



Forest Carbon Partnership Facility

Carbon Fund Update and Next Steps

Seventh Meeting of the Participants Committee (PC7)

Washington, DC

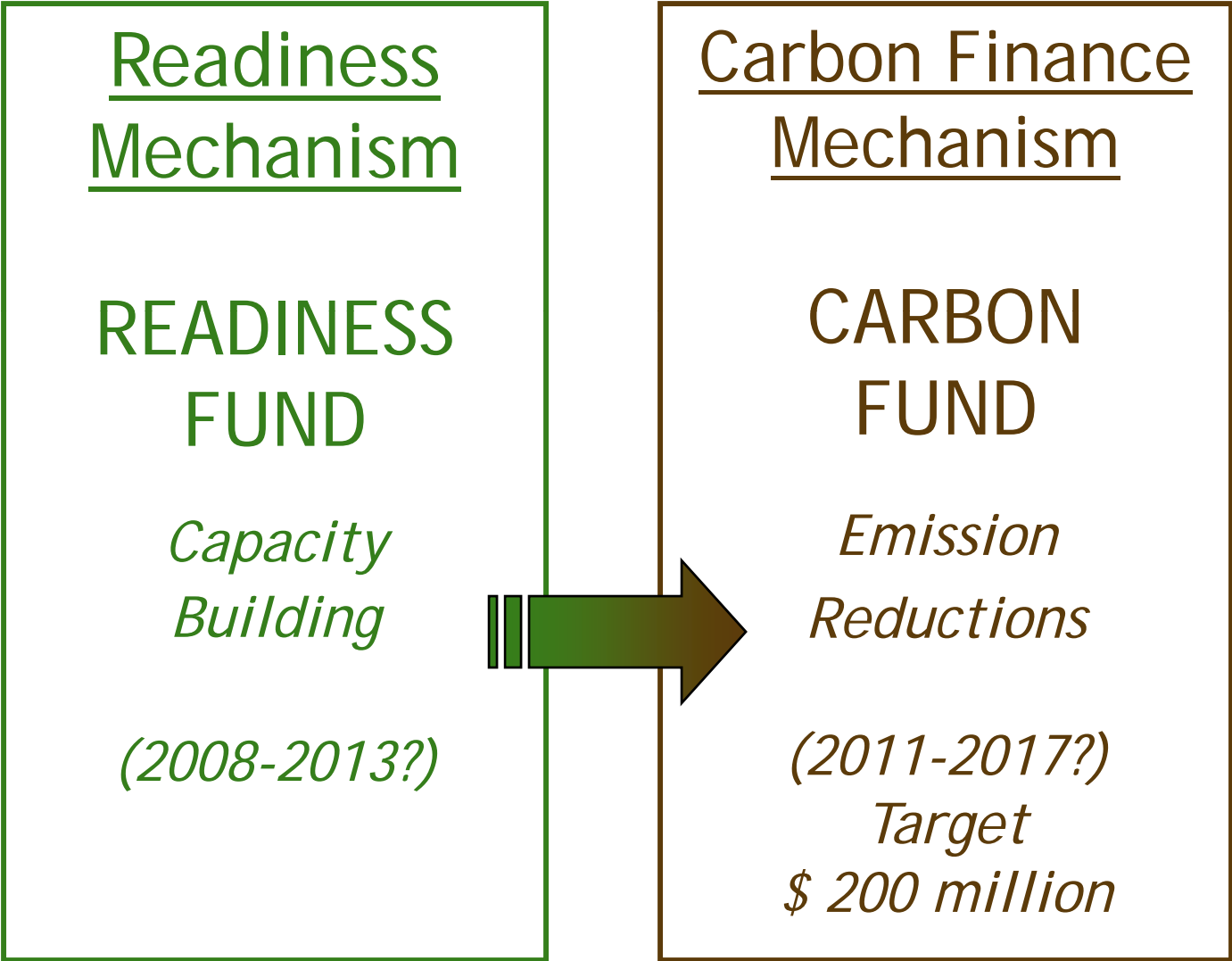
November 2-3, 2010



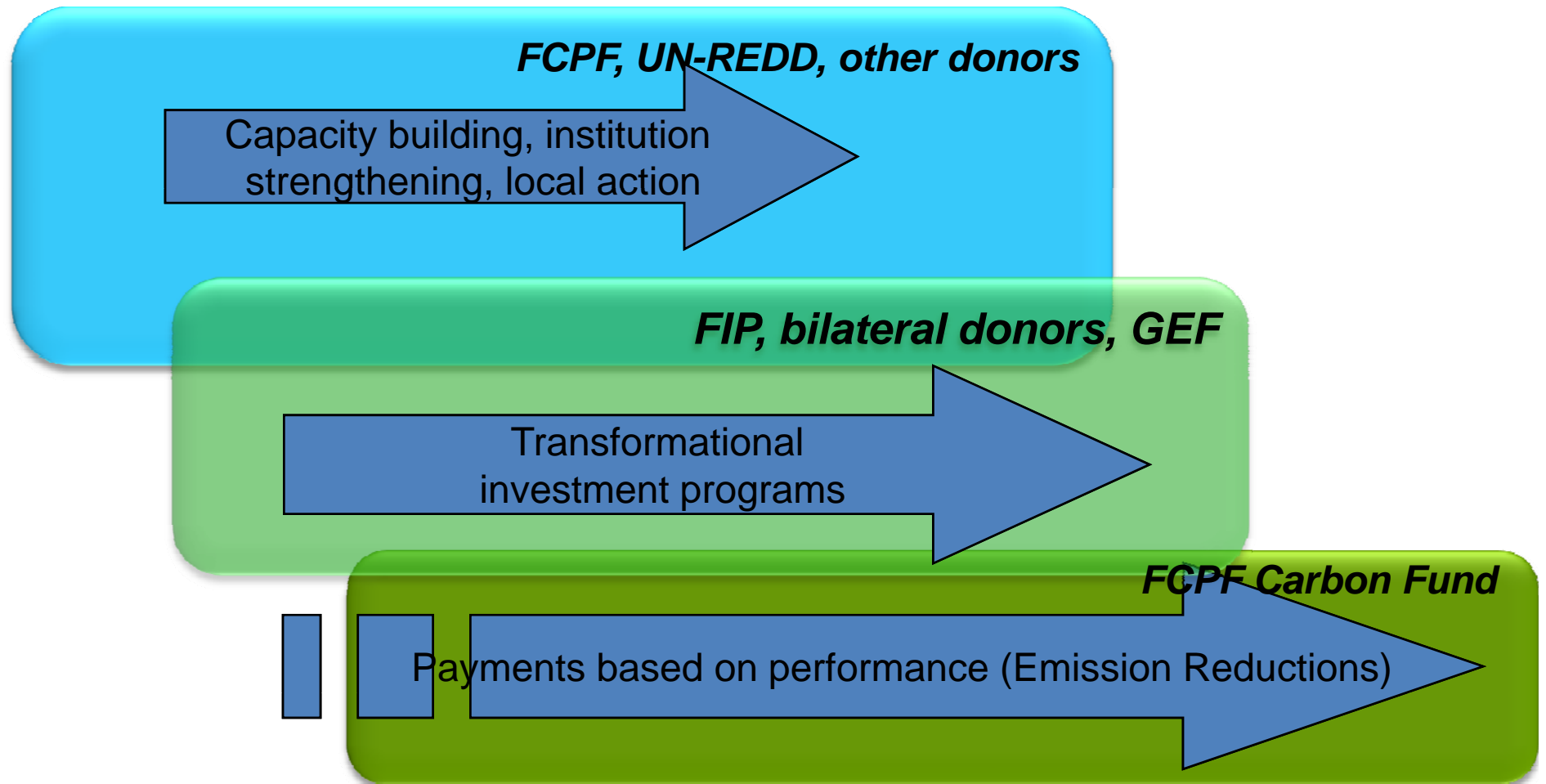
The Carbon Fund in its Context

- Concept of performance-based payments is gaining ground however with different standards and approaches
 - Indonesia, Guyana, Brazil, Tanzania, others
 - Forest Investment Program, bilateral donors - first REDD+ strategies and programs are emerging
 - A number of voluntary REDD+ projects underway
- FCPF was asked to go beyond: test and demonstrate financial mechanism to support large-scale programs to create high-quality Emission Reductions from REDD+
 - Payments will be made based on Emission Reductions
 - Programs will be undertaken at a significant scale, e.g., at the level of an administrative jurisdiction within a country or at the national level
 - Programs to be consistent with emerging compliance standards under the UNFCCC and other regimes

FCPF: Two Mechanisms



FCPF/UN-REDD/FIP Sequencing



Significant Progress since PC6

- Carbon Fund chapter in the Information Memorandum being revised as Issues Note; refinements in design
- Targeted exchanges with private sector and civil society, among others, to discuss the Issues Note:
 - FMT organized two meetings in Washington DC to discuss the revised Information Memorandum on September 16/17
 - FMT participated in a series of meetings with European companies early October (Oslo, Frankfurt, Paris and Geneva) and organized bilateral meetings in DC
