



# Forest Carbon Partnership Facility

## FCPF Carbon Fund Methodological Framework

### Update:

### How Will the Carbon Fund Provide Guidance to ER Program Proposals?

FCPF PC15 Lombok, Indonesia

June 29 – July 1, 2013

# Why Does FCPF Carbon Fund Need a Methodological Framework?

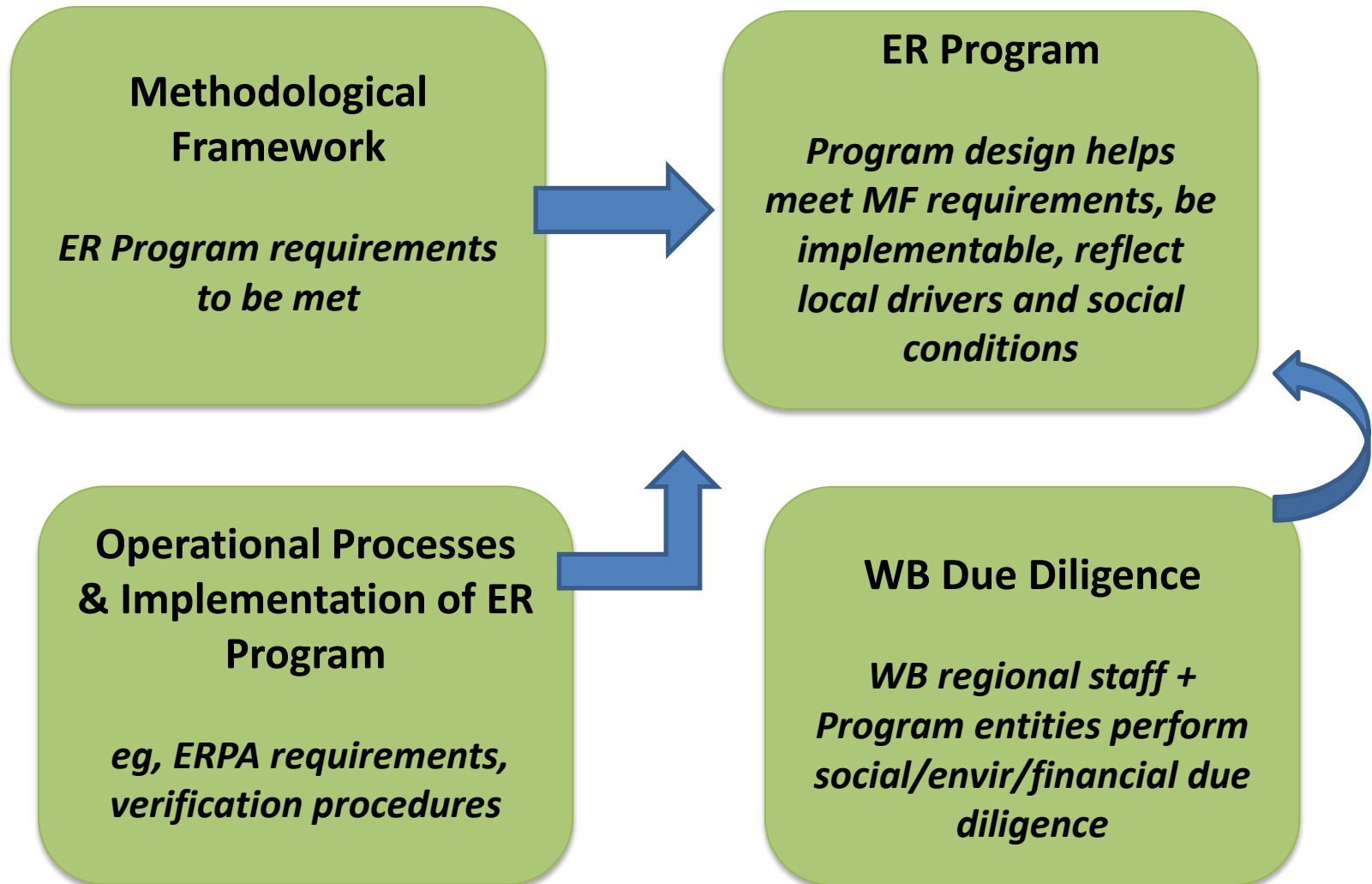
- **Guidance to REDD+ Countries developing Emission Reduction Programs**
- **Guidance to CF Participants assessing ER Programs presented**
- **ER Programs ER-PIN selection criteria: (Resolution FM/4/2012/1)**
  - **“Progress towards Readiness: The Emission Reductions Program (ER Program) must be located in a REDD Country Participant . . .**
  - **“Political commitment: The REDD Country Participant demonstrates a high-level and cross-sectoral political commitment . . .**
  - **“Methodological Framework: The ER Program must be consistent with the emerging Methodological Framework, including the PC’s guiding principles on the methodological framework;**

