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Overview of the Forest Carbon Partnership Facility

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Part 1

**How are the emissions units
generated by your programme,
mechanism or project?**



Project types: What is REDD+?

REDD+ is an existing policy framework under the UNFCCC

REDD+ aims to incentivize developing countries to contribute to climate change mitigation actions in the forest sector by:

- reducing emissions from deforestation;
- reducing emissions from forest degradation;
- conservation of forest carbon stocks;
- sustainable management of forests; and
- enhancement of forest carbon stocks.



How generated?

- Identify drivers of deforestation (eg. agricultural expansion)
- Activities or government policies to address drivers of deforestation (eg. policy shift, improved governance)
- Change in behaviours, many different activities, varies across countries
- Credits are generated by reducing deforestation emissions below historical baselines



Compliance or voluntary?

- **Both** – currently voluntary but purposefully designed to meet all UNFCCC requirements for REDD+ (compliance-ready)
- Cancun Agreement and Safeguards (2010)
- Warsaw Framework (2013)
- Paris Agreement Article 5 (2015) highlights importance of forests
- Paris Agreement Article 6 (2015)



Volumes

- For 5-year contract periods, up to 2025, in 19 programs with 33% drop-out rate
> 400 million tons
- FCPF LOI volumes: **> 200 million tons**
- **But potential for more (with the right signals)**

