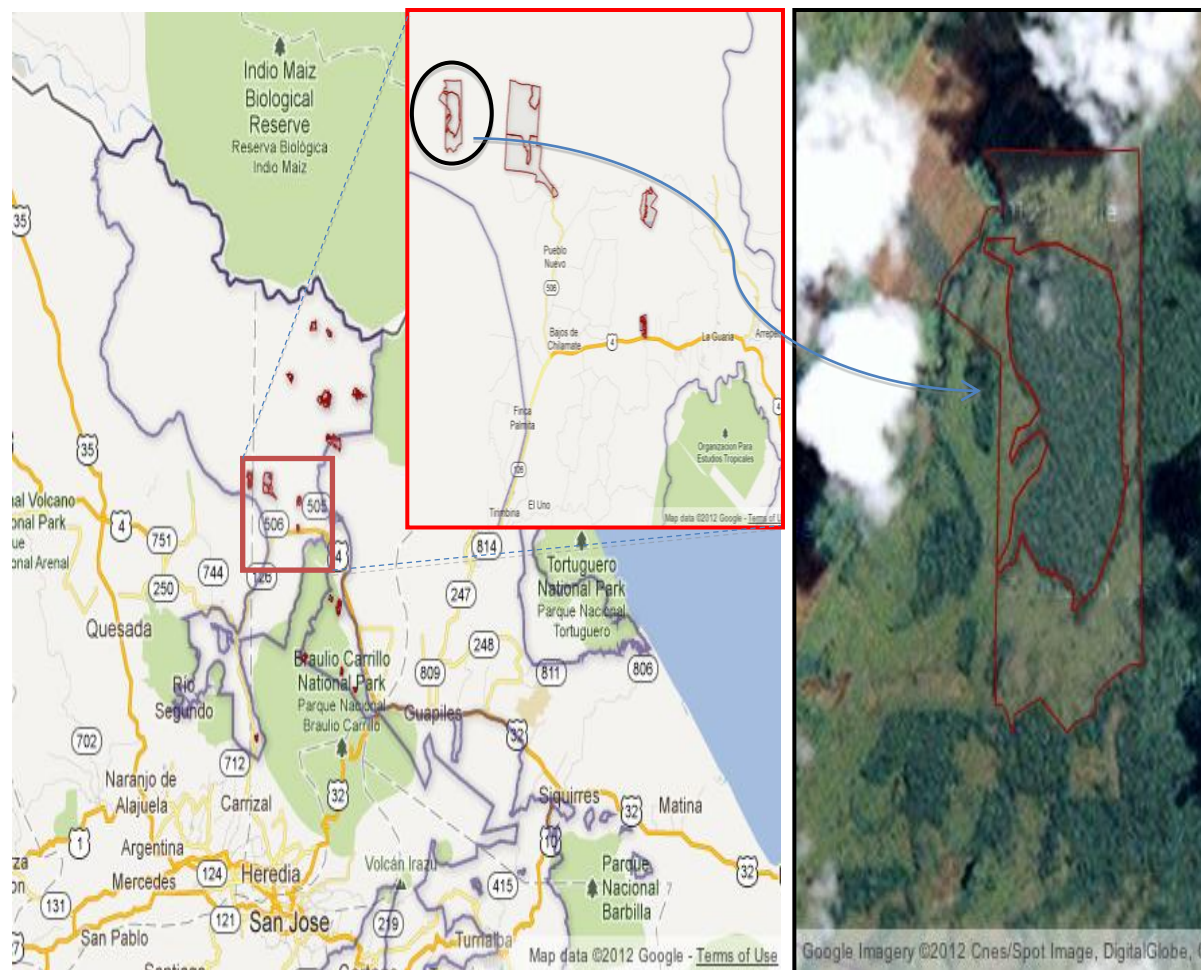


MF Challenge: Translating MF Elements Into Operational Guidance for REDD+ Country Developing ER Program

