
Call for Board inputs REDD+ Results-Based Payments

The GCF aims to support a paradigm shift in the global response to climate change, for which it allocates ex-ante resources to low-emission and climate-resilient projects and programmes in developing countries. RBP for REDD+ implies the allocation of ex-post resources to reward emission reductions and increased removals by forest. In the context of RBP for REDD+, the REDD+ activities will be in line with the paradigm shift that the GCF aims to support.

At the fourteenth meeting, through decision [B.14/03](#), the Board of the Green Climate Fund (GCF) requested the Secretariat to develop “a request for proposals (RFP) for REDD+ results-based payments (RBP), including guidance consistent with the Warsaw Framework for REDD+ and other REDD+ decisions under the United Nations Framework Convention on Climate Change (UNFCCC).

While the UNFCCC guidance including the Warsaw Framework provides guiding pillars for REDD+, operationalization of REDD+ results-based payments at the GCF requires further analysis and discussion of elements related to technical and procedural aspects in the context of the governing instrument of the Fund and current procedures. These elements have been identified in section 4.1 of document GCF/B.14/03 and section 3 of document GCF/B.15/Inf.07. These elements have also been discussed in the GCF dialogue at the 22nd session of the Conference of the Parties (COP) and analyses undertaken to date on the existing UNFCCC guidance and current GCF policies, standards and procedures.

This call seeks inputs from the Board on those identified elements through a structured template which is included below. In the template, a distinction is made between those elements that relate to the GCF procedures and mandates requiring Board decisions for framing of the RFP and those elements that relate to the technical aspects of the modalities. A parallel process focused on the technical modalities only seeks inputs from relevant global stakeholders, including CSOs, Indigenous peoples’ representatives, private sector and REDD+ experts.

Input from the Board will be shared publicly and analysed by the Secretariat for the preparation of the first draft of the RfP.

Input requested

The Board is requested to provide input on the following key procedures and technical elements to support the development of the RfP for RBP. The template enclosed below includes guiding questions provided as reference only and can be complemented with additional questions identified by the Board.

Please provide your inputs using the template and send to fundingproposal@gcfund.org by **20th March 2017 at 23:59 Korean Standard Time** with subject line “**Call for Inputs REDD+ Board**”. Include in the text message: Name title and Organization; Country/constituency

Template for receiving inputs

I. Elements related to procedures and mandates of the Fund (for the Board only)

Procedure element 1: Access modality

Issue: While the COP noted that national entities or focal points of developing country Parties may nominate their entities to obtain and receive RBF,¹ consistent with any specific operational modalities of the financing entities providing them with support, GCF resources are currently accessed through accredited entities.² Guidance is required regarding the access modality for channelling RBP in accordance to the Governing Instrument while following COP decisions.

UNFCCC mandates and existing practices of key initiative funds:

- UNFCCC: Formally nominated national entities or focal points to receive RBPs, consistent with any specific operational modalities of the financing entities providing them with support
- Forest Carbon Partnership Facility (FCPF) Carbon Fund: Government or a government-approved entity that is authorized to enter into a legal agreement with the fund
- REDD Early Movers (REM): National and state administrations (e.g. Ministry of Environment)
- Norway-Guyana bilateral agreement: Finance channelled through the Guyana REDD+ Investment Fund
- Norway-Brazil bilateral agreement: The Amazon Fund administered by the Brazilian Development Bank
- Norway-Peru agreement: Implemented by the Inter-American Development Bank

Guiding questions:

1.1: What should be the role of the REDD+ national entities or focal points to the UNFCCC in accessing RBP?

1.2: What should be the role of the accredited entity (AE) in the RBP process?

1.3: Should there be another access modality for RBP other than through AE?

1.4: Should the NDA play a formal role in the RFP proposal process besides providing a NOL, and if so, what role should that be?

1.5 Others?

No strong view, and not a major priority issue. While AEs will likely be the most common pathway sought by future RFPs for RBF, it may not be necessary to limit future RFPs to using AEs.

Procedure element 2: Financial valuation of results

Issue: Guidance is required on how to determine the relationship between the Emissions Reductions results proposed and the amount of finance to be provided. For example, most initiatives set a payment per tonne of carbon dioxide equivalent (tCO₂eq).