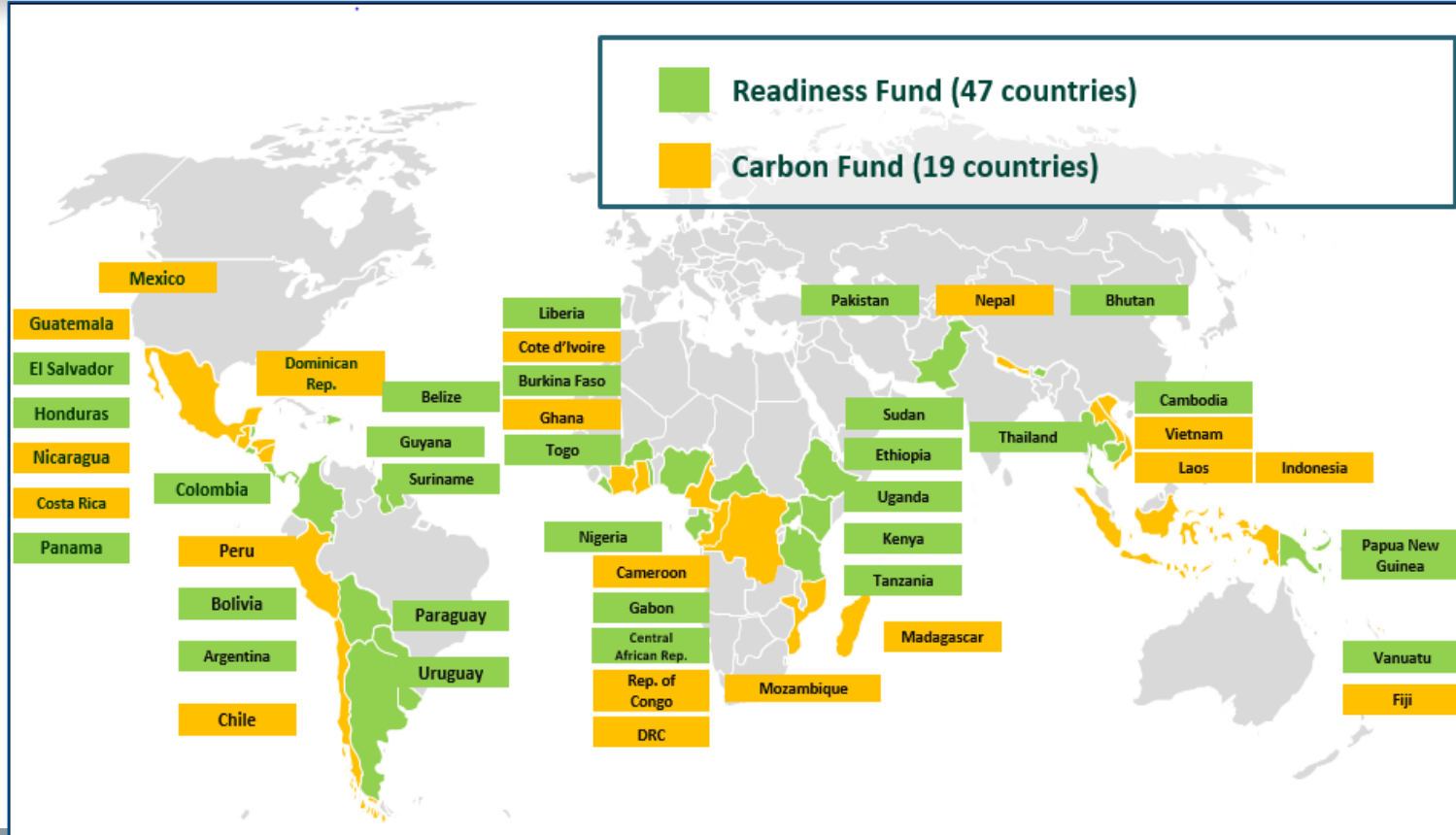


Price

- In the absence of a market price, Participants indicated a willingness to pay **up to \$5 per ton** (June 2014)
- Development of programs (supply) has continued following this price indication, and there are further requests to be included in the pipeline/portfolio
- But subject to negotiation of commercial terms

