



The Forest Carbon Partnership Facility (FCPF)

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International Expert Meeting on Climate
Change Thru Sustainable
Management of Tropical Forests
Yokohama, May 1, 2008

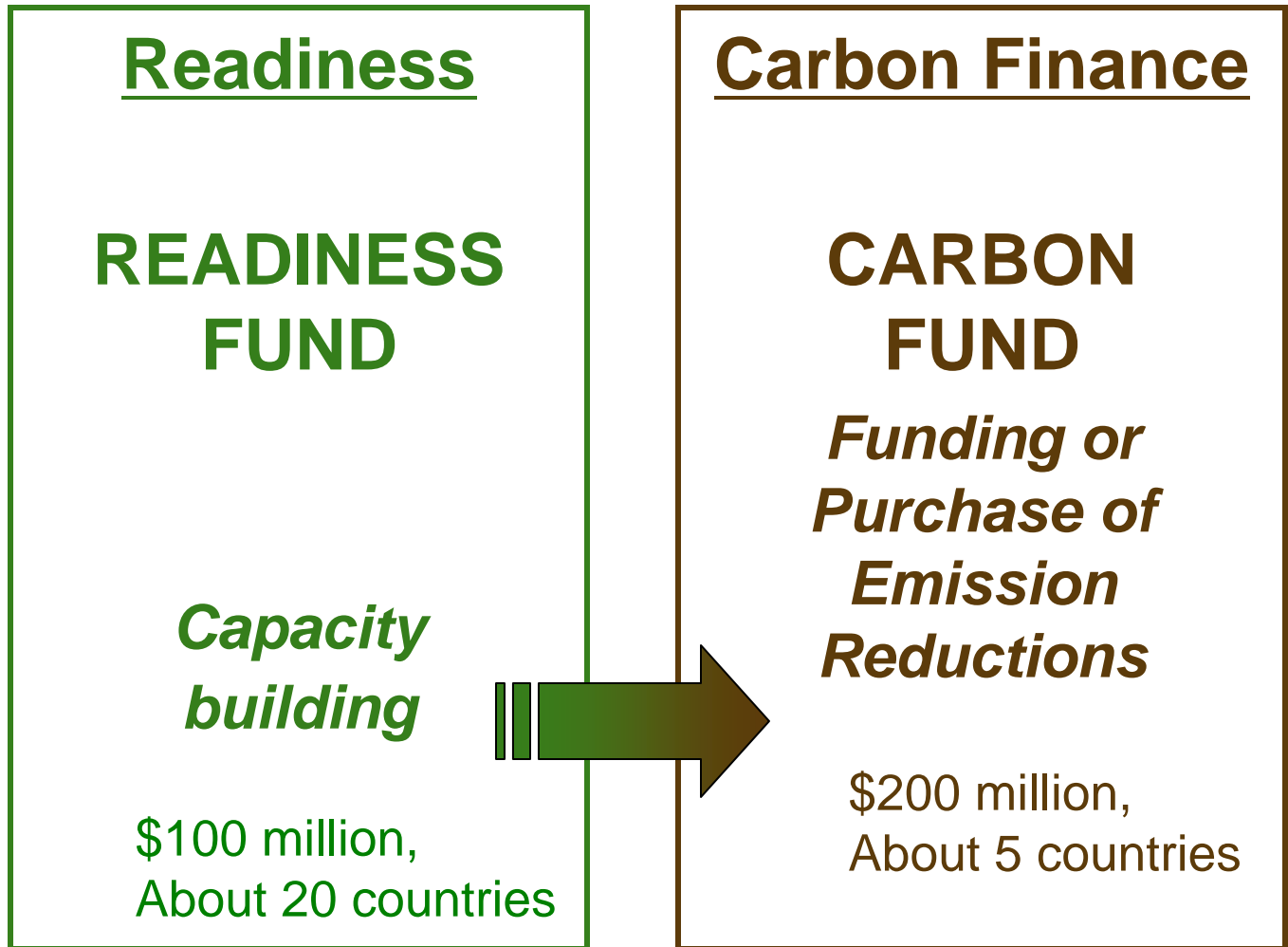


- Tropical forests continue to disappear (+/- 14 million hectares per year)
- Loss of forest accounts for 20% of greenhouse gas emissions → can it be 20% of the solution?
- Carbon finance can contribute a new source of recurrent revenues for forest protection and sustainable forest management
- Consultations on proposed REDD initiative with countries and organizations since summer 2006