UNFCCC mandates and existing practices of key initiative funds:

- UNFCCC: No specific guidance on methods of financial valuation.
- FCPF Carbon Fund: Subject to negotiation between the fund and the REDD program but fund participants have currently indicated a willingness to pay up to USD 5 per tCO₂eq. No additional payment premium for co-benefits provided.
- REM: USD 5 per tCO₂eq
- Norway-Guyana bilateral agreement: USD 5 per tCO₂eq
- Norway-Brazil bilateral agreement: USD 5 per tCO₂eq

Guiding questions:

2.1: How should the valuation of results (payment/tonne CO₂) be estimated?

- a) A single, fixed payment; if so, indicate the amount and rationale.
- b) A payment (or volume paid) adjusted according to methodologies used (i.e. use of IPCC tier 1-3 Good Practice Guidance, uncertainty level of estimated Emission Reductions, etc.)
- c) Open prices submitted to the RFP

¹ UNFCCC decision 10/CP.19, paragraphs 1 and 2.

² Except for resources for readiness and preparatory support which can be accessed by national designated authorities.



d) Other?

No fixed view on whether a fixed price or negotiated/willingness-to-pay price is preferable.

Would be concerned however if the GCF was offering to pay a higher fixed price than offered by other funding bodies.

Don't recommend a reverse auction at this stage, in particular because that is more for payments of previous results, whereas there are good arguments for limiting payments for results which have not yet been produced. This would help to ensure the GCF can demonstrate that it is delivering new mitigation.

In terms of a fixed rate vs differentiated payments. It will be important to recognise that that there may be considerable variation in the quality, certainty or national additionality (ie, without leakage) of any reported REDD+ results. It would be useful if payments for results recognise these differences, if possible somehow incentivise or reward higher standards. It might not be practical however to do this through a price premium.

Re offering a price premium for co-benefits, we would argue that this is not needed, as these should be regarded as an intrinsic part of a sustainable REDD+ programme.

Procedure element 3: Size of the RFP

Issue: The Board would need to determine the overall size of the RFP in terms of funding. This decision could take into account the existing funding available, the estimated potential demand for RBP during the period of the RFP, the potential to meet the objectives of the GCF via a RBP program, and other considerations such as the length of the RFP (discussed below under Procedure element 7).

UNFCCC mandates and existing practices of key initiative funds:

- UNFCCC: No guidance on funding size, but encourages GCF to collectively channel adequate and predictable results-based finance in a fair and balanced manner, taking into account different policy approaches (Decision 9/CP.19 paragraph 5).
- FCPF Carbon Fund: Around US\$ 735 million in committed funding for emission reduction payments through 2025
- REM: US\$ 56.5 million
- Norwegian International Climate and Forest Initiative (NICFI): US\$ 365 million/year

Guiding questions:

3.1: What should be the total amount of funds to be set aside for the RFP at this time?

3.2: On what basis should the GCF estimate the total amount of funds to be set aside for the RFP?

3.3: How should the funds be channeled in a fair and balanced manner?

- a) An initial RFP for a limited number of countries with an equal cap per country.
- b) An initial RFP for a limited number of countries without a cap
- c) An initial equal cap per country allowing transferability of funds among countries
- d) A regional allocation of the overall funding available
- e) Other?

In terms of the total volume to be paid, we could support the development of a rational/logical formula for how much should be allocated, such as based on the total volume of funding available for mitigation, what proportion of global mitigation might be delivered through forestry actions, what proportion of that is achievable through REDD+, how many phases of REDD+ there are, then how many GCF rounds there are, what proportion of countries are expected to submit in the first round, etc. This approach might produce an amount of somewhere like \$500 million. However, it may still be worth holding a portion back, to allow for any adjustments or corrections to the overall approach on future rounds, or to accommodate any change in the total expected amount of GCF funding.

It would also be worth exploring have two shorter windows for REDD+ funding, eg, two five year periods rather than one 10 year period, to help ensure newly applying countries have equitable access to funding.



