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 publically 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

Submission from Canada

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 though 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?

<u>Canada's views:</u>

- UNFCCC decision 10/CP.19 notes that Parties may "nominate their entities to obtain and receive results-based payments, consistent with any specific operational modalities of the financing entities providing them with support".
- With respect to "Access modality and accreditation", the GCF Governing Instrument states that:
  - "45. Access to Fund resources will be through national, regional and international implementing entities accredited by the Board. Recipient countries will determine the mode of access and both modalities can be used simultaneously";
  - "46. Recipient countries may designate a national authority. This national designated authority will recommend to the Board funding proposals in the context of national climate strategies and plans, including through consultation processes. The national designated authorities will be consulted on other funding proposals for consideration prior to submission to the Fund, to ensure consistency with national climate strategies and plans"; and
  - "49. The Board will develop, manage and oversee an accreditation process for all implementing entities based on specific accreditation criteria that reflect the Fund's fiduciary principles and standards and environmental and social safeguards."
- In light of the above, it is our view that REDD+ RBF should be channeled through AEs:
  - Upon recommendation of the national designated authority, and consistent with national climate strategies and plans, including appropriate consultation processes; and
  - Provided the AE can demonstrate its ability to transfer Title to ERs[3] and uphold the Fund's fiduciary principles and standards and environmental and social safeguards, including a reasonable level of accountability for displacement/leakage, non-permanence/reversal, grievance redress, and any other issue pertaining to the Cancun Safeguards.

[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.
[3] While respecting the land and resource tenure rights of the potential rights-holders, including Indigenous Peoples (i.e., those holding legal and customary rights) in the Accounting Area. The ability to transfer Title to ERs may be demonstrated through various means, including reference to existing legal and regulatory frameworks, sub-arrangements with potential land and resource tenure rights-holders (including those holding legal and customary rights), and benefit-sharing arrangements.

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
d) Other?

<u>Canada's views:</u>

- **While UNFCCC decisions clearly set out robust guidance for generating measurable, reportable, and verifiable results, and require that results be expressed in tonnes of carbon dioxide equivalent per year, they do not provide specific guidance on methods of financial valuation.**
- **As a general rule, it is our view that financial valuation of results should:**
  - **Align with rules, modalities and procedures of the mechanism envisioned under Article 6 of the Paris Agreement, to the extent possible;**
  - **Use market principles, including competition, to allow the Fund to seek the best achievable outcome in the use of its resources;**
  - **Be fair and flexible, while protecting countries from extreme price fluctuations;**
  - **Allow a certain level of flexibility in setting a price, to reflect a range of implementation costs or to reward use of higher tier methodologies, for example;**
  - **Depending on the length of the RFP, provide the option of using a combination of fixed and floating price portions to leave room for adjustments as demand and supply evolve in time;**
  - **For the initial RFP, seek to align the price range with that of other major REDD+ funds/initiatives so as to avoid creating a significant imbalance; and**
  - **In the longer term, seek to align the price range with that of major compliance markets trading comparable REDD+ ERs**
  - **Not include additional premium payments for co-benefits as these should be intrinsic to the design 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?

Canada's views:

- The amount of funds to be set aside is likely to be determined by a number of factors, some of which are non-technical, and which will require further consultation among Board Members and stakeholders to arrive at an appropriate amount.
  - Ideally, the size of the RFP should reflect the significant mitigation potential that exists within the land sector in order to incentivize, as early as possible, emissions reductions and increased sequestration that will contribute toward the collective goal of limiting and adapting to the impacts of climate change. As substantial funding has already been allocated to Phase I, we support an allocation of 2/3 of the GCF REDD+ funding be considered for Phase III to support RBPs.
  - As an indicator for the order of magnitude, the FCPF Carbon Fund (CF) currently has a pipeline with an estimated potential of 300-400 million tCO2eq. This corresponds to a value of $1.5-2.0 billion at $5/ton. The available CF finance is currently $680 million, which leaves room for other mechanisms to purchase the excess supply.
  - Size and duration are interrelated, i.e. the longer the length the bigger the size should be.
  - As an indication, FCPF ER programs will typically last 5 years, with at least two monitoring events (i.e. determination of activity data) during the term of the ER Payment Agreement. The BioCarbon Fund-ISFL, on the other hand, will aim to provide RBPs over a 10-15 year period;
- We support a shorter RFP in the immediate term, for example 5 years, until there is greater clarity on the UNFCCC Article 6 discussions:
  - We think it is preferable to build in natural 'reflection points', every 5 years or so when guidance can be updated, if and as needed;
  - A 5 year "phased" approach would also allow the GCF to review and adjust the funding allocation at a later date, once there is a clearer understanding of need/demand.
- In order to ensure the RFP is accessible by a larger number of countries, we support a cap on the amount that can be accessed by each country; however if a country is not expected to reach its cap then the unused funds should become available for use by other countries in order to avoid lapsing funds. Assigning a cap does not mean a country is guaranteed to obtain that level of funding as it would need to satisfy other conditions for approval of RFPs.