# Why Does FCPF Carbon Fund Need a Methodological Framework?: 2



- **“– Scale: The ER Program will be implemented either at the national level or at a significant sub-national scale, and generate a large volume of Emission Reductions;**
- **“– Technical soundness: All the sections of the ER-PIN template are adequately addressed;**
- **“– Non-carbon benefits: The ER Program will generate substantial non-carbon benefits; and**
- **“–Diversity and learning value: The ER Program contains innovative features, . . .add diversity and generate learning value for Carbon Fund.”**

# MF is One Part of How ER Programs Will Be Implemented



# 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:

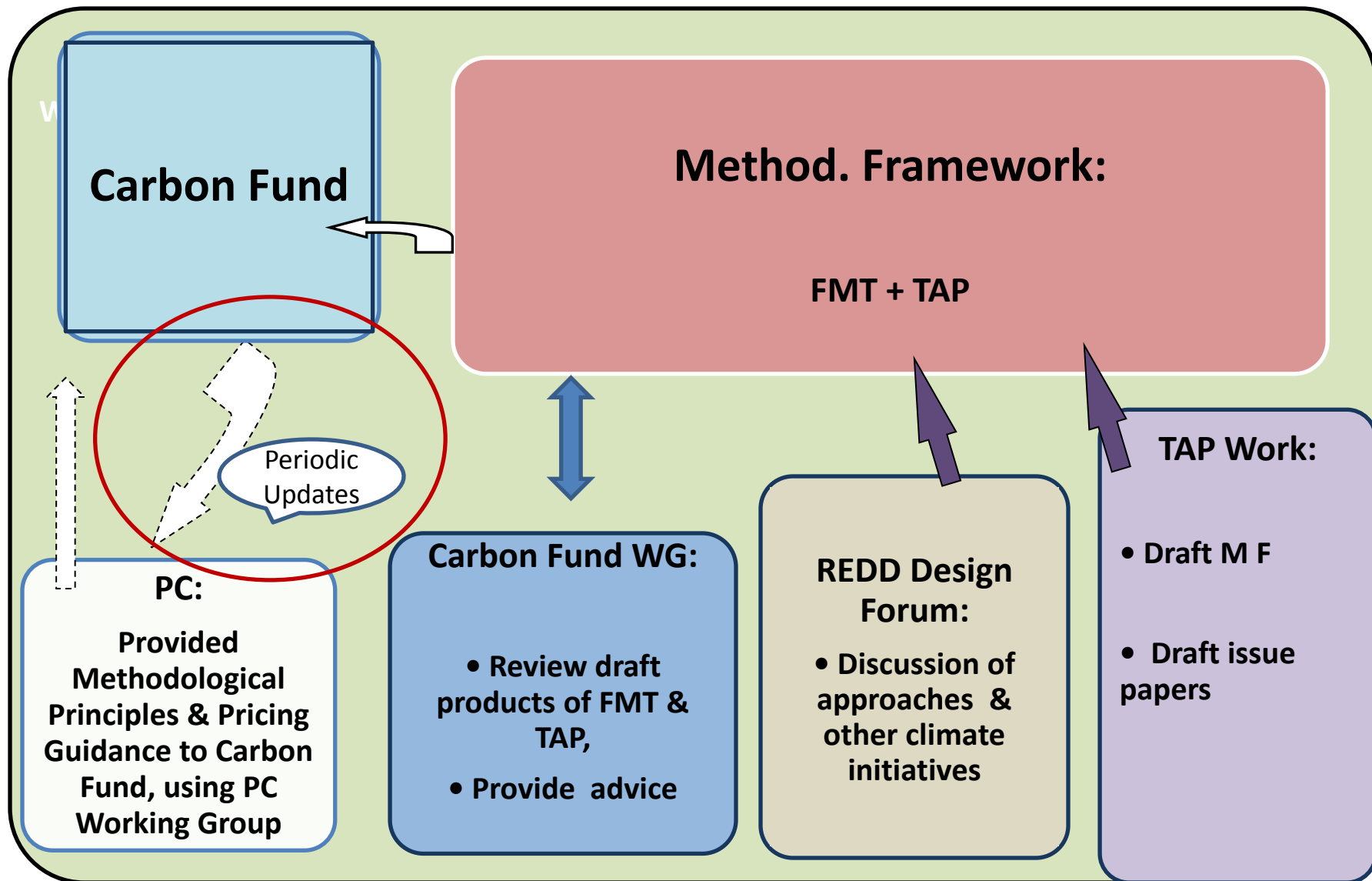
1. Endorsement and implementing capacity
2. Scale and ambition
3. Safeguards
4. Stakeholder participation
5. Benefit sharing
6. Non-carbon benefits