Procedure element 4: double financing

Issue: The current REDD+ finance landscape provides finance through a range of bilateral and multilateral funding sources. There is also a potential overlap of finance provided for a country to generate emission reductions through ex-ante finance which could later pursue ex-post payments. This could take place from different sources of funding as well as from the current finance provided by the GCF under the regular project cycle and through RBP.

UNFCCC mandates and existing practices of key initiative funds:

- UNFCCC: Risk of double finance is not mentioned in the COP decisions. Nonetheless, paragraph 9 of Decision 9/CP.19 establishes the information hub aiming to increase transparency of information on results-based actions, and the corresponding payments.
- FCPF Carbon Fund: Requirement that emission reductions sold and transferred to the Carbon Fund are not used again by any entity for sale, public relations, compliance or any other purpose. An ER transaction registry is required to offer insurance against double counting and provide transparency to the public that there is no double claiming of the environmental benefit, in respect of the GHG emission reductions or removals.
- REM: REDD+ partner countries should have a mechanism, such as a registry, in place that prevents double counting as well as payments or the use of these ERs as offsets.

Guiding questions:

4.1: In what instances may double financing of results generate a concern? How could this concern best be addressed?

4.2: How should the GCF take into account the ex-ante finance provided either by the GCF regular project cycle or other sources of finance?

4.3: Should GCF create or utilize an existing registry to track GCF-funded Emission Reduction tonnes in some way, in addition to the UNFCCC information hub?

4.4: Other?

We would not want to discourage Parties from seeking financing from as wide a range of channels as possible. However, we would be very concerned if the GCF were funding REDD+ results which have already been financed from other sources.

Some options could include, where some portion of REDD+ reported results have already been paid for, these could either be (1) included within the baseline, of (2), subtracted from the final amount of results to be paid for.

Procedure element 5: Use of proceeds

Issue: The Board may need to consider if any restrictions are needed on how the GCF RBPs are subsequently used, for example for activities implemented that do not contradict the results achieved or more broadly contradict the objectives of the GCF. This is also related to Operationalization of the 'Cancun Safeguards' discussed below.

UNFCCC mandates and existing practices of key initiative funds:

- UNFCCC: Use of proceeds is not mentioned in the UNFCCC decisions
- FCPF Carbon fund: Programs to provide a description of the benefit-sharing arrangements including a benefit sharing plan
- REM: Programmatic benefit-sharing and investment plan are set in bilateral agreement; Requires that at least 50% of RBP reaches local level.
- Norway-Indonesia bilateral agreement: Transparent and equitable benefit-sharing mechanism required.

Guiding questions:

5.1: Should the GCF place any conditions or restrictions on the use of RBPs? If so, what kind of conditions would that be?

5.2: Other?



Proceeds from REDD+ would ideally be re-invested back into forestry or REDD+ mitigation actions.

Procedure element 6: Ownership, legal title and implications for NDCs

Issue: The COP decisions do not provide any guidance regarding transfer and legal title of emissions reductions that result from REDD+ activities for the financial mechanisms like the GCF. Board would need to consider providing clarity on the status of Emission Reductions paid with GCF funds (may also apply for ex-ante finance).

UNFCCC mandates and existing practices of key initiative funds:

- UNFCCC: REDD+ in the UNFCCC is referred to as “policy approaches and positive incentives”. Also, decision 2/CP.17, paragraphs 66 and 67, refer to both appropriate market-based approaches and non-market-based approaches could be developed to support the results-based actions by developing country Parties. While the COP decisions do not mention title creation and transfer, article 6 of the Paris Agreement envisions the use of internationally transferred mitigation outcomes on a voluntary basis as authorized by participating Parties through a mechanism established under the authority and guidance of the COP (rules, modalities and procedures are yet to be defined).
- FCPF Carbon fund: Requires transfer of ERs, formalized through emission reduction payment agreements (ERPAs)
- REM: No transfer of ERs; ERs are retired and cannot be used for offsets, but recipients may report ERs to UNFCCC
- NICFI: No transfer of ERs.

Guiding questions:

6.1: Should there be any legal title or transfer of ownership associated with the payments? If so, should the GCF-funded Emission Reductions be fungible with other mechanisms?