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?

Canada's views:

- In our view, double –financing is primarily a concern in relation to RBPs and the use or transfer of ERs (i.e. countries be paid twice for the same verified emission reduction). As readiness funding has largely been provided by donor countries as part of their official development assistance to assist countries in developing the foundations for implementing REDD+, we do not necessarily see that there is an issue with countries receiving funding for Phase I and/or II, and then also receiving funding in the form of RBPs for Phase III.
- Per the FCPF Methodological Framework (cf. criteria 23 and 38), ERs generated within the accounting area shall not be counted or compensated for more than once. Any reported and verified ERs generated under the RBP Program shall not be sold, offered or otherwise used or reported a second time by the recipient country/AE.
- Furthermore, it is our view that the GCF should require:
  - Programs/AEs to work with the host country to select, based on national needs and circumstances, an appropriate arrangement to avoid having multiple claims to an ER title (cf. FCPF Methodological Framework Criterion 37);
  - Host countries to select, based on national needs and circumstances, an appropriate arrangement to register, transfer, and retire ER transactions, e.g. using a country-level or centralized registry (cf. FCPF Methodological Framework Criterion 39); and
  - Clear reporting on the transfer and retirement of ERs, with the aim of being consistent with emerging guidance under the UNFCCC on Article 6.
- In order to ensure transparency with regard to the flows of funding for RBPs, the GCF should request full disclosure of the REDD+ funding sources for all phases of REDD+ in the recipient countries, in particular of concessional ex-ante support already received, taking into account the information provided by countries in the UNFCCC REDD+ Information Hub.

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?

Canada's views:

- To help ensure the full and effective participation of relevant stakeholders in REDD+ actions, and to ensure that the use of proceeds does not contradict the REDD+ results achieved or more broadly contradict the objectives of the Fund, the GCF should require Programs to put in place benefits-sharing arrangements that:
  - Are designed in a consultative, transparent, and participatory manner appropriate to the country context;
  - Involve reinvestment in the area from which the emissions reductions were generated, as part of efforts to ensure the long-term sustainability of REDD+ actions;
  - Are informed by and build upon the national readiness process, including the results of any strategic environmental and social assessments, and take into account existing benefit-sharing arrangements, where appropriate; and
  - Are implemented transparently and disclosed in a form, manner and language understandable to the affected stakeholders in the host country:
    - Information on implementation should be annexed to Program monitoring reports and interim progress reports and made publicly available.

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?

Canada's views:

- **While the UNFCCC decisions provide methodological guidance for the generation of emissions reductions, they do not provide specific guidance regarding transfer and legal title of emissions reductions resulting from REDD+ activities. Further guidance for the GCF RFP on RBPs for REDD+ should therefore consider the status of paid results in terms of ownership and implications for countries' NDCs, as well as any potential linkages with the mechanism envisioned under Article 6 of the Paris Agreement and/or any other compatible compliance mechanisms, as applicable.**
- **In terms of ownership and legal title, it is our view that:**
  - **Production of ERs should be recorded through title creation and serialization, in order to ensure transparency and facilitate the ability of countries to trade ERs;**
  - **RBPs should be provided in return for transfer of ER titles, in order to avoid double-counting and help ensure environmental integrity:**
    - **As such, the AEs would need to demonstrate their ability to generate and transfer serialized ER titles prior to entering into an RBP agreement (or at the latest, at the time of transfer of ERs), while respecting the land and resource tenure rights of the potential rights-holders, including Indigenous Peoples, in the Accounting Area;**
  - **The GCF should develop a policy to guide its use of acquired ERs:**
    - **The policy should also consider implications for NDCs.**
  - **Regarding the obligations for host countries generating the emissions reductions, we would see this including the full set of monitoring, reporting, and safeguards obligations outlined under the UNFCCC, including measures to address reversals.**

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?

