Forest Carbon Partnership Facility

Double Counting under ERPA General Conditions

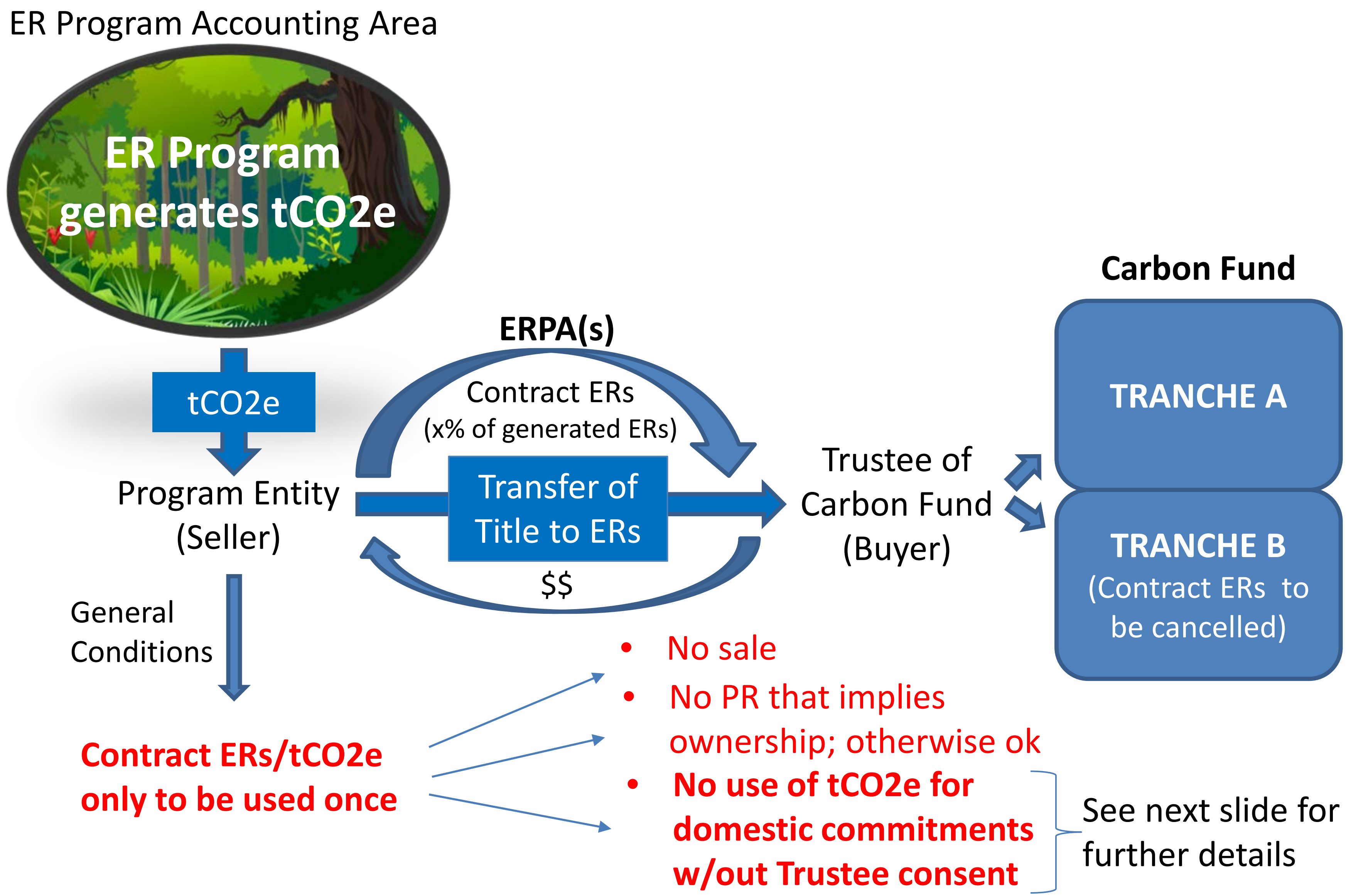
FCPF Carbon Fund Meeting (CF12)