Context 1



World Bank FCPF Structure:

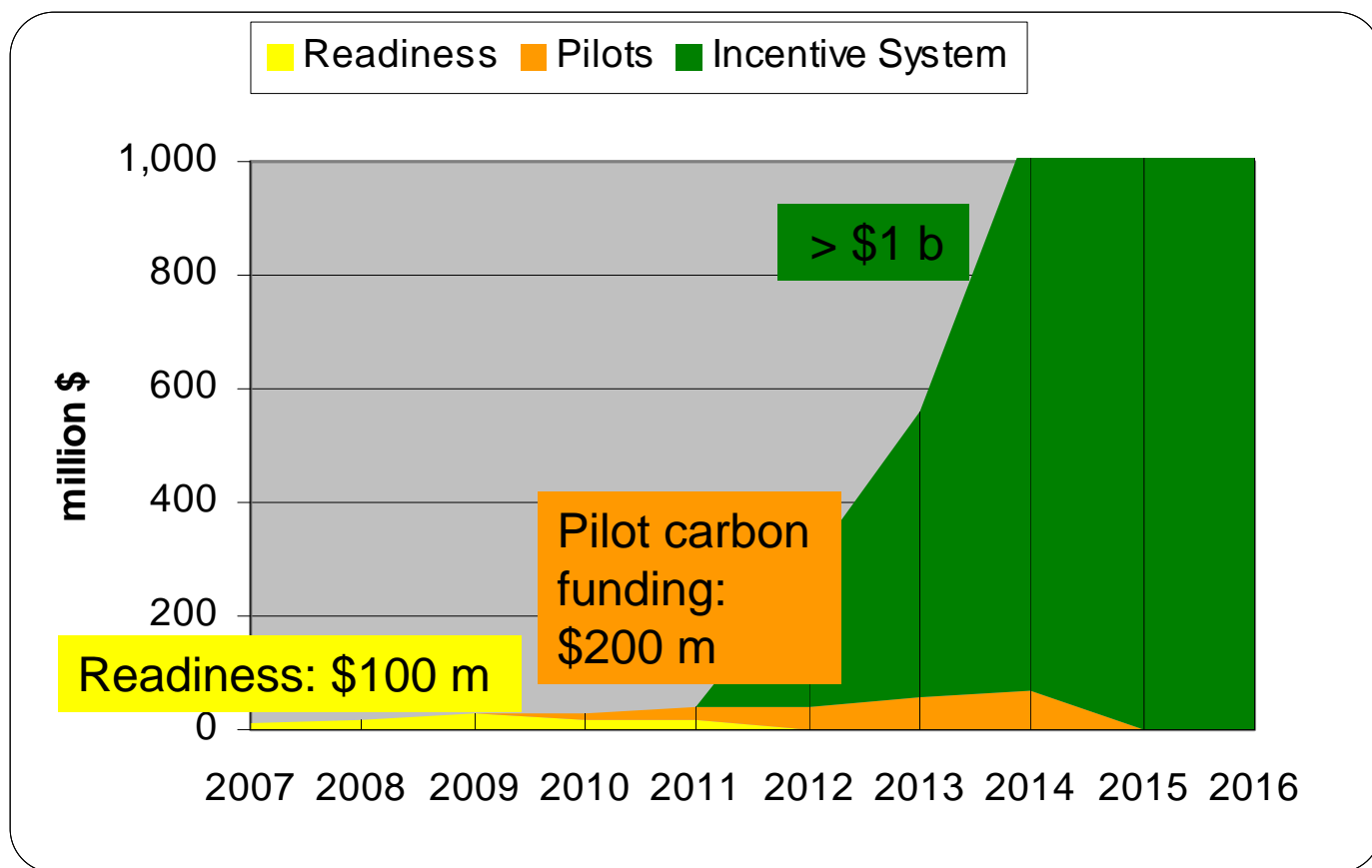


Two FCPF Mechanisms



Prepare for a System of Positive Incentives Post-2012 that Includes REDD

Goal:





Guiding Principles

- FCPF: Governed by a Participants Committee (main decision making body), a broader Participants Assembly, and the assistance of independent Technical Advisory Panel (s).
- Partnership
 - Developing countries on par with industrialized countries in governance structure
- Voluntary participation
- Neutral to climate change negotiations
 - Both market and non-market approaches
- Catalyst
 - \$300 million will not save the world's forests
 - Public & private sector needed for scaling up
- Test, learn and disseminate
 - National strategies for REDD, & monitoring them
 - National reference scenarios
 - Incentive payments
 - Projects within national accounting approach



Readiness defined

- An economically effective, efficient and socially equitable REDD strategy has been formulated. Including a broad stakeholder consultation process – Credibility will be key
- A reference scenario on REDD is established. Based on historic emissions and on modeling. Ideally following guidance from the UNFCCC
- A monitoring and verification system has been designed and implemented
- A legal framework for the implementation of the strategy was designed capable to reach out to the drivers of deforestation



**Pledges
Already
Made at
Bali:**

**US\$
million**

	Readiness Fund	Carbon Fund	Total
Australia	10		10
Denmark	5		5
Finland	5		5
France	8		8
Germany	5	55	60
Japan	10		10
Netherlands	23		23
Norway	5		5
Switzerland	7		7
TNC		5	5
UK	15	15	30
TOTAL	92	75	167

EUR/USD = 1.5



**39 Requests
for
Participation
&
13 R-PINs**

South America (7):

- Argentina
- Bolivia
- Colombia
- Ecuador
- Guyana
- Paraguay
- Peru

Meso America (7):

- Costa Rica
- El Salvador
- Guatemala
- Honduras
- Mexico
- Nicaragua
- Panama

SE Asia & Pacific (8):

- Indonesia
- Lao PDR
- Malaysia
- Papua New Guinea
- Philippines
- Thailand
- Vanuatu
- Vietnam

+ 3 Brazilian states (Acre, Amazonas, Mato Grosso)

Africa (15):

- Cameroon
- Central African Republic
- Dem. Republic of Congo
- Ethiopia
- Gabon
- Ghana
- Kenya
- Liberia
- Madagascar
- Republic of Congo
- Senegal
- Sierra Leone
- Sudan
- Tanzania
- Uganda

South Asia (2):

- Nepal
- Pakistan



Technical Advisory Panels

- A number of issue-specific TAPs to be created.
 - Review of R-PINs to assist REDD Country Participant selection
 - Review Readiness Action Plans and Readiness Packages
 - Provide analysis to the Carbon Fund Participants in selecting ER Programs
 - Other activities as needed

- Names of potential TAP experts are requested – serve in their individual capacity (not represent organizations); cannot have conflict of interest in FCPF decisions

- Terms of reference and areas of expertise include:
 - Country knowledge
 - IPCC guidelines, carbon accounting methods
 - Remote sensing, reference case methods
 - Community benefits, Indigenous peoples
 - Biodiversity
 - Market prices



Carbon Asset Definition

- Emission Reduction (ER) generated by reducing deforestation and/or degradation
- ER = all rights, titles, and interests attached to a ton of CO₂e of emission reduced
- ER delivered to the FCPF when verification report is received
- Highest quality standards, set in accordance with
 - IPCC Guidance
 - Emerging UNFCCC modalities
 - Guidelines from Participants Committee