6.2: Should GCF “pay” for results without claiming any emission reductions? If so, would there be any obligation from the recipient country in relation to the “paid” emission reductions?

6.3: What are the implications for reporting in a country NDC from GCF-funded Emission Reductions?

6.4: Other?

The option for the legal title to transfer to the GCF should be preserved for future rounds, even if it is not a priority for the first round. Future carbon market developments are not yet clear.

Whoever holds the legal title should be able to direct the use of that result towards the achievement of a formal UNFCCC commitment/NDC.

Note, any use of title over results towards UNFCCC commitments should take into account that many developing countries had Copenhagen Pledges in the period leading up to 2020, so pre-2020 results should not be countable towards Paris NDCs.

Procedure element 7: Eligibility date for payments and length of the RFP

Issue: Under the current UNFCCC REDD+ decisions, Parties, when constructing their national (or subnational) forest reference emission level and/or forest reference level, may choose their own baseline. This flexibility results in various reference and accounting periods that vary by country. The Board may need to set a starting date from which it will operationalize financing for results achieved by countries. This will be linked to the overall length of the RFP.

UNFCCC mandates and existing practices of key initiative funds:

- UNFCCC: no reference to eligibility date for payments.
- FCPF Carbon Fund: payments can be made for emission reductions during the term of the Emission Reduction Payment Agreement (ERPA).
- REM: varies by country, in the case of Acre-Brazil emissions reductions are accounted from 2012 to 2015 while in Colombia from 2013-2017.



Guiding questions:

- 7.1: What should be the starting date for considering eligible results for RBP?
- 7.2: Should the starting period be the same for all countries or defined on a case by case basis?
- 7.3: What should the payment period be – over what timeframe? i.e., when should it end?
- 7.4: Other questions?

This is a high priority issue for the volume and quality of REDD+ results. Some Parties are seeking to claim results from 2006 – before REDD+ was even established.

We would strongly prefer that the results delivered under the GCF-accepted proposal should be achieved after the proposal has been accepted by the GCF. This will ensure (1) that the GCF is contributing to additional mitigation, (2) allow the REDD+ activities to be monitored against safeguards, and (3) might also support additional countries to access funding in later rounds.

A second, but less preferable option could be for a country to access RBF once they have all of the necessary UNFCCC REDD+ RBF requisites in place – which would suggest that the earliest possible start of funded activities would be 2014 for any individual party.



II. Elements related to technical modalities (for the Board and REDD+ stakeholders)

Technical element 1: Scale of implementation

Issue: UNFCCC provisions request forest reference emission level and/or forest reference level (FREL/FRL) and measurement, reporting and verification (MRV) to be national with some flexibility for subnational scale as an ‘interim measure’. Guidance is required for defining the scale of implementation for countries requesting RBPs. The GCF needs to state in the RFP what scale of implementation is acceptable in proposals; while being consistent with UNFCCC guidance on FREL/FRL and MRV. The GCF should also contemplate whether and how the existing REDD+ initiatives at different scales and approaches can be considered in the RFP.

UNFCCC mandates and existing practices of key initiative funds:

- UNFCCC: Requires national FREL/FRL or, if appropriate, as an interim measure, subnational FREL/FRL, in accordance with national circumstances (Decision 1/CP.16 paragraph 71).
- Forest Carbon Partnership Facility (FCPF) Carbon Fund: Allows for national and subnational (jurisdictional) level. Most programs are subnational.
- REDD Early Movers Program (REM): Allows for national and subnational. So far the experience has been subnational.
- Norwegian International Climate and Forest Initiative (NICFI): Mainly national level agreements with national governments, although implementation occurs at subnational scales in some countries.

Guiding questions

- 1.1: What scale of implementation (national, subnational, nested) should be considered for the RFP?
- 1.2: Should the GCF provide detailed guidance for defining the scale of eligible proposals?
- 1.3: Other questions?

An important achievement of REDD+ was to promote countries to scale up from project level approaches. It’s important this emphasis is retained under the GCF, and RBF should therefore be directed as a first priority towards recognising national-level results. That said, there may be some interim role for recognising that these national results may be comprised of subnational and project components, but if so these need to form part of a national system, or clear schedule progression towards one, to ensure results are actually occurring at a net national level, and not offset by leakage elsewhere.