- Promising indications from recent fundraising
- Agreement on focused marketing approach

Current Financial Contributions to the Carbon Fund

Contributions and Pledges to the FCPF Carbon Fund as of October 31, 2010 (\$m)					
	FY09	FY10	FY11	FY12	Totals*
European Commission	6.3	0.4			6.7
Germany	7.8		5.6		13.4
Norway	10.0				10.0
The Nature Conservancy	5.0				5.0
United States			10.0		10.0
Committed Funding	29.2	0.4	15.6	0.0	45.1
Germany			33.4		33.4
Norway				50.0	50.0
United Kingdom**			18.3		18.3
Committed Funding plus Pledges	29.2	0.4	67.3	50.0	146.8
* Amounts may vary due to exchange rate fluctuations.					
**United Kingdom's contribution is provided through the Strategic Climate Fund.					

Private Sector Participation

- Operational threshold of \$40 million in the Charter surpassed; others about to sign Participation Agreements, or have pledged significant amounts
- But consensus of Participants that the role of the private sector is essential
- FCPF Carbon Fund envisioned as a public-private partnership
 - The current REDD+ debate is dominated by the public sector
 - Significant private participation is needed: to reach the level of finance required to make REDD+ work; act as operators or investors in Emission Reductions
- Additional condition agreed to have at least 2 companies participate → likely to be fulfilled by early 2011

Design Meetings: Reactions from the Private Sector

- Many private companies do not see reason to employ significant capital for REDD+ at this point in time, are interested, but cautious.