If Interested

1. If considering **individual participation**, request *Expression of Interest* template for Carbon Fund
2. Access and review the Information Memorandum, confidential addendum, and Carbon Fund Participation Agreement
3. Inform the FCPF team of the selected terms of participation
 - Amount \geq US\$ 5 million for individual participation
 - Upfront payment or draw downs on an agreed schedule
4. Sign Participation Agreement + Promissory Note
5. ***Alternative is joining consortium (details and next steps from JBIC)***




Beyond Carbon: Additional Benefits from REDD

- Creating opportunities for additional benefits beyond REDD and climate change
- Targeted additional benefits will be **social (e.g., community development) and/or environmental (e.g., biodiversity)**
- Application of World Bank environment and social safeguards will require – at a minimum – that affected local communities are meaningfully consulted and biodiversity is protected in Carbon Fund transactions
 - ✓ **the FCPF will seek to achieve more by target programs, measure benefits and try to market them**



Role of Indigenous Peoples and Other Forest Dwellers

- **Guiding Principle:** Incentives have to go where they are needed to ensure sustainable emission reductions
- Hence, considerable opportunity for indigenous peoples and other forest dwellers in many countries, as conservers and traditional protectors of the forests
- An official observer role has been added for indigenous peoples and other forest dwellers
- No trade off between conservation of forests and traditional land use rights.
- Experts on indigenous issues to be included in Technical Advisory Panels
- Regional consultations with indigenous peoples' leaders in Asia, Africa and Latin America were undertaken in March

A photograph of a dense forest with tall trees and sunlight filtering through the canopy, positioned in the top left corner of the slide.

FCPF Tentative Timeline (2008)

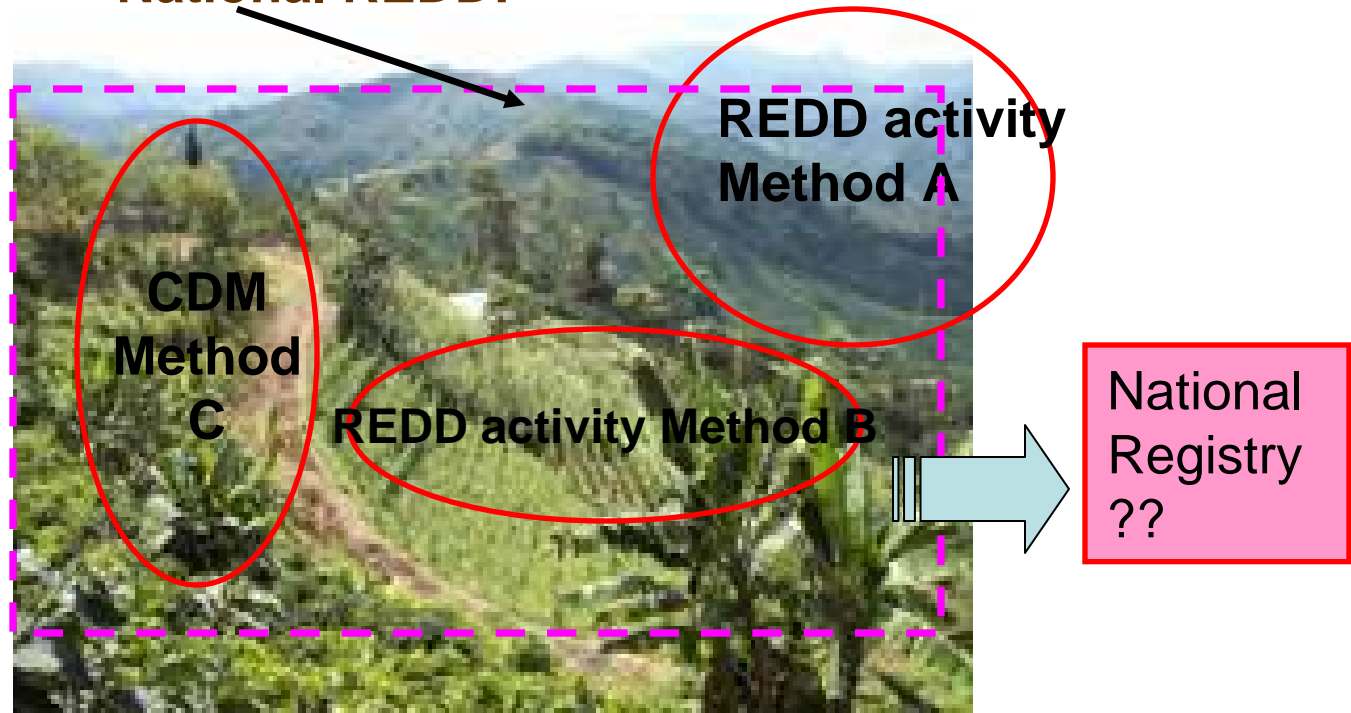
- **February-April:**
 - Consultations with Indigenous Peoples (Katmandu, Bujumbura, La Paz)
 - April 3: Consultation on pricing (Bangkok)
 - Finalize FCPF documentation
- **May:**
 - Declare FCPF open for contributions
 - Upon reaching minimum threshold, declare FCPF operational
 - June, 2008 First Technical Advisory Panel meeting
- **June:**
 - June 23-25 (tentative), second consultation on pricing (likely in Asia, with video conference links to Europe and Washington)
- **July:**
 - July 9-10 (tentative) Steering Committee meeting, to be held in Paris
- **September:**
 - September 17-19 (tentative) Organizational Meeting, including full Participants Assembly and Participants Committee, to be held in Washington, D.C.