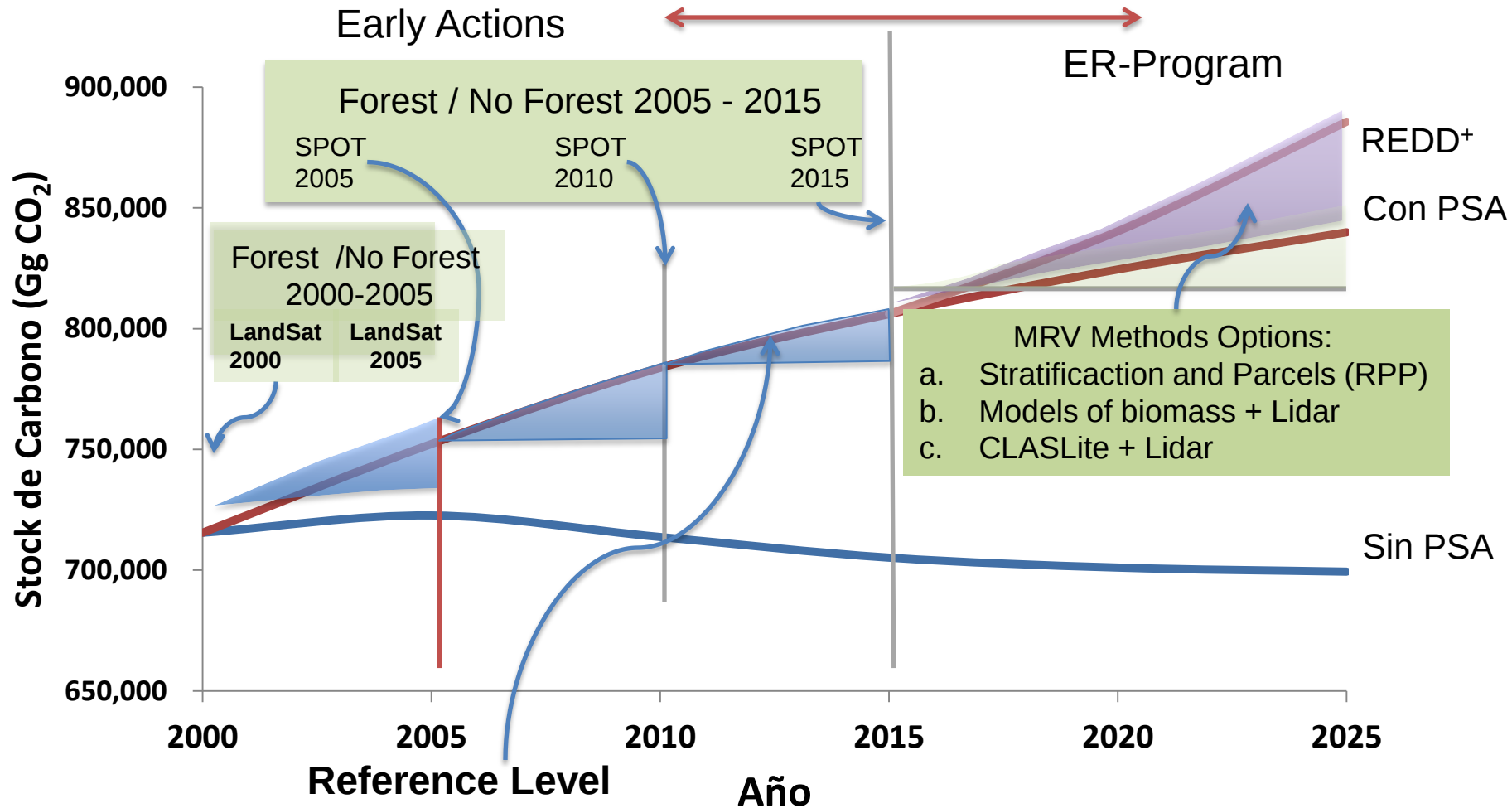
Example of element:

“Reference level: ERs from an ER Program should be conservatively measured and reported relative to a transparently presented and clearly documented forest reference emission level (REL) or forest reference level (RL) for the ER Program area, following the guidance of the Carbon Fund Methodological Framework and informed by the emerging national REL/RL. “

Costa Rica ER-PIN example: Early Carbon Fund ER –PIN ideas involve complex, fragmented landscape mosaics



Example: Costa Rica ER-PIN Reference Level & MRV. Envisions Using Different Data & Methods for Historic vs. ERP Timeframes ... For Complex Land Use Mosaic



Standards and Indicators Approach:

Example: Reference Levels from Draft R-Package Standards, Component 3:

“ Rationale: . . . The REL/RL should be established transparently taking into account historical data, and adjusted for national circumstances. . . . This includes compilation and analysis of relevant data, capacity building in the application of proven methods and fundamental techniques (e.g., mapping, field sampling), and assessment of different methodologies. . . . *[some text deleted]* ”

Assessment criteria and diagnostic questions (progress indicators)

- *Clear, step-wise methodology*
 - Is the preliminary sub-national or national forest REL or RL presented using a clearly documented methodology based on a step-wise approach?
 - Are plans for additional steps and data needs provided, and is the relationship between the sub-national and the evolving national reference level demonstrated?
- *Historical data, and adjustment for national circumstances*
 - How does the establishment of the REL/RL take into account historical data, or if adjusted for national circumstance, what is the rationale and supportive data that demonstrate that proposed adjustments are credible and defensible? . . .
- *Consistency with UNFCCC/IPCC guidance and guidelines*
 - Is transparent, complete and accurate information consistent with UNFCCC guidance and the most recent IPCC guidance and guidelines provided, allowing for technical assessment of the data sets, approaches, methods, models, if applicable, and assumptions used in the construction of a reference level? “

Methods Approach: Reference Levels Example

E.g, VCS Jurisdictional and Nested REDD Technical Recommendations: 3rd version (October 2012) has 12 pages of guidance on setting RLs ... + 2 pages on additionality:

“ Historical GHG Emissions and Removals : Activity-Based Accounting *[excerpts]* ”

3.11.4 A historical level of GHG emissions across the historical reference period shall be calculated for each selected activity. ..

3.11.5 Historical rates for deforestation shall be determined using remote sensing (RS) imagery, except for large-scale commercial deforestation where it is required to be separated out in accordance with Section 3.11.12, which may (optionally) use RS imagery. Historical rates for all other activities may (optionally) use RS imagery. Examples of other data sources that may be used include surveys, relevant statistics and inventories.

3.11.6 Where the jurisdiction is nested within a higher-level jurisdiction, the activity rates shall be assigned in accordance with Section 3.11.15 or 3.11.16, as appropriate.

3.11.7 Where remote sensing imagery is used to estimate activity rates and/or GHG emissions, the following applies:

1) All land use and land-use change (LULC) maps created using RS imagery and used for calculating activity rates shall have a final spatial resolution of no coarser than 100m x100m. Imagery with a coarser resolution (eg, 300m x 300m) may be used to verify forest cover in areas with very low probability of deforestation such as areas distant from roads and forest frontiers (eg, in unmanaged forests).

2) The minimum mapping unit size of the LULC maps created using RS imagery shall not be more than one hectare irrespective of forest definition.

3) Land cover maps shall be created using a forest stratification and LULC system¹¹ of distinguishable and non-overlapping LULC classes and forest strata....

4) A series of remotely-sensed spatial data from at least three points in time taken from a similar season within the last 10 years shall be used. The season in which data is collected may vary for different strata ... ”

Example: Non-carbon benefits, Improving Local Livelihoods, Land tenure: e.g., Situation in Kalimantan

“Non-carbon benefits:

The ER Program contributes to broader sustainable development. This could include, but is not limited to, improving local livelihoods, building transparent and effective forest governance structures, making progress on securing land tenure and enhancing or maintaining biodiversity and/or other ecosystem services. . .”

ER Programs likely involve many land uses, ownerships, land types – making simple guidance hard to implement.