## Recommendations on pricing elements:

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



# Process for Development of Methodological Framework for CF



# 10 Methodological Framework Issue Papers Drafted

- **Format: Identify key questions. Review other climate initiatives.**
  - **Propose options for CF approach.**
- 1: **General Approach for MF: standards and indicators approach. Scope and Scale of ER Programs.**
  - 2: **Reference Levels**
  - 3: **MRV design**
  - 4: **Displacement (leakage ), and Reversals of GHG benefits (permanence)**
  - 5: **Safeguards: WB safeguards, reporting on Cancun safeguards**
  - 6: **Feedback and grievance redress mechanisms**
  - 7: **Benefit sharing mechanisms**
  - 8: **Carbon rights [and land tenure]**
  - 9: **Registries**
  - 10: **Operational & Financial strategy for ER-Programs**
- **Revised papers available in about 2 months**

# Carbon Fund Working Group

- **WG Members:**

- ~ dozen financial Participants in CF;
- 5 REDD+ countries (Colombia, Liberia, Nepal, Suriname, Vietnam);
- Added DRC, Mexico for Paris meetings, as offering ER Program ideas
- Observers
- FMT

- **TAP experts provide expertise and country experience.**

- Core TAP experts who assisted with drafting MF and issue papers
- Additional REDD country experts from: Mexico, Brazil