- However, there is interest in the Carbon Fund: long term investors, companies involved in land use sector and potential compliance buyers of the future, etc.:
 - Appreciate solid readiness work, reduced political/delivery risk
 - Endorsement of readiness by PC is seen critical before ERPA is signed
 - Strong country ownership
 - Valuable early learning – hands-on approach possible
 - Joining a “leaders’ club” – FCPF branding

Design Meetings: Reactions from REDD Countries and Donors

- REDD countries and many donors:
 - Need to move quickly, important to set next step to demonstrate that there is follow up on Readiness – *important to maintain political momentum*
 - Carbon Fund is the right size for piloting and testing
 - FCPF seen as a critical forum to discuss pricing/valuation, terms and conditions and standards and hands-on learning processes
 - Essential to pilot different approaches of financial mechanisms and types of programs
 - The “power of the first deal”
 - Enable REDD countries as observers to the Carbon Fund

Next Steps

- Focus group discussions to finalize the Information Memorandum
 - Possible December 2010 meeting (tbc)
- Additional technical discussions to be initiated in 2011
 - Pricing/valuation approach, terms and conditions to be presented to PC
 - Broader discussion on principles, standards and requirements
- First program ideas to be identified
 - Realistically, Emission Reductions Payment Agreement (ERPA) likely not signed until 2012