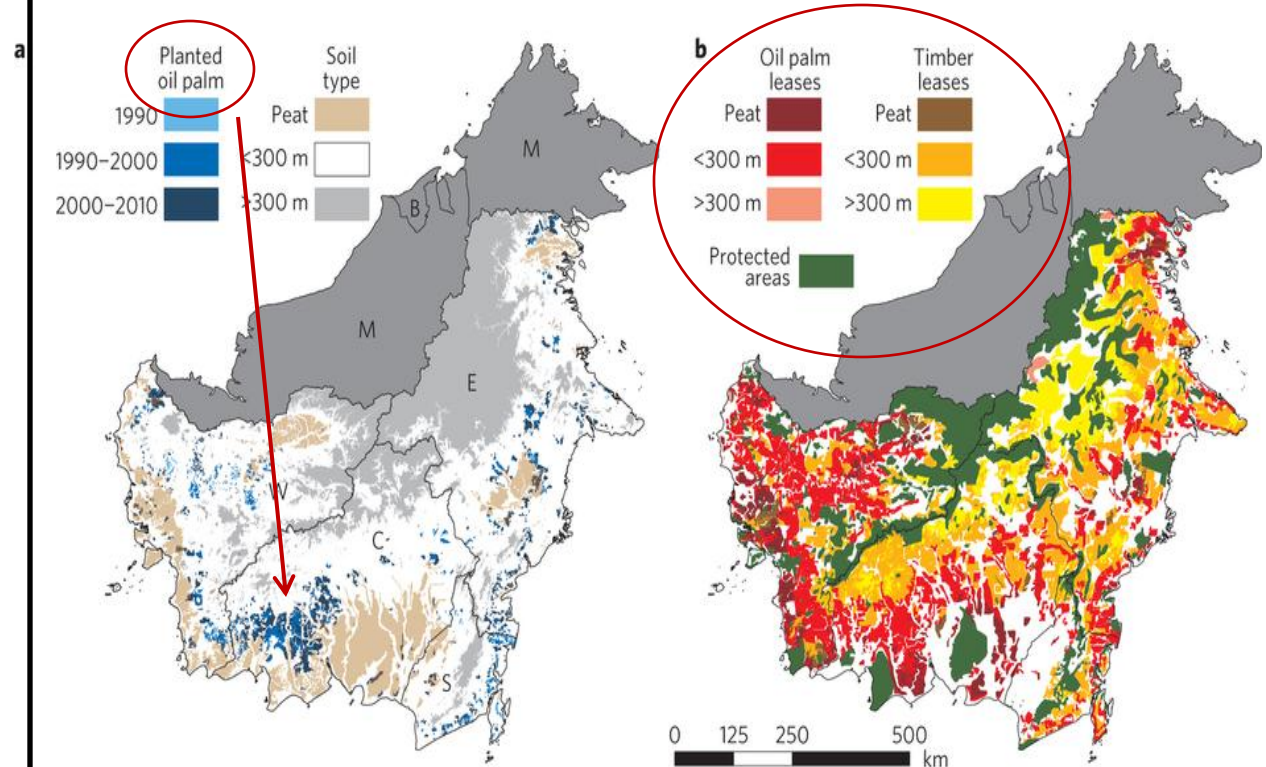
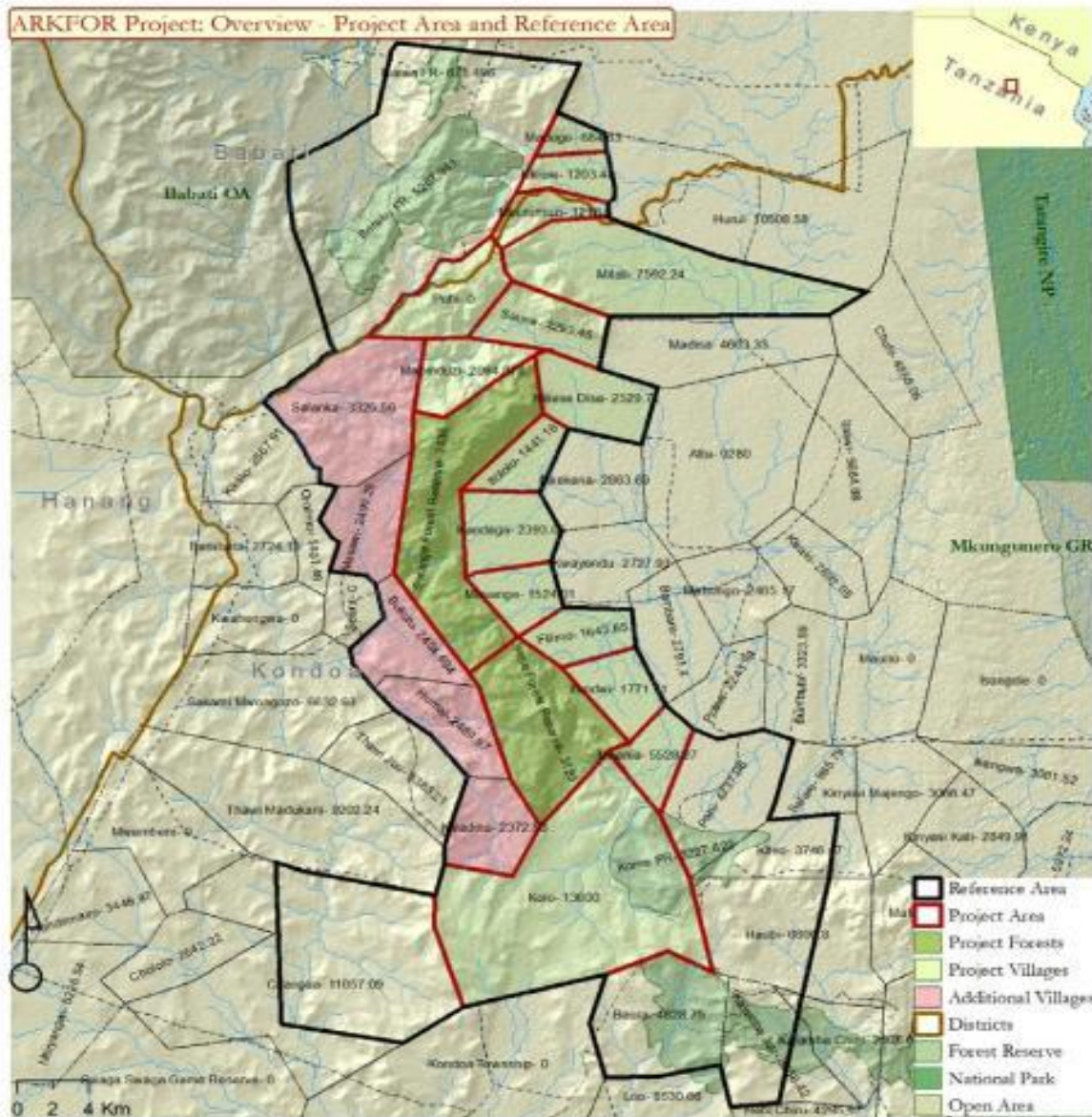