- **Goal:**

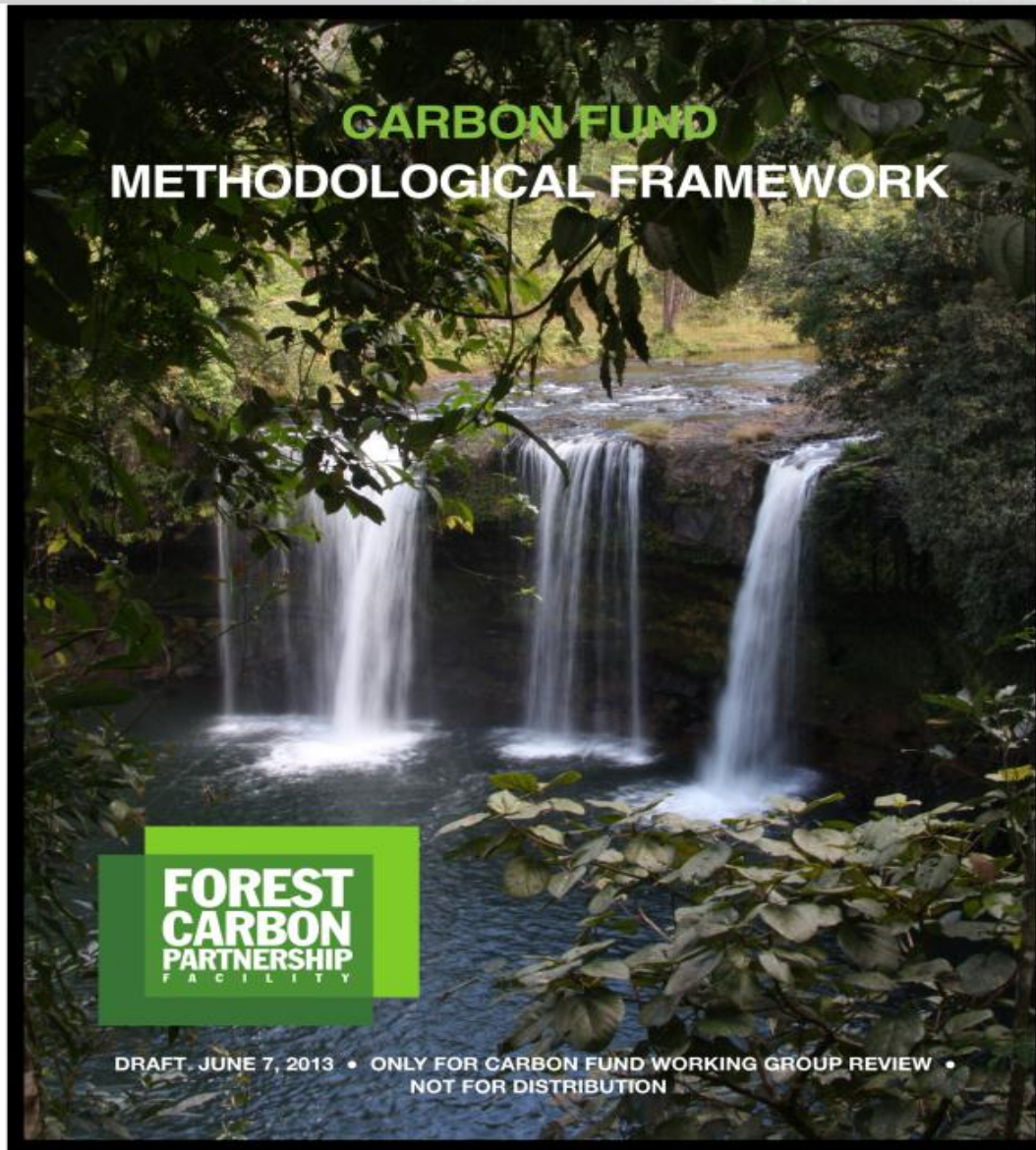
- Find the right balance of a clear set of requirements, . . .
- and simplicity and practicality

# How Did We Get Here?

## WG and MF Process to Date

- **Presentations on MF design at last 4 CF + PC meetings**
- **“Elements” drafted 6/12 by PC Working Group as guidance to CF**
- **WG met in Brazzaville October 2012; in DC in March 2013; in Paris, June 21-23 + CF meeting June 24-25**
- **3 REDD Design Forum events January – April 2013 to discuss issues among experts, TAP, countries, WG members, observers**
- **10 issue papers drafted and shared with WG**
- **2 conference calls: May 24<sup>th</sup> and June 9<sup>th</sup>**

# Walking Thru the draft MF Structure





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# Organization of MF Draft

- **Many ways to organize. This approach stresses:**
  - **Safeguards are cross cutting most of the Method. Framework . . .**
  - **. . . and thus most of the ER Program design and implementation**
  - **Sustainable development as major objective of ER Programs**
  - **Cross links to WB operational processes are critical.**
- **Safeguards topics discussed in many sections:**
  - **3.4 ACCOUNTING FOR DISPLACEMENT (LEAKAGE) AND REVERSALS (C ACCOUNTING ISSUES)**
  - **4. SAFEGUARDS**
  - **4.2 ACTIONS TO ADDRESS RISK OF DISPLACEMENT AND REVERSALS (NON C ACCOUNTING)**
  - **5.1 BENEFIT SHARING**
  - **5.2 NON CARBON BENEFITS**
  - **6.2 LAND AND RESOURCE TENURE AND TITLE TO EMISSION REDUCTIONS**
  - **8. SUGGESTED GOOD PRACTICES**
  - **9. DIAGRAM OF WORLD BANK OPERATIONAL POLICIES / BANK POLICIES; & OPERATIONS**

# Key Issues Discussed:

## 1. General approach, and 2. Level of Ambition

- **WG debate re is there a need to consider explicit additionality?**
  - WG felt could address via setting Reference Levels set properly
  - What does it mean to be “ambitious”?
  - Should enhancing existing, or only new, ER Program measures be considered “ambitious”?