Exploring national scale REDD, with subnational activities contributing to it

- **Current status:**
 - Diversity of approaches and methods – perverse incentives and high complexity
 - Lack of understanding of REDD
- **Objective:**
 - landscape approach or national scale, w/ MMV, w/ leakage, w/ co-benefits, at low transaction costs and high precision
 - Common national vision on how to approach REDD.

National REDD:

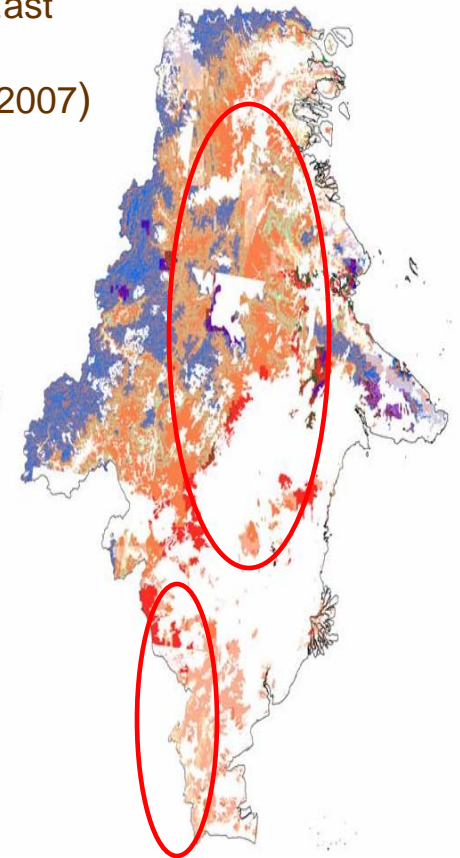
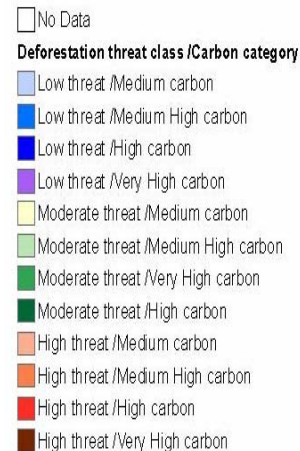




How to start?