Canada's views:

- UNFCCC decision 1/CP.16 paragraph 71 requests developing country Parties aiming to undertake REDD+ activities to develop the following elements:
  - A national strategy or action plan;
  - A national FREL/FRL or, if appropriate, as an interim measure, subnational FRELs/FRLs;
  - A robust and transparent forest monitoring system with, if appropriate, subnational monitoring and reporting as an interim measure; and
  - A system for providing information on how the safeguards are being addressed and respected throughout the implementation of REDD+.
- In light of the above it is our view that the eligibility date for payments should start as soon the following conditions are met by the recipient country/AE (i.e. the starting date would vary on a case-by-case basis):
  - The country demonstrates that all the elements listed in paragraph 71 of decision 1/CP.16 are in place and the information has been submitted to the UNFCCC REDD Web Platform Info Hub; and
  - A REDD+ RBP proposal is approved by the Board following a technical assessment.
- It is our view that the length of the RFP (payment period) should be set to an initial term of 5 years starting upon signature of a RBP agreement between the Trustee and AE:
  - This would build in a natural reflection point for guidance to be updated, if and as needed, after 5 years; and
  - A 5 year "phased" approach would also allow the GCF to review and adjust the funding allocation at a later date, once there is a clearer understanding of need/demand and total available funds.

GREEN CLIMATE FUND

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?

<u>Canada's views:</u>

- While the UNFCCC Warsaw Framework for REDD+ requires national strategies, national monitoring systems and national reference levels, decision 12/CP.17 "acknowledges that subnational forest reference emission levels and/or forest reference levels may be elaborated as an interim measure, while transitioning to a national forest reference emission level and/or forest reference level, and that interim forest reference emission levels and/or forest reference levels of a Party may cover less than its entire national territory of forest area".
- In practice, while there have been a few RBP arrangements at the national level (e.g., Norway's MOUs with Brazil, Guyana and Indonesia), the vast majority of REDD+ programs either in development or already implemented are on a subnational/jurisdictional scale, typically due to the complexities of implementing such programs on a large national scale.
- The FCPF Methodological Framework (cf. Section 2: Level of Ambition) requires ER Programs "be ambitious, demonstrating the potential of the full implementation of the variety of interventions of the national REDD+ strategy, and is implemented at a jurisdictional scale or programmatic scale".
  - Specifically, the accounting area must be "of significant scale and align with one or more jurisdictions; or a national-government-designated area (e.g., ecoregion) or areas" (Indicator 2.1).
- In light of the above, it is our view that scale of implementation should:
  - At a minimum focus on an entire jurisdiction (state, province, or region) within a country, providing programs (not individual projects) that have potential to address all relevant drivers of land use change, engage across all relevant sectors, and affect a relatively large area.
- It is also our view that the provision of RBPs should assist countries in their progression toward national scale.
  - This ties in to the intended length of the RFP, particularly if it covers a longer timeframe (5-10 years). In that case, guidance on "interim subnational approaches" would need to be revisited at some point in the future in order to ensure that countries are progressing toward national scale.

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 annex[4]? 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?

Canada's views:

- GCF FREL/FRL methodology must be consistent, at minimum, with UNFCCC decisions and have been technically assessed under the UNFCCC process or through the FCPF:
  - A national FREL/FRL or, as an interim measure, subnational FREL/FRL, is one of the elements to be developed by developing country Parties implementing REDD+ activities (1/CP.16);
  - Reference levels are expressed as tonnes of CO2 equivalent per year for a reference period against which the emissions and removals from a results period will be compared. They need to maintain consistency with the country's greenhouse gas inventory estimates;
  - Reference levels should be transparently constructed, taking into account historic data;
  - Developing country Parties implementing REDD+ can use a stepwise approach to construct reference levels, incorporating better data, improved methodologies and, where appropriate, additional pools. They should also update their reference level periodically, taking into account new knowledge, new trends and any modification of scope and methodologies;
  - The information provided should be guided by the most recent IPCC guidance and guidelines, as adopted or encouraged by the COP;
  - Each submission of a proposed reference level, in the context of results-based payments, shall be subject to a technical assessment; and
  - Therefore having an assessed national reference level or, as an interim measure, subnational reference levels in place is one of the requirements in order to be eligible for results-based payments (9/CP.19).
- Furthermore, it is our view that the GCF should apply the following guidance used by the FCPF Methodological Framework (cf. Section 3: Carbon Accounting):
  - When developing RLs, countries/AEs should ensure that there is methodological consistency between the methods used in the construction of the RL and in the reporting of results (including in estimation approach and area covered);
  - Historical RLs should allow most countries to contribute to mitigation and access finance through avoided deforestation and degradation or carbon stock enhancement. However, under certain circumstances adjusted RLs should allow countries with a long-term history of minimal deforestation to contribute to mitigation and access finance as well:
    - Specifically, the RL should not exceed the average annual historical emissions over the Reference Period. If the available data from the National Forest Monitoring System used in the construction of the Reference Level shows a clear downward trend, this should be taken into account in the construction of the Reference Level;
    - For a limited set of countries, the RL may be adjusted upward by a limited amount above average annual historical emissions provided that long-term historical deforestation has been minimal across the entirety of the country, and the country has high forest cover, and it can be demonstrated that national circumstances have changed such that rates of deforestation and forest degradation during the historical Reference Period likely underestimate future