## 3. Carbon Accounting

- **Accounting for Emissions *and* Removals**
  - Is accounting for removals (CO2 uptake) required (i.e., ‘net’ for RL and MRV), as drafted in MF?
  - Or is gross accounting (emissions only) acceptable?
- **Setting accounting area:**
  - The ER Program area? Or a larger area, to assess displacement (leakage)?
- **Including degradation:**
  - Large source of emissions, but hard to measure.
  - Included now where acceptable data are available

## 3. Reference levels

- **Methods for setting reference level**
- **Relation to country FREL/FRL, in UNFCCC context**
- **Allow adjustments to historical RL estimates?**
  - Currently only allows adjustments for HFLD countries.
  - Method still being discussed, could be either: a Guyana-like quantitative threshold defining when adjustments are allowed and how much;
  - Or an argument that country circumstances and trends do not favor use of a historical RL approach.
- **Environmental Integrity of CF portfolio**
  - Does CF need to review aggregate emissions at portfolio level?
  - To assure ERs are below aggregate historical rates

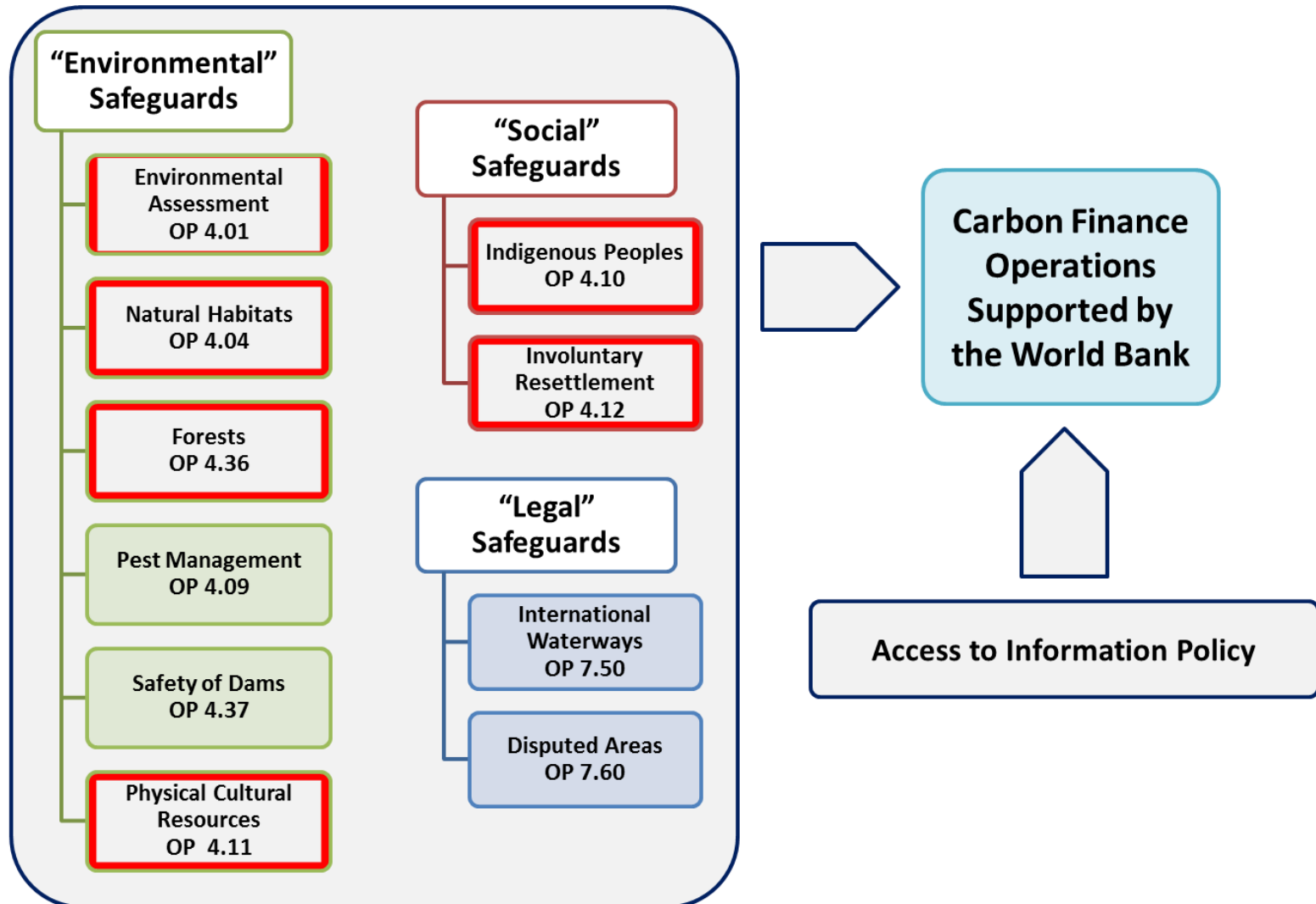


**WG & CF Still Discussing Issues, Possible Solutions,  
& Level of MF Requirements for Countries**

## **4. Safeguards: Relation of WB OPs & FCCC Safeguards**

- Discussion of how WB OPs relate to UNFCCC safeguards guidance**