Figure 1: Planted oil palm, oil palm leases, timber leases and protected areas in Kalimantan.

Example: Land tenure: e.g., Situation in Kolo Hills – ARKFOR Project in Tanzania, African Wildlife Foundation



Source: AWF, CAMCO, Landsat 2010
Kondo District, SRTM 30m, Africover

AFRICAN WILDLIFE FOUNDATION

AWF Spatial Analysis Lab
Nov-10

Prog. Element 5: “...The status of rights to carbon and relevant lands should be assessed . . . and agree to a work program to advance progress on key issues to effectively implement the benefit sharing mechanisms.”

- Project area in **RED**.
- Buffer area (for leakage) in **BLACK**.
- Includes 15 major parcels + project forests and villages + non-project villages.

Map from Kathleen Fitzgerald,
African Wildlife Foundation presentation

WG #1 Meeting View on Approach of MF: Provide Guidance on Each Topic in As Much Detail As Feasible and Agreed by June, 2013

- Be flexible regarding which approach to take on each issue (e.g., strict standards and indicators vs. detailed guidance vs. positive list)**
- Provide as much guidance as WG and FMT feels comfortable with at a given time**
- But seek to provide guidance as soon as feasible to REDD+ participants working on ER Programs for the CF**
- Recognize a stepwise approach is needed: draft early guidance, test, and enhance guidance over time**
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Methodological Framework Process Schedule

Task	Tentative Date
CF Working Group meetings	October 2012 - June 2013
Create ad hoc <u>TAPs</u> to support CF and FMT	Underway
REDD Design Forum addresses key technical issues	January - April 2013
Public comment period on draft MF	May 2013
Present full Method. Framework to CF	mid June 2013
Update and enhance MF as ER Programs evolve	August 2013 – October 2014

Additional Topics for Discussion



- **How to select 2nd CSO, IP representative?**
- **How best to structure REDD Design Forum events; and WG meetings?**
- **Are there existing issue papers, experts, reports etc. to be aware of as the Method. Framework work advances?**
- **General approach question: Standards vs. Methods vs. Positive list?**