- **REDD Opportunities Vary** by Opportunity Cost of Land, C Density, and Threat of Deforestation (additionality)
- **Can we identify low-OC, medium – high C and deforestation threat lands, with low barriers to implementation, and target them for REDD ER activities?**
- **What are the governance concerns with these targeted lands and REDD strategies?**

Deforestation Threat & C Density Class, for East Kalimantan
(Gibbs and Brown, 2007)



REDD Process in Madagascar

- **Recent success in curbing deforestation: National rate of deforestation has substantially decreased in past 5 years**
 - CI Forest Cover Map (Landsat images for 1990, 2000 & 2005)
 - National deforestation rates:
 - 1990-2000: 0.83% per year
 - 2000 – 2005: 0.53% per year.
 - Roughly 40M to 50M tons of CO₂ emissions avoided
- **Ankeniheny – Zahamena Biological Corridor (CI / BioCF)** - Creation of 425,000 ha. conservation site to protect a biological corridor and promotion of sustainable livelihood activities
 - Initial estimations of REDD: 9 M tCO₂ in 30 years (to be reassessed, using BioCF REDD Methodology). BioCF signed ERPA for 0.43 MtCO₂.
 - Associated with a CDM A/R project – Ecological restoration of 3,020 ha. BioCF buying 02 M tCO₂.

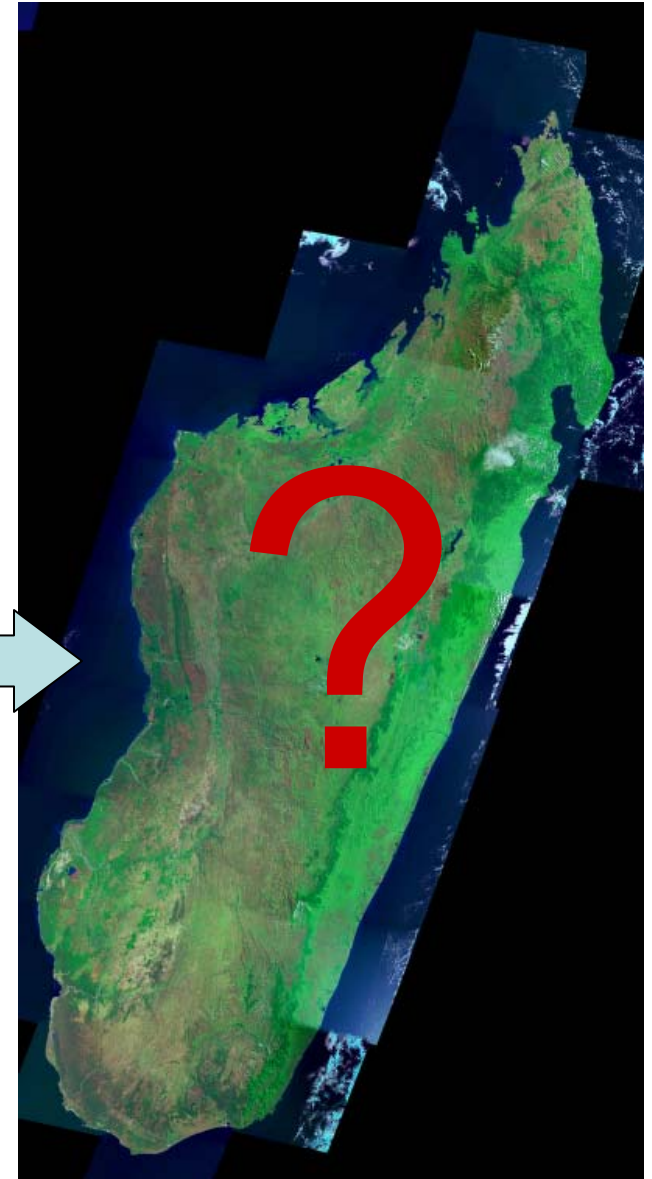
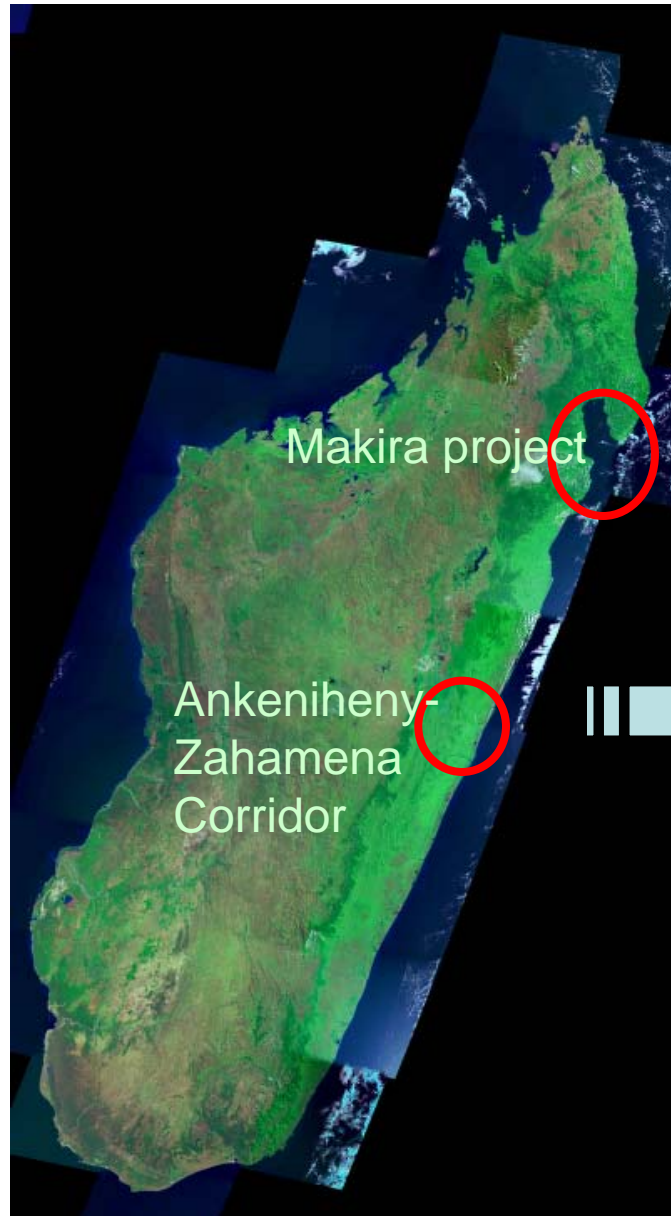


