



Forest Carbon Partnership Facility

Possible Extension of the Term of Funds

Seventh Meeting of the Participants Assembly (PA7)

Arusha, Tanzania

November 2, 2014

Recap and Expectations

- At CF11 in October 2014 CFPs discussed the possibility of extending the term of the Carbon Fund (CF) beyond 2020
- Agreed that the PA should be kept informed of the possible extension of the CF and given the opportunity to provide inputs
- Proposed that the possibility of extending the term of the Readiness Fund be raised for initial discussion by the PA
- FMT Note on PC/PA meeting page of FCPF website
 - refers to FMT Note from CF11 and presentation at CF11 (both on CF11 meeting page)
- Expectations
 - Intended to facilitate discussion on both the CF and the RF
 - Not expecting a decision or resolution at this meeting
 - Potentially separate decisions at future meetings

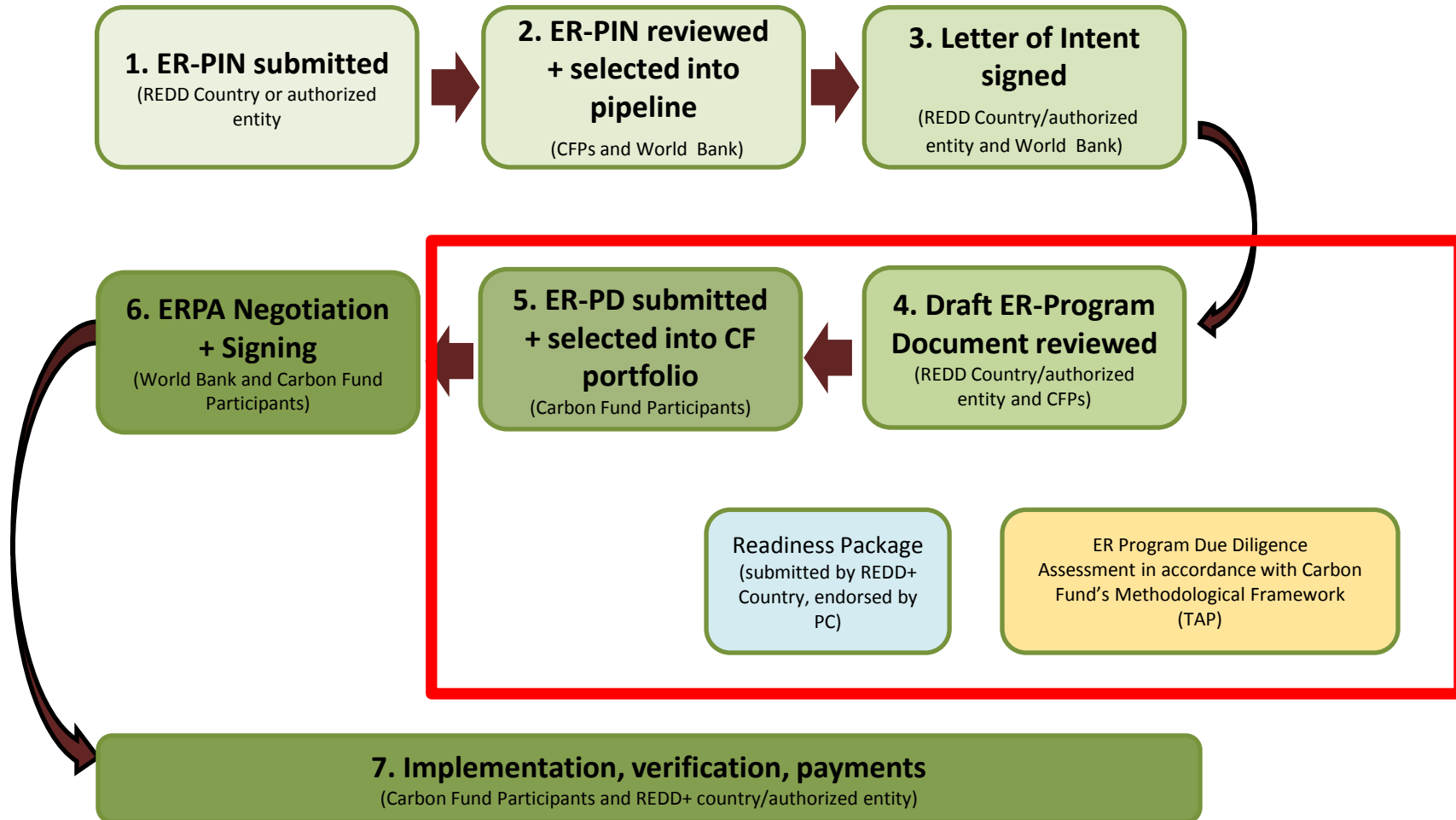
Current Term and Charter Provisions

- Charter states that both the Readiness Fund (RF) and the Carbon Fund (CF) will terminate on December 31, 2020.
- Term of the CF can be extended by unanimous consent of the Carbon Fund Participants (CFPs)
- Term of the RF can be extended by unanimous consent of all REDD Country Participants and all Donor Participants (not CFPs unless they are also Donor Participants in the RF)
- REDD Country Participants – all 47 selected into FCPF, if PA is signed
- 15 Donor Participants (in RF) of whom 9 are also CFPs, of whom 7 were present at CF11