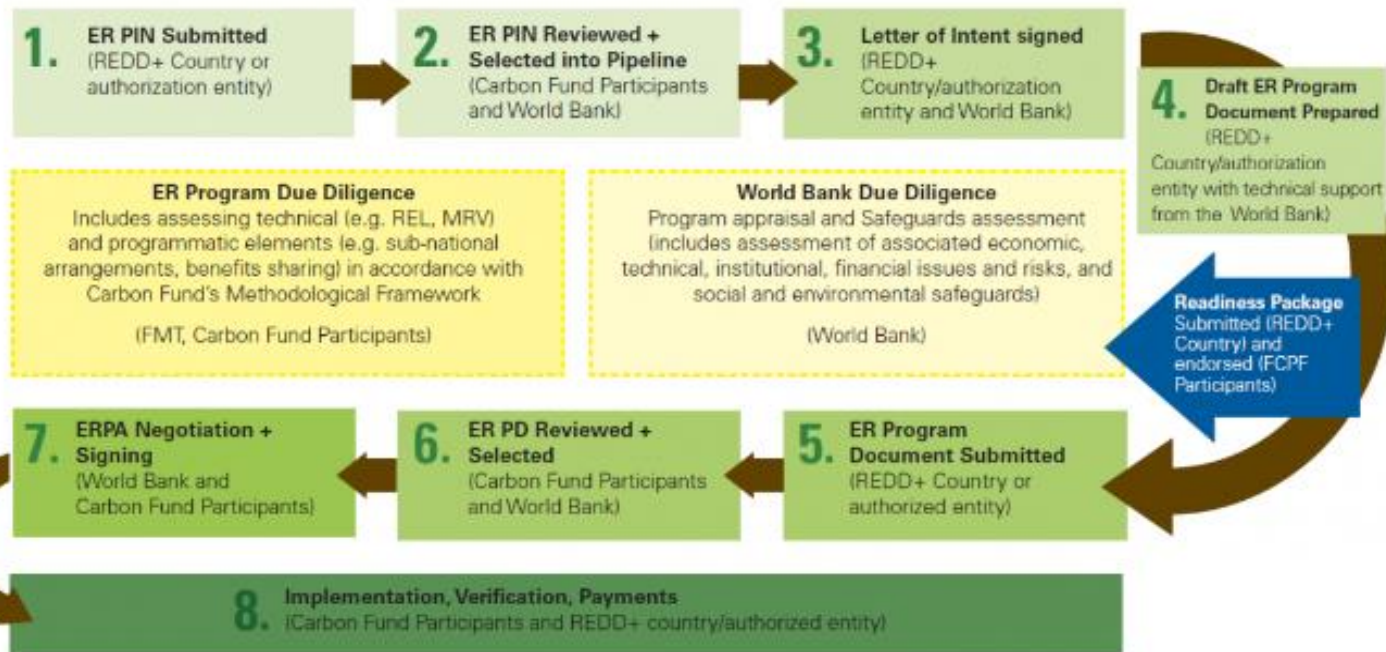


Amazon
Congo Basin
Indonesia





Processing Steps: From ER-PIN to ERPA Implementation



Clear and rigorous process ensures integrity



Existing programs

- 19 country programs in pipeline
- 8 country programs in portfolio
- Discussing commercial terms with 4 country programs



Outlook

- Sign commercial contracts in next 2 years (between 12 and 19 contracts)
- Deliver first FCPF REDD+ credits in late 2019/2020, compliance-ready



Part 2

What are the features and benefits of the emissions units generated by your programme, mechanism or project, including the means to ensure their quality?



World Bank

- World Bank: 189 member countries (almost same as ICAO)
- Institutional infrastructure
 - World Bank task teams working directly with developing country governments (Readiness Fund, technical assistance, capacity building, program development)
 - Policies and procedures on trust funds, governance (fraud and corruption), institutional arrangements, financial management, managing contributions etc. Manages > \$46 billion of trust funds
 - Comprehensive due diligence and appraisal process
- Environmental and social safeguards (do no harm: protect people and environment from adverse impacts; do good: enhance social equity and promote environmental sustainability)
- Carbon finance experience: 15+ years, > 200 commercial contracts (ERPAs), managed over US\$ 3.3 billion of carbon finance, ~200 million tons issued
- World Bank is trustee, acts as secretariat and sole implementing agency for the FCPF Carbon Fund

**FCPF Carbon Fund****Donor Contributions as of December 31, 2017 (in \$ thousands)**

Participant Name	Total
Australia	18,393
BP Technology Ventures	5,000
Canada	5,015
European Commission	6,709
France	5,114
Germany	327,926
Norway	301,303
Switzerland	10,796
The Nature Conservancy	5,000
United Kingdom	193,570
United States of America	18,500
Committed Funding	897,326

A real Partnership

More than 80 countries represented
in the FCPF

Observers from UNFCCC, civil society,
indigenous peoples, private sector,
Green Climate Fund

Almost
\$900
million



Quality and environmental integrity (1)

- **FCPF Methodological Framework (1)**
 - Agreed Dec 2013 (post Warsaw Framework)
 - Designed to meet UNFCCC REDD+ requirements
 - Adaptable to meet future UNFCCC REDD+ requirements
 - 38 criteria and around 80 indicators
 - **Jurisdictional, large-scale, fits with national strategy, national baselines**
 - **Conservative, robust baselines (10-year historical average)**, linked to national baselines (or reference levels), meets additionality criteria
 - Follow Intergovernmental Panel on Climate Change (IPCC) guidance
 - Measurement, reporting and verification (MRV) guidance; independent verifications; compare apples with apples (measure current annual emissions against the historical baseline using same methods as baseline)



Quality and environmental integrity (2)

- **FCPF Methodological Framework (2)**

- Includes World Bank safeguards UNFCCC safeguards (primarily Cancun safeguards)
- Government backed (Letter of Approval)
- Feedback and grievance redress mechanisms obligatory
- Tracked through registries with unique serial numbers to avoid double counting
- Reversal/non-Permanence
- Displacement/Leakage