Paris, April 28-30, 2015

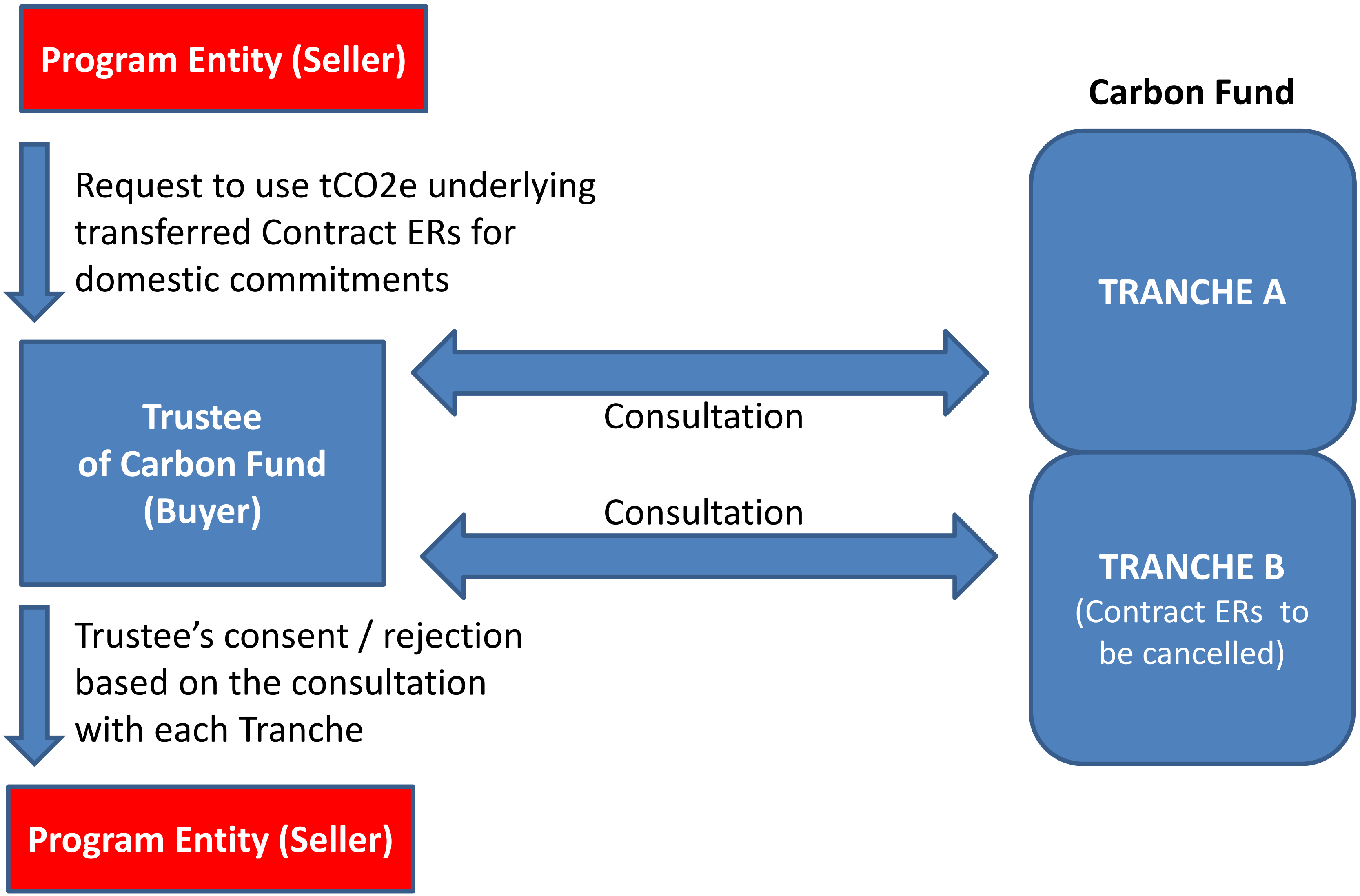
Double Counting

- Sec. 5.02(g) of ERPA GCs addresses double counting:
  - ERPA GCs state that Contract ERs (as well as underlying tCO2e) can **only be used or claimed once** (no double counting)
  - Program Entity shall **not use** such Contract ERs/tCO2e **for sale** or **for public relations (if the latter implies continued ownership**)
  - Provisions intended **to protect environmental integrity** of results-based payment system under FCPF
  - ERPA GCs provide for <u>process</u> under which Program Entity may request Trustee **to allow Program Entity** to **use or claim tCO2e underlying transferred Contract ERs** for its **domestic commitments**, <u>subject to Trustee's express, prior, written consent</u>

ERPA General Conditions
- Double Counting -



Process


Program Entity (Seller)
Request to use tCO2e underlying transferred Contract ERs for domestic commitments
Carbon Fund
TRANCHE A
Trustee of Carbon Fund (Buyer)
Consultation
Consultation
TRANCHE B (Contract ERs to be cancelled)
Trustee's consent / rejection based on the consultation with each Tranche
Program Entity (Seller)

Implications for Carbon Fund
- Both Tranches A/B -

- Current Carbon Fund contribution ratio between Tranches:
  - Tranche A: 9.4% (USD 42.4 million)
  - Tranche B: 90.6% (USD 408.8 million)
- Tranche A/B Participants receive Title (ie. title and exclusive right) to all transferred Contract ERs upon ER Transfer and payment
- Upon transfer of Title, Tranche A/B Participants to decide on how to use such Contract ERs
- If Tranche A/B Participants DO ALLOW Seller to use underlying tCO2e for domestic commitments, they would need to commit (via resolution) to ensure that they would not use or claim such tCO2e a second time
- If Tranche A/B Participants DO NOT ALLOW Seller to use underlying tCO2e for domestic commitments, Seller may refrain from signing ERPA or negotiate different commercial terms under ERPA

Implications for Carbon Fund

- Tranche A -

- Tranche A Participants NOT LIMITED under FCPF in how to use received Contract ERs
- ALLOWING Seller to use underlying tCO2e for domestic commitments:
  - will limit Tranche A Participants' options on how to use its received and paid for Contract ERs
  - may require Tranche A Participants to cancel such Contract ERs (similar to Tranche B)

Implications for Carbon Fund

- Tranche B -

- Tranche B is LIMITED under FCPF to cancel received Contract ERs
- ALLOWING Seller to use underlying tCO2e for domestic commitments will not further limit Tranche B Participants' options on how to use its received and paid for Contract ERs
- Tranche B Participants will need to verify whether OECD Guidelines on ODA limit its ability to allow Seller to use underlying tCO2e for domestic commitments while cancelling the Contract ERs


THANK YOU