[4] Decision 14/CP.19

rates of deforestation and forest degradation during the term of the RFP.
  - Additionality should be addressed primarily through conservative approaches to setting RLs (e.g., including existing and clearly funded programs or activities within the RL); and
  - Key data and methods that are sufficiently detailed to facilitate a technical assessment of the RL and enable the reconstruction of the RL, and the reported emissions and removals (e.g., data, methods and assumptions), should be documented and publicly disclosed.
- To ensure consistency, it is our view that:
  - In the case of a subnational RL, the country/AE should explain how the development of the RL will inform or is informed by the development of a national FREL/FRL, and should explain the relationship between the RL and any existing or intended submission of a FREL/FRL to the UNFCCC;
  - The country/AE should explain how the country is progressing toward national FREL/FRLs if national FREL/FRLs have not been achieved (whether under the UNFCCC or in other REDD+ initiatives);
  - Countries cannot revert back to sub-national FREL/FRLs once they have established a national FREL/FRL; and
  - The country/AE should explain what steps are intended in order for the RL to achieve consistency with the country's greenhouse gas inventory.
- On the definition of a reference period, it is our view that:
  - RLs should have a base period, for which forest-cover data is available to enable IPCC Approach 3, of 10 years prior to the beginning of measured results;
  - Alternative start-date and/or end-date should be allowed only with convincing justification, e.g., to maintain consistency of dates with a FREL/FRL, other relevant REDD+ programs, national communications, national ER program or climate change strategy; and the start date should not be more than 15 years before the end-date.
- On measurement, monitoring and reporting, it is our view that:
  - Methodologies must be consistent with those used in the construction of the RL;
  - As per FCPF Methodological Framework Criterion 4, MRV should address both emissions and removals, and for all significant carbon pools and greenhouse gases:
    - Carbon pools and greenhouse gases may be excluded if their emissions are collectively estimated to amount to less than 10% of total forest-related emissions in the accounting area during the Reference Period, or it can be demonstrated that excluding such carbon pools and greenhouse gases would be conservative (i.e. underestimate total emission reductions).
  - Per general IPCC guidance on GHG emission and removal estimation, efforts should be made to ensure that all estimates are accurate in the sense of being neither over nor underestimated as far as can be judged, and in which uncertainties are reduced as far as practical:
    - Data and methods should be consistent with IPCC Tier 2 or higher, and countries/AEs should, by using conservative assumptions and quantitative assessment of uncertainties, be incentivized to reduce uncertainties associated with all aspects of accounting, inter alia, reference levels, monitoring, and reporting (i.e., such that reductions in uncertainty are rewarded by a corresponding upward adjustment in ER volume);
    - Specifically, sources of uncertainty should be systematically identified and assessed in RL setting and measurement, monitoring and reporting;
    - Systematic errors should be minimized through the implementation of a consistent and comprehensive set of standard operating procedures, including a set of quality assessment and quality control processes that work within the local circumstances;
    - Random errors and other uncertainties should be minimized to the extent practical based on the assessment of their relative contribution to the overall uncertainty of the emissions and removals;
    - Uncertainty associated with activity data and emission factors should be quantified using accepted international standards, for example by providing accuracy, confidence interval, distribution of error, and propagation of error. Where errors in data and methods are considered large as defined in IPCC Guidelines, Monte Carlo methods (numerical simulations) should be used to estimate uncertainty;
    - Uncertainty of the estimate of Emission Reductions is quantified using Monte Carlo methods. Underlying sources of error in data and methods for integrated measurements of deforestation, forest degradation and enhancements (e.g., as in a national forest inventory) are combined into a single combined uncertainty estimate and are reported at the two-tailed 90% confidence level; and
    - Uncertainty of Emissions Reductions associated with deforestation, forest degradation and enhancements are reported separately if measured through separate (i.e., non-integrated) approaches.
  - If concerns are raised about the approaches used (e.g. the construction of the RL), the GCF Board retains the right to request additional information and/or adjustments to ensure that payment for results are provided only for real, additional, measurable, and verifiable emissions reductions.