Discounting of results should be considered where coverage is biased, or leaves out significant source activities.

Technical element 2: Forest reference emissions levels (FREL)/forest reference levels (FRL)

Issue: Warsaw Framework for REDD+ articulates modalities for the development and technical assessment of FRELs/FRLs, and for monitoring, reporting and verification (MRV) of emission reductions achieved through REDD+ activities. Under the current UNFCCC REDD+ decisions, Parties, when constructing their national (or subnational) forest reference emission level and/or forest reference level, may choose their own baseline. This flexibility results in various reference and accounting periods that vary by country. The GCF needs to consider ways to link these procedures with RBF while considering specific countries’ circumstances.

Existing practices of other funds:

- FCPF Carbon Fund: Follows UNFCCC requirements of using historical averages and adjustment but it only allows limited adjustment for “high forest low deforestation” (HFLD) countries with justified changes in deforestation trends and puts in place further requirements on the historic averages by requiring that the historic period considered is about 10 years before the end date which should be the most recent date prior to two years before the start of the draft ER Program Document assessment.
- REM: Historical average rates
- Norway-Guyana bilateral agreement: Mean value of historic average rate and developing country average, with downward adjustment option
- Norway-Brazil bilateral agreement: Historical average rates, updated every 5 years



Guiding questions:

- 2.1: How should the GCF take into account the different approaches used for defining FREL/FRL and translated into verified REDD+ results?
- 2.2: Is there a need for additional GCF-specific criteria for FREL/FRL and MRV? If so, what type criteria should that be?
- 2.3: How should the GCF take into account the results of the analysis of the REDD+ technical annex³? What process and review criteria, if any, in order to make funding decisions?
- 2.4: Should a description of how alignment of subnational FREL/REL to national-scale FREL/REL be required?
- 2.5: Other questions?

There is an important opportunity here for the GCF to build upon and advance upon the UNFCCC REDD+ FREL/FRL decision, by establishing a new and additional, complementary GCF benchmark which defines what portion of REDD+ results should be paid for, given that elements of the FREL/FRL decision have subsequently been found to be highly open to interpretation. This is clearly a contentious issue, but will support the long-term, financial sustainability of continuing funding for REDD+ by improving its environmental integrity, and recognised credibility.

It will also be essential that funded results reported against the FREL/FRL are subject to independent technical review, by a group of LULUCF experts.

Technical element 3: Operationalization of the ‘Cancun safeguards’

Issue: The Warsaw Framework for REDD+ and earlier COP decisions contain seven safeguards⁴ that are required to be addressed and respected in all phases of REDD+. The GCF needs to consider how these relate to the existing GCF policies, procedures and reporting requirements, in particular how they can be reconciled with the interim safeguards of the GCF (IFC Performance Standards). The GCF also needs to decide if additional guidance is required on REDD+ RBP-specific considerations in order to operationalize RBP. Such guidance could be warranted, for example, to address the risks of reversals of Emission Reductions achieved, or information may be required to ensure GCF’s ESS, fiduciary standards, and gender policy are upheld in activities that produced ERs being rewarded.

Existing practices of other funds:

- FCPF Carbon Fund: World Bank safeguard policies and processes (Strategic Assessment and Management Framework); Benefit Sharing Plan
- REM: Cancun REDD+ Safeguards; KfW safeguards; BMZ human rights guidelines
- Norway-Guyana bilateral agreement: World Bank, IDB and UNEP safeguards
- Norway-Brazil bilateral agreement: Safeguards of the Brazilian Development Bank

Guiding questions:

- 3.1: How should the GCF assess the implementation of the Cancun Safeguards in addition to the IFC performance standards (interim GCF ESS)?
- 3.2: Should the GCF develop additional guidance for the reporting on how the Cancun Safeguards are being respected?
- 3.3: Other questions?

We should ensure Cancun safeguards are embedded in GCF safeguard standards, and where possible requirements are standardised across the different funding bodies.

Any additional issues/comments

³ Decision 14/CP.19

⁴ Appendix I to UNFCCC decision 1/CP.16.

