

**Forest Carbon Partnership Facility
Carbon Fund
Fifth Meeting (CF5)
Paris, France, October 16-17, 2012**

Chair's Summary

Dear Carbon Fund Participants and Observers,

I would like to thank the Carbon Fund Participants (CFPs) and observers from REDD Country Participants, Indigenous Peoples' organizations, non-governmental organizations, and private sector who took part in the fifth meeting of the FCPF Carbon Fund (CF5) on October 16-17, 2012 in Paris.

Please find below the main conclusions from the meeting, which are also being translated in French and Spanish. All background materials, presentations, Resolutions and this summary are available on the FCPF website at <http://www.forestcarbonpartnership.org/fcp/node/646>.

Funds allocated to support Costa Rica's ER-PIN: A Carbon Fund milestone

Costa Rica became the first country to submit an ER-PIN for consideration by the Carbon Fund, marking a milestone in the Fund's evolution. Presentations were made by both the Government and an Indigenous Peoples representative. Participants' reactions reflected a high level of confidence in the proposal and in the Government, highlighting Costa Rica's strong political commitment, long experience with Payment for Environmental Services, stable institutions, clear land tenure which will facilitate carrying out activities, multi-sectoral approach and incorporation of the REDD+ approach into the national strategy, and state-of-the-art technical work (e.g., with respect to MRV).

Participants noted a number of issues that require clarification in the ER-PIN. As such, the Participants adopted Resolution CFM/5/2012/1:

1. allocating up to \$200,000 to help Costa Rica revise its ER-PIN to reflect the key issues identified by Participants, as listed in the annex of the Resolution, and
2. provisionally allocating up to an additional \$450,000 to develop the ER-PIN into an ER Program Document, subject to review that the revised ER-PIN clarifies the key issues, and to virtual adoption of a Resolution including the revised ER-PIN in the Carbon Fund pipeline. Upon adoption of such a Resolution, the Trustee will enter into a Letter of Intent with Costa Rica.

Costa Rica expressed its concern that the allocation of two installments instead of one could slow down implementation of activities in-country. However, Participants acknowledged that there is a difference between issues that should be addressed in the ER-PIN versus the ER-Program Document, and that what is expected at this stage is clarification, not necessarily resolution of the issues identified.

Vietnam's presentation of early ideas for an emission reduction (ER) program

The presentation focused on the:

- relevant progress on national readiness preparation since the initial informal presentation at CF4 in June 2012,
- the enabling policy environment and political commitment in Vietnam, including the Government's own investments,
- support provided by development partners at the regional, national, and sub-national levels to advance piloting of technical topics relevant to the development of ER programs. The

presentation detailed specific ER program ideas in 3 provinces in the northern central region of the country, which includes 2 provinces that are targeted by the FCPF Readiness grant.

Participants provided feedback on the early ideas and Vietnam further clarified:

- the scope and funding programmed by development partners,
- the funding of the Government's own policies and investments in low-carbon development, and
- possible programmatic options to be presented in Vietnam's ER-PIN targeted for CF6 in March.

Going forward, Participants are invited to send written comments to a Country that has submitted its ER-PIN before a CF meeting if they so wish, so that the Country can best prepare its presentation.

Working Group (WG) on Methodological Framework (MF) and Pricing Approach

The proposed plans for development of the Methodological Framework include TAP experts drafting short papers of early recommendations on how to address key issues. About three REDD+ Design Forum workshops will be held involving other climate initiatives, experts, and representatives of stakeholders, to review early options to address key issues. In addition, the CF Working Group will meet at PC13 in Brazzaville, and probably once before CF6 and again before CF7, to periodically review and provide advice as draft parts of the MF emerge. WG members confirmed the role of the WG in preparation for the Brazzaville meeting, and a revised schedule was produced and discussed.

World Bank due diligence

For information purposes, the FMT presented on World Bank-based due diligence related to the application of Bank safeguard policies and procedures to ER Programs. In contrast with the safeguards approach adopted for the FCPF Readiness Fund, it was clarified that the approach applied for the CF will be essentially the same as that applied to carbon finance operations supported by other World Bank-administered carbon funds. The presentation concluded with a review of how safeguards work done during the Readiness phase carries over into the REDD+ Implementation phase, the relative responsibilities of the ER Program sponsoring entity versus the World Bank with respect to safeguards application, and the role of recourse and accountability mechanisms in effective application of the safeguards.