- Provided
 - a) Trustee continues to serve
 - b) Board of Directors of World Bank agrees

Current Status of Carbon Fund

- 11 ER-PINs in the pipeline
 - Chile, Costa Rica, DRC, Ghana, Guatemala , Indonesia (provisionally), Mexico, Nepal, Peru, RoC, Vietnam
- Currently at Letter of Intent (Lol) stage (10) or ER-PIN stage (Indonesia)
- Readiness Package to be endorsed by Participants Committee (PC)
- Develop ER Program, present ER Program Document (ER-PD) to CF and have it selected into CF portfolio
- First Readiness Packages to be submitted for endorsement by PC in final quarter of FY15
- First ER-PDs expected in FY16
- Lols include Exclusivity Period of 24 months plus a possible ERPA Negotiation Period of up to an additional 10 months

Carbon Fund Process



Implications for Carbon Fund (1)

- Implications of terminating CF by December 2020
 - Estimated ER potentials currently based on a 2016-2020 ER generation period
 - Estimated ERPA terms and ER generation period are short (and may become shorter)
 - Short ER generation periods may lead to under-commitment of available CF resources
 - More ER-PINs selected, with smaller volumes than originally anticipated
 - This over-programming can lead to unrealistic REDD Country expectations
 - CFPs had previously indicated a preference to close ER-PIN pipeline at CF11
 - Multiple verification events are difficult during a short ERPA term; may reduce confidence in ER volumes