- Considering whether to stress any additional indicators for Cancun safeguards topics, while recognizing WB standing Operational Policies and practices**
- CSO observer letter urging elaboration of this section**
- Discussed if WB due diligence process would cover all Cancun safeguards, or would country need to cover some?**
- Building on country Feedback and Grievance Redress Mechanisms for ER Program needs**

# World Bank Safeguard Policies



# 5. Sustainable program design and implementation

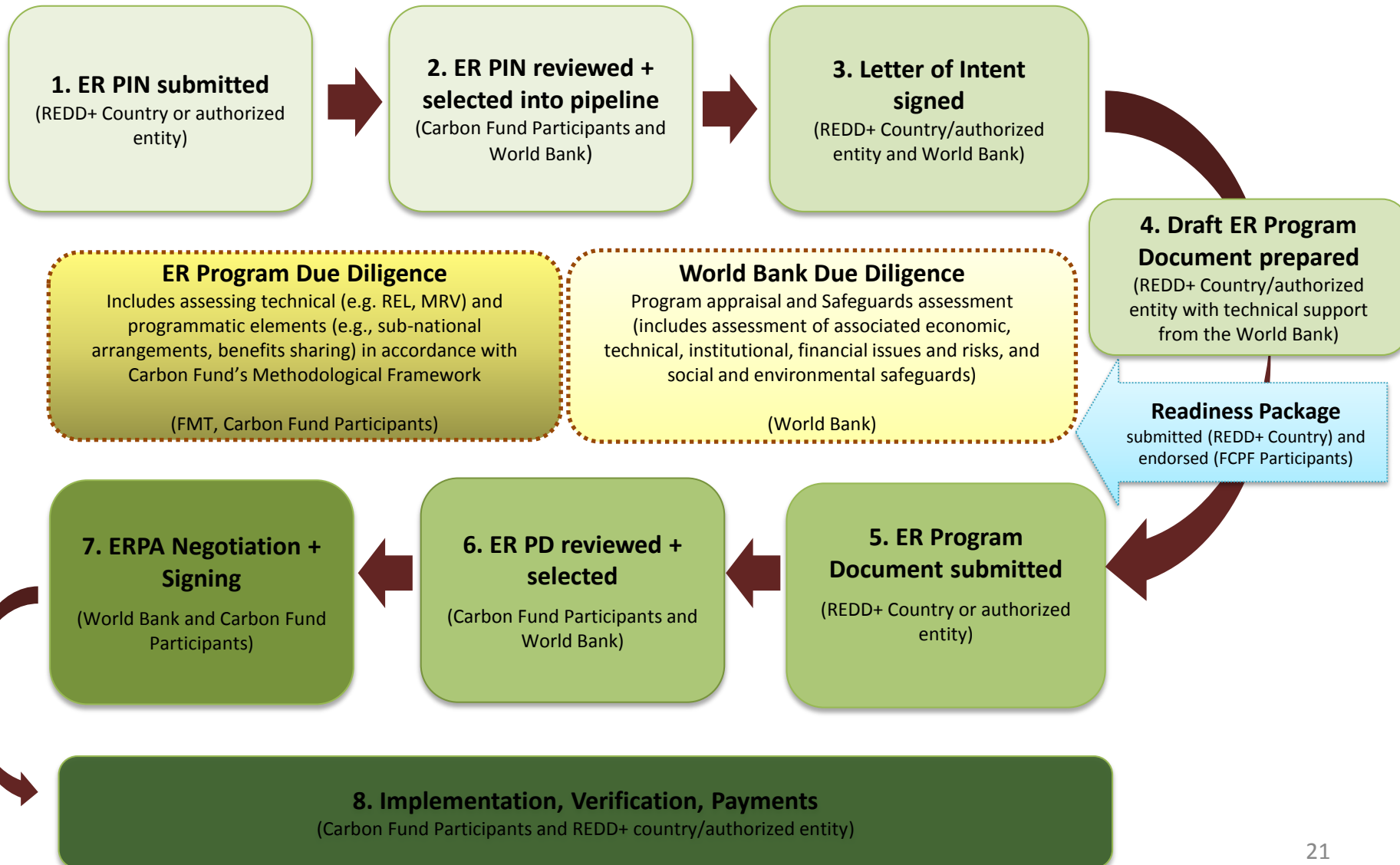
- **WG stressed importance of sustainability of ER Programs . . .**
- **But still discussing how to reflect this concern**
  - Draft tries to stress sustainability ... but MF cannot be prescriptive in MF.
  - Issue: CF and FCPF end in late 2020 . . .
  - So how to encourage or ensure ER Programs are maintained after the end of the term of the ERPA contract?
- **Creation of a buffer of ERs set aside by each ER Program, or by the CF, discussed, to address risks.**
  - But needs far more thinking: buffer for what purposes?
  - How much to set aside? Who manages?
- **Benefit sharing:**
  - Identifying who benefits, and how, is critical process for any ER Program.
  - Focus on defining elements of Benefit Sharing Plan in ERPA contract
  - Likely non-monetary benefits, & possible monetary benefits
  - But up to those involved to define