Madagascar
Example

Challenge: moving towards national approach?



Madagascar



Main issues in moving forward:

Methodology issues

- **How to move from projects to a national approach**
 - How to define a REDD methodology
 - Developing a national registry system
 - Establishment of national coordination body
- **How to reconcile a national baseline with different project baselines?**
 - What baseline years & boundaries to use?
- **Definition of forest**
 - Should it include forest plantations?
- **Distribution of REDD revenues**
 - Need national legal framework (instead of case by case approach)



Madagascar

-
key issues



REDD contributing to Biodiversity

- Targeting interventions based on biodiversity concerns could lead to higher benefits

... and important Social benefits

- Promotion of sustainable livelihood activities in buffer area

Question: Can we target REDD to most feasible conditions and country regions???

Targeting
REDD ??

	Low Co-Benefits	High Co-Benefits
Low – Medium REDD C Benefits	RED is less feasible?	REDD likely if co-funded for the other benefits?
High REDD C Benefits	Commercial REDD, but lower country priority?	Highly commercial REDD actions?

(Table inspired by WRI draft governance paper, 2007)

FCPF Possible Role

- **Support country in developing methodology work (reference case, etc.)**
- **Capacity development at the national level on REDD and sharing knowledge from other experiences**
- **Bringing stakeholders together and agree on a common vision for a national approach**
- **Coherence and long term vision for high value carbon assets – capability to adjust to UNFCCC guidance**
- **Coordination with donors for investments**



**FCPF
proposal for
creating
value**

THANK YOU! For more information:

www.carbonfinance.org/fcpf