Reversal/non-Permanence

- Reversals are a potential issue
- Same potential for reversals in other sectors and methodologies (eg renewable energy)
- REDD+ has identified reversals as a risk and established ways to address the risk
- Under FCPF i) assess and mitigate risk, ii) buffer (up to 40% of emission reductions) iii) pooled buffer across all programs, iv) account for any reversals during contract term, v) reversal management mechanism or continuing buffer post-contract term



Displacement/Leakage

- Displacements are a potential issue
- Potential for displacement in other sectors (eg renewable energy)
- REDD+ has identified displacement as a risk and established ways to address the risk
- Under FCPF i) prevent and minimize, ii) strategy to mitigate, iii) monitor and report
- Jurisdictional, government-designated areas of significant scale, link to national baselines and national accounting – all help minimize displacement



Safeguards for People

- World Bank twin goals – end extreme poverty and promote shared prosperity
- **Meet World Bank safeguards - do no harm: protect people from adverse impacts; do good: enhance social equity**
- Promotes UNFCCC safeguards (primarily Cancun safeguards)
- i) Country/program feedback and grievance redress mechanism, ii) World Bank grievance mechanism and iii) World Bank Inspection Panel (independent accountability mechanism)
- Criteria and indicators regarding land and resource tenure designed to protect local communities and indigenous peoples
- Benefit sharing plans (equitable, transparent, participatory, community support)



Features and co-benefits

- **Quality emission reductions that we are confident will meet ICAO's Emissions Unit Criteria plus considerable non-carbon benefits**
- Forests – good for public relations, immediate recognition by general public
- Biodiversity habitat (PR opportunities)
- Mitigate flooding, improved soil conservation and water management
- Forests contribute 10-15% of global annual carbon emissions
- Goal of limiting global warming to 1.5 °C or even 2 °C will be impossible to achieve without emission reductions from forests
- Tropical forests provide food, water, fuel and medicine to 1.6 billion people



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Part 3

Where can potential buyers purchase the emissions units generated by your programme, mechanism or project?



Potential ways to purchase FCPF credits

Who? ICAO, individual airlines, groups or alliances of airlines?

- 1. Buy directly from current contributors to the FCPF (private sector tranche only)**
- 2. Buy portion of FCPF-verified emission reductions not sold to FCPF (directly from developing countries, or through intermediary)**
- 3. Contribute to the FCPF. Simplest way to learn about REDD+ in action. Minimum contribution \$5 million. FCPF will accept groups of investors provided a single lead organization. Subject to World Bank due diligence. Take part in fund decisions, receive pro-rata share of emission reductions.**
- 4. FCPF sets up new tranche: a) buy portion of FCPF-verified emission reductions not sold to FCPF b) new programs from 47 REDD countries c) continues to purchase emission reductions post-2025 (current termination of fund)**



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Part 4

**How does your programme,
mechanism or project track the
use of emissions units?**



- **Methodological Framework criteria and indicators – all designed to avoid double counting; risk is minimal**
- **Back-office team in the World Bank**
- **World Bank has 15+ years of experience in registries and transactions**
- **Unique serial numbers for tracking**
- **Centralized transaction registry being developed, some countries wish to utilize national registries; buffers to be held in central transaction registry**
- **World Bank Working Paper: Emissions Trading Registries : Guidance on Regulation, Development and Administration (2016), includes a chapter on REDD+**



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Further Information

- Website (very transparent):
<https://www.forestcarbonpartnership.org/>
- Email: fcpfsecretariat@worldbank.org



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Finally!

- Opportunity for ICAO and the airlines to meet your offset requirements, contribute to real climate change mitigation, and help save the world's forests
- FCPF stands ready to assist airlines meet their offset targets



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Central African
(WACAF) Office
Dakar

European and
North Atlantic
(EUR/NAT) Office
Paris

Middle East
(MID) Office
Cairo

Eastern and
Southern African
(ESAF) Office
Nairobi

Asia and Pacific
(APAC) Sub-office
Beijing

Asia and Pacific
(APAC) Office
Bangkok



THANK YOU