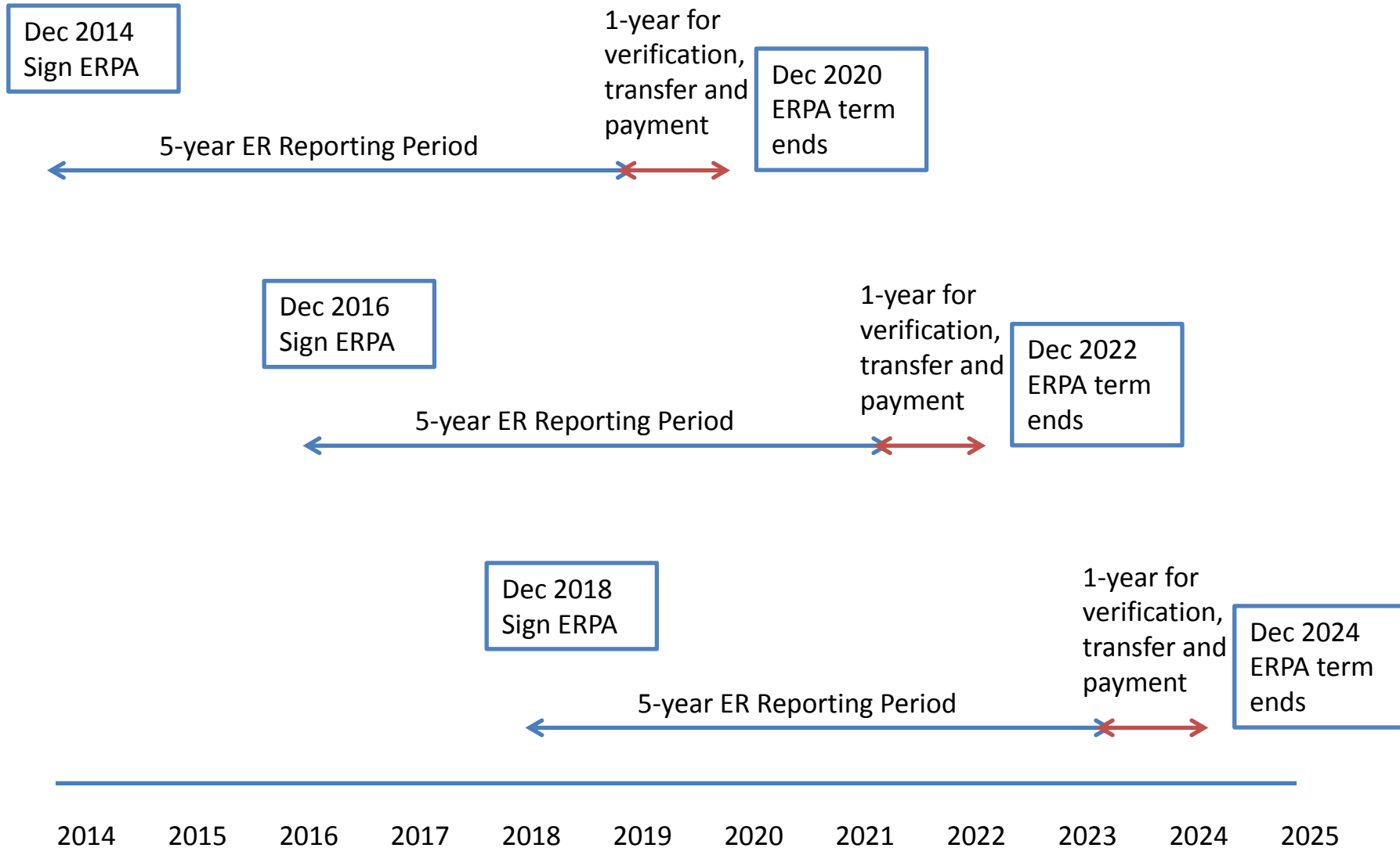
Implications for Carbon Fund (2)

- ERPA term ends at earlier of either i) date of final transfer and payment or ii) a stated final termination date as specified in the ERPA
- Need to allow time for verification, transfer and payments – normal practice under WB Carbon Funds is for the ERPA Reporting Period (during which ERs are generated) to end a year prior to that stated final termination date
- ERPA Reporting Period should end one year prior to termination of fund

Implications for Carbon Fund (3)

- World Bank 14 years of experience with 14 Carbon Funds; delays are common, almost inevitable; longer fund terms provide greater flexibility
- Advantages of extension
 - Reduces delivery risk; provides flexibility
 - Fund can be closed earlier if objectives met and ERPAs terminated
 - ERPA terms can be extended if necessary
 - Greater clarity on future REDD+ mechanism and future sources of funding for REDD+
 - Greater lessons learned regarding reversals, buffers, benefit sharing mechanisms and safeguards management
- Risks of an extension
 - Reduced efforts to move quickly through process;
 - However, guaranteed 5-year ER generation and possibly longer ERPA terms for early movers could provide greater incentives
 - Options (and the real possibility of fulfilling those options) could also act as an incentive for earlier implementation
- REDD Countries would likely welcome an extension (not to slow down but as a greater incentive to meet the current timeline)