## 6. ER Program Operation and Transactions

- **Operational guidelines**
  - WG supporting sharing information on WB operational guidelines on many aspects of ER Programs
  - Question: How much to include now in MF? vs. in later programmatic guidelines?
- **Title to Emission Reductions**
  - “carbon rights” term questioned
  - Is it feasible to have “full title” to ERs by the time of the ERPA?
- **Focusing on ability to transfer ERs, less on land and resource tenure issues**
  - Many felt MF and FCPF should leave complex tenure topic to countries, and
  - Focus on demonstrating ability to transfer ERs

# Business Process of the FCPF Carbon Fund

FMT draft June 18, 2013



# Possible supporting documentation for the MF

## I. Good Practice Guidance for FCPF Carbon Fund ?

- I.e., technical guidance, good practice examples, tools, links and references to support country preparing ER-PD
- May include decision support tools, eg.:
  - Reference Levels and MRV (in progress); Feedback and Grievance Redress Mechanism (draft available); etc.

## II. Guide to Operationalizing Carbon Fund ER Programs ?

- Information on relevant WB safeguards policies and procedures
- Carbon Finance Operations
  - » Due diligence process
  - » Implementation, monitoring, ESMF, etc.

# Potential Tools:

## Example from: “Draft toolbox for addressing grievances and disputes during REDD+ readiness preparation: Evaluating a Grievance Redress Mechanism”

### Evaluating a Grievance Redress Mechanism Questions to Consider

[excerpt]

#### “Design Stage

Why did you include a Grievance Redress Mechanism (GRM) in your project?

Where/how did you locate the GRM?

How did you determine it would be effective?

Was the GRM designed with participation from the communities it is intended to serve?

