

## Forest Carbon Partnership Facility (FCPF)

### Carbon Fund

#### Criteria for Selection of Emission Reductions Program Idea Notes (ER-PINs)

June 23, 2012

#### Background

The Carbon Fund Participants at their third meeting adopted Resolution CFM/3/2012/1 requesting “the FMT to develop draft criteria to be used to guide the Carbon Fund Participants’ decision to include ER-PINs in the Carbon Fund pipeline for consideration and adoption by the Carbon Fund Participants at the Fourth Carbon Fund meeting, or subsequently on a no objection basis, following the provision by the PC of the guiding principles on the key methodological framework”.

#### Relevant Elements

Upon consideration, selection criteria would be based on elements from the following documents:

- i. The existing Issues Note (finalized in December 2010);
- ii. The emerging methodological framework as reflected in the recommendations of the Working Group (see FMT Note 2012-8 of June 2012); and
- iii. Decisions or options adopted at prior Carbon Fund meetings.

The selection criteria would not reflect the following elements:

- i. Pricing: Pricing considerations are not expected to influence the decision whether to include an ER Program into the Carbon Fund’s pipeline based on an ER-PIN. Neither does the current ER-PIN template reflect pricing expectations on the part of the seller or buyer. Although pricing may not be factor for the Carbon Fund Participants to decide whether to include an ER-PIN in the pipeline, it will influence the Carbon Fund Participants’ decision whether to proceed to ERPA. It would therefore be important to ensure that the expectations of the seller and buyer are in line, lest significant time and resources be wasted on developing an ER Program that will never reach ERPA stage;
- ii. Readiness Package: As for the R-Package, it is not concerned with ER Programs, so the emerging components of the R-Package themselves were not taken into consideration. Nevertheless, they are de facto included given that the ER-PIN template and the emerging methodological framework both largely refer to national Readiness efforts.

#### Proposed Criteria: exhaustive approach

Based on the above, an exhaustive, but potentially cumbersome approach would be to set the following selection criteria:

1. **Link to Readiness:** The ER-PIN must be submitted by an FCPF REDD Country Participant that has signed a Readiness Preparation grant agreement (or the equivalent) with a Delivery Partner under the Readiness Fund, and intends to submit a Readiness Package to the Participants Committee;
2. **Institutional context and capacity:** The ER-PIN must give evidence that the ER Program is endorsed by the national government (or governments, as appropriate) and will be implemented by an entity (or entities) that has (have) the capacity to implement the proposed REDD+ activities, potentially via a stepwise approach. In addition, ER-PINs for sub-national ER Programs must explain the integration in the national institutional framework that manages or is expected to manage and coordinate sub-national programs;
3. **Financing:** The ER-PIN should provide comfort that the ER Program will find the necessary funding to be implemented. In case an upfront payment is requested from the Carbon Fund, measures to mitigate the financial risk involved should be mentioned (e.g., insurance, guarantees, buffers);
4. **Ambition and scale:** The underlying ER Program must be ambitious, i.e., demonstrate at a large scale the potential of the full implementation of the variety of interventions of the national REDD+ strategy, covering a significant portion of the national territory;
5. **Consistency with UNFCCC:** The ER-PIN ought to create comfort that the ER Program has the potential of being consistent with evolving UNFCCC decisions on REDD+ at the time of ERPA signature, as relevant and feasible, including transparency, consistency, completeness, and accuracy, and decisions on safeguards and reference levels;
6. **Safeguards:** The ER Program must be able to meet World Bank social and environmental safeguards, promote and support the safeguards included in UNFCCC guidance related to REDD+. In addition, the ER-PIN must explain how information will be provided about how safeguards are addressed and respected, and what grievance mechanisms will be applied;
7. **Reference levels:** The ER-PIN should lay out how the expected ERs from the ER Program will 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;
8. **Monitoring:** The ER-PIN should explain how the ER Program will monitor and report ERs and other non-carbon variables, as feasible, in a manner consistent with the emerging national forest monitoring system using methods appropriate for ER Program circumstances, including community monitoring;
9. **Data and methods:** The ER-PIN should substantiate how the planned ER Program data and methods related to reference levels and monitoring will be consistent with IPCC Tier 2 standards. In addition, the ER-PIN should explain how the ER Program will use conservative assumptions and quantitative assessment of uncertainties and reduce uncertainties associated with all aspects of accounting, inter alia, reference levels, monitoring, and reporting;
10. **Social inclusion:** The ER-PIN must describe how the design and implementation of the ER Program is based on and utilizes transparent stakeholder information sharing and

consultation mechanisms that ensure broad community support and the full and effective participation of relevant stakeholders, in particular affected Indigenous Peoples and local communities;

11. **Benefit sharing:** The ER-PIN must give evidence that the ER Program uses or will use clear, effective and transparent benefit-sharing mechanisms with broad community support and support from other relevant stakeholders;
12. **Contribution to sustainable development:** The ER-PIN must be explicit about the ER Program's contribution to broader sustainable development (e.g., 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). In addition, the arrangements for monitoring and reporting on these non-carbon benefits, as feasible, ought to be described, taking note of existing and emerging guidance on monitoring of non-carbon benefits by the UNFCCC, CBD, and other relevant platforms;
13. **Reversals:** The ER-PIN should identify potential sources of reversal of ERs (non-permanence), and lay out the capacity that the ER Program has or plans to acquire to monitor and report any reversal of previously monitored and reported ERs. In addition, the measures that are or will be put in place to address major risks of anthropogenic reversals for the ER Program area, should be described, to the extent feasible;
14. **Displacement:** The ER-PIN should identify potential sources of domestic and international displacement of emissions (leakage) by assessing all the drivers of land-use change relevant for the ER Program. In addition, the measures planned to minimize and/or mitigate the risk of displacement of domestic emissions, and which are or will be incorporated into ER Program design and the estimation and monitoring of ERs, should be described; and
15. **Learning value:** Eventual inclusion of the ER Program in the Carbon Fund's portfolio should generate learning value by testing and demonstrating interesting approaches that will be of interest for REDD+ design and implementation.

#### **Proposed Criteria: leaner approach**

Alternatively, given that many of the above criteria are already implicit in the ER-PIN template, a more general approach would consist of setting fewer, more strategic criteria, in which case the list could be as follows:

1. **Adequacy of the proposed ER Program:** Information provided in the ER-PIN template provides comfort that the issues are adequately addressed and that the entity(ies) has (have) the commitment and capacity to carry out the proposed ER Program. This capacity question would need to be reflected in the ER-PIN template;
2. **Link to Readiness:** The ER-PIN must be submitted by an FCPF REDD Country Participant that has signed a Readiness Preparation grant agreement (or the equivalent) with a Delivery Partner under the Readiness Fund, and intends to submit a Readiness Package to the Participants Committee;

3. **Diversity and learning value:** Eventual inclusion of the ER Program should add diversity and generate learning value to the Carbon Fund's portfolio by testing and demonstrating approaches that will be of interest for REDD+ design and implementation; and
4. **Consistency with UNFCCC:** The ER-PIN ought to create comfort that the ER Program has the potential of being consistent with evolving UNFCCC decisions on REDD+ at the time of ERPA signature, as relevant and feasible, including transparency, consistency, completeness, and accuracy, and decisions on safeguards and reference levels.