Technical element 3: Operationalization of the 'Cancun safeguards'

Issue: The Warsaw Framework for REDD+ and earlier COP decisions contain seven safeguards[5] 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?

<u>Canada's views:</u>

- The Warsaw Framework for REDD+ and earlier COP decisions contain a number of safeguards that must be addressed and respected in all phases of REDD+, including:
  - Actions complement or are consistent with the objectives of national forest programmes and relevant international conventions and agreements;
  - Transparent and effective national forest governance structures, taking into account national legislation and sovereignty;
  - Respect for the knowledge and rights of indigenous peoples and members of local communities, by taking into account relevant international obligations, national circumstances and laws;
  - The full and effective participation of relevant stakeholders, in particular indigenous peoples and local communities, in REDD+ actions;
  - That actions are consistent with the conservation of natural forests and biological diversity, ensuring that actions are not used for the conversion of natural forests, but are instead used to incentivize the protection and conservation of natural forests and their ecosystem services, and to enhance other social and environmental benefits;
  - Actions to address the risks of reversals; and
  - Actions to reduce displacement of emissions.
- The GCF further needs to ensure GCF's ESS, fiduciary standards, and gender policy are upheld in activities that produce ERs being rewarded.
- All applicable safeguards need to be met during REDD+ Program implementation. To keep the burden on the accredited entities as well as the Secretariat manageable, where possible the GCF should consider how it can reconcile these safeguards and related processes with the existing accreditation process requirements. Additional, context specific elements may still need to be addressed through a separate process.
- Essential elements that should be addressed include:
  - Safeguard policies and relevant social and environmental sustainability issues identified from any strategic environmental and social assessments are taken account throughout the lifespan of the programme;
  - Safeguard plans addressing social and environmental issues and including related risk mitigation measures identified during the national readiness process have been implemented, taking into account relevant existing institutional and regulatory frameworks, and publically disclosed;
  - Appropriate monitoring arrangements have been included in the safeguards plans; and
  - An appropriate feedback and grievance redress mechanism has been developed, building on existing institutions, regulatory frameworks, mechanisms and capacity, and what are the procedures to be followed to receive, screen, address, monitor, and report feedback on, grievances or concerns submitted by affected stakeholders.
- On safeguards information and reporting, it is our view that:

[5] Appendix I to UNFCCC decision 1/CP.16.

- During Program implementation, information on the implementation of safeguards plans should be included in an annex to each ER monitoring report and any interim progress report. This information should be publicly disclosed and made available as an input to the national safeguards information system.
- Regarding actions to address the risks of reversals, it is our view that:
  - Programs should identify potential sources of reversal of ERs (non-permanence); have the capacity to monitor and report any reversal of previously monitored and reported ERs; and have measures in place to address major risks of anthropogenic reversals for the ER Program area, to the extent feasible; and
  - To help manage the risks of reversals, the GCF should require Programs to use country-specific or central reserve account mechanisms (e.g., set-aside buffers or discounts) to insure against potential losses and incentivize improved risk management over time. The GCF could use a reversal risk assessment tool to determine the reversal risk set-aside for each Program; and
  - The GCF should require Programs to have in place a robust reversal management mechanism to address the risk of reversals after the term of an RBP agreement.
- Regarding actions to address the risks of displacement/leakage, it is our view that:
  - Per UNFCCC guidance, a well-designed and fully functional national forest monitoring system should be in place as a pre-requisite in order to identify any potential leakage/displaced emissions; and
  - Programs should identify potential sources of domestic and international displacement of emissions by assessment of all relevant drivers of land-use change; and incorporate measures to minimize and/or mitigate the risk of displacement of domestic emissions into Program design and the estimation and monitoring of ERs.
- To help ensure the full and effective participation of relevant stakeholders in REDD+ actions, it is our view that:
  - The GCF should require Programs to use clear, effective and transparent benefit-sharing mechanisms with broad community support and support from other relevant stakeholders. Specifically:
    - The design of the benefit-sharing mechanisms should respect customary rights to lands and territories and reflect broad community support, so that RBP incentives are applied in an effective and equitable manner; and
    - The status of rights to carbon and relevant lands should be assessed to establish a basis for successful Program implementation.

Any additional issues/comments

Canada's views:

Additional guidance for the early phases of REDD+ needs to be developed alongside the guidance for RBP