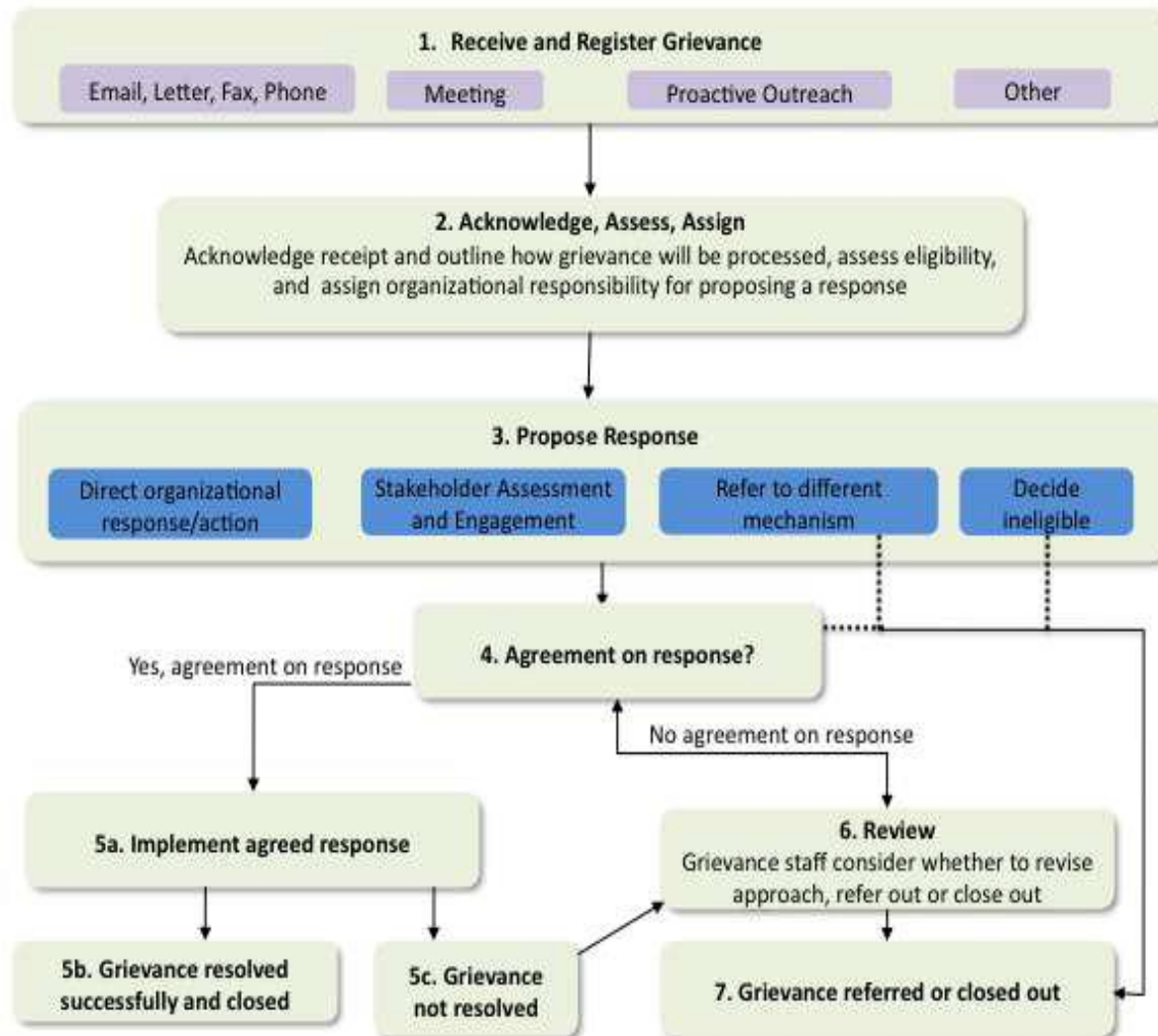
#### Implementation Stage

##### 1. Organizational Commitment

Do the project’s management and staff recognize and value the GRM process as a means of improving public administration and enhancing accountability and transparency?

Is grievance redress integrated into the project’s core activities?

...”



# Emerging Schedule

Now to late July:

WG reviewing drafts and revisions

Late July - early Sept. ?

Public comment period proposed

Early September ?

REDD Forum #4?: in DC: cross cutting issues?, buffers?, public comments, Good Practices?

early October ?

Final MF distributed to CF?

Late October ?

Carbon Fund meeting: review and adoption of MF for use by ER Programs ?