Draft Term Sheet setting out general principles of a future Emission Reductions Payment Agreement

CFPs discussed the draft that was prepared by the FMT and that reflected inputs from a series of conference calls with Participants and Countries prior to CF5:

- There were extensive discussions on issues related to the MRV process and the question of whether or not non-carbon benefits and the implementation of a benefit-sharing plan should form part of that process or be treated separately.
- It was agreed that payments for transferred emission reductions should be triggered only on the basis of reported and verified emission reductions.
- The FMT has revised the Term Sheet accordingly (available at <http://www.forestcarbonpartnership.org/fcp/node/646>) and this will be the basis for discussions by the Participants Committee at PC13 in Brazzaville.
- CFPs are requested to provide any additional written comments to the FMT by November 9. The Term Sheet will then be revised taking into account these comments as well as those from PC13.

Draft Letter of Intent

Significant advances were made in developing the potential content of a Letter of Intent. There were extensive discussions on issues related to exclusivity and the question of whether or not exclusivity should apply only to the volume that could potentially be contracted by the FCPF, or to the entire volume of the ER Program. CFPs emphasized that the intention is to “crowd in” rather than “crowd out” others (particularly the private sector). Meanwhile, it is critical to avoid parallel negotiations with different parties based on different methodologies, which could potentially result in double-counting of ERs in a Country. Addressing this can be challenging at this point though, as there is a lot of uncertainty around what volumes in any given program will actually be.

A revised draft that reflects the CF5 discussions is available at <http://www.forestcarbonpartnership.org/fcp/node/619>.

Process for the origination of ER-PIN ideas

The FMT explained that to date, REDD Countries that have advanced their Readiness work have voluntarily come forward with ER-PIN ideas. Relatively well-developed ideas have been presented to the CF by Costa Rica (a formal ER-PIN), DRC, and Vietnam. Early ideas on potential ER Programs have also been presented by Ghana, Indonesia, Mexico and Nepal. The CFPs:

- agreed that no formal solicitation process is needed;
- noted that delivery partners other than the World Bank can potentially support work on an ER-PIN;
- noted that significant effort is needed in developing an ER-PIN, so beginning soon can have symbiotic benefits for Readiness work as well.
- suggested that a short presentation on the ER-PIN presentations to date be made in Brazzaville at PC13, to be certain that all FCPF countries are aware of the opportunity and the process.

Update on marketing to private sector

Justin Adams from Lion's Head Global Partners and Richard Vogeli from BHP Bruggen and Partners updated Participants on the efforts to market the Carbon Fund to the private sector. The discussion covered the pros and cons of a consortium (including a possible minimum contribution within a consortium, and how to ensure the consortium is represented at the table by one voice but that knowledge is disseminated to all), and the possible extension of targets to family offices and foundations.

Long-term financial plan

The FMT presented the latest long-term financial plan, providing a projection of the sources and uses of funds up to 2020. Questions were forthcoming regarding the timing of signing of ERPAs.

Draft Monitoring and Evaluation (M&E) framework for the FCPF

Alain Lafontaine, member of the consultant team contracted to develop an M&E framework for the FCPF, presented the draft framework, which overall was well received. The presentation of the draft framework to the CF should facilitate the review at the upcoming PC13 meeting. Key points included:

- The timeline proposed for M&E until 2020 is too far into the future;
- Some indicators, including on the delivery of emission reductions, could be more ambitious;
- Indicators that can help track degradation in addition to deforestation would be helpful;
- Semi -annual reporting may be too frequent, particularly given that aggregated information at the FCPF program level will rely on reporting by Countries and delivery partners.

- Participants requested an opportunity to provide written feedback on the draft. Please send any comments to the FMT by November 9.

Next meetings

The FMT will discuss with the Administrative Unit of the Climate Investment Funds their willingness to hold their planned FIP Pilot Country meeting in early June 2013 (at the same time as SBSTA). If the FIP Pilot Country meeting takes place then, CF6/PC14 will continue to be planned for the week of March 18, 2013 as originally planned, followed by CF7/PC15 in mid-late June after the FIP meeting. Otherwise, the CF/PC meetings will likely shift and be held in February and May 2013 instead.

In closing

This meeting saw important and exciting progress in the evolution of the Carbon Fund, particularly with the presentation of and allocation of funds to the first ER-PIN. It was also especially useful to have several private sector representatives engaged in the discussion. I would like to thank everyone for contributing to very productive discussions, and to the FMT for all their support. There are a number of critical issues that we will have to make further progress on in the coming months, and I look forward to working together in the run-up to the next Carbon Fund meeting (CF6). If you have any questions or concerns, please do not hesitate to contact me or the FMT at fcpfsecretariat@worldbank.org.

Sincerely,

Jürgen Blaser
Switzerland