Carbon Fund Timeline



Costs for Carbon Fund

- If CF extended , but not RF, administration costs estimated at \$0.5million per year
- If both funds are extended, Shared Costs charged to CF estimated at \$0.6 million per year
- Cost of development and supervision of each additional ER Program estimated at \$1.7 million (from early ideas right through to end of an ERPA term)

Outcomes from CF11 – Carbon Fund

- CFPs generally supportive of an extension of the term of the CF, mainly to ensure a reasonable implementation period for ER Programs
- Most CFPs mentioned potentially extending to December 2025
- However, need to balance with incentives to prevent slippage in the development of ER Programs
- Agreed that a decision on the extension of the CF would be on the agenda of CF12 (likely April 2015)
- Solicit more inputs from REDD Countries and others at the PA

Readiness Fund

- 47 REDD Countries all at very different stages in Readiness process and with very different timelines for achieving their objectives
- Assuming intent is to enable as many of these REDD Countries to submit a Readiness Package for endorsement by the PC, there is also a case for extending the term of the RF
- But extend when and by how long?
- Currently sufficient funding to provide \$3.8million grants to all 45 active REDD Countries, plus \$5 million to 18 countries
- To ensure progress, necessary to continue to operate on a first-come, first-served basis without guarantees of funding and to impose deadlines which are respected

Costs for Readiness Fund

- Cost implications, but very dependent on the nature of the extension
- Delivery Partner support costs for 45 active countries and for additional support costs for \$5 million grants are included in long-term financial plan (LTP)
- Costs of continuing FMT support to countries, and the Secretariat, administrative and legal costs beyond 2020 not included
- With various assumptions, additional costs probably around \$2 million per annum

Outcomes from CF11 – Readiness Fund

- No urgent pressing need to make a decision to extend the RF now
- Suggest to revisit any extension of the RF at a later stage, when there is greater clarity
- However, not a CFP decision, interested in hearing wider range of views
- Proposed that subject be raised for initial discussion at this PA

Restatement of Outcomes from CF11 and Expectations

- Carbon Fund
 - CFPs generally supportive of an extension, potentially to December 2025
 - Decision on agenda at CF12 (likely April 2015)
 - Solicit more inputs from REDD Countries and others at this PA
- Readiness Fund
 - CFPs felt no urgent pressing need to make a decision to extend the RF now
 - CFPs suggest to revisit any extension of the RF at a later stage, when there is greater clarity
- Expectations
 - Intended to facilitate discussion on both the CF and the RF
 - Questions/provide inputs or feedback on CF and RF
 - Not expecting a decision or resolution at this meeting
 - Potentially separate decisions at future meetings

A blurred background image of a forest with green foliage.

THANK YOU!

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Expected timeframes

Milestones	Sample Country A (optimistic)	Sample Country B (realistic)
ER-PIN selected	April 2014	April 2014
LOI signed	June/July 2014	September 2014
WB Due diligence		
Country shares advanced ER-Program Document (approx. 12-18 months to develop)	By July 2015	By January 2016
CFP virtual review (4 weeks?)	August 2015	February 2016
TAP review (approx. 3-6 months?)	September - January 2016	March – August 2016
Self-assessment process of R-Package	By January 2016	By September 2016
WB Due Diligence		
R-Package endorsed by PC	April 2016	November 2016
ER-PD submitted	May 2016	December 2016
WB Due Diligence		
FMT review (approx. 1 month)	June 2016	January 2017
ER-PD selected (approx. 2 months for CFPs to review before making decision)	September 2016	April 2017
ERPA negotiated and signed (approx. 3-6 month process)	October 2016 - March 2017	May - October 2017
Implementation, Verification, Payments	~3.75-4 years (~2.75-3 implement.)	~3.25-3.5 years (~2.25-2.5 implement.)