
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?

We note that the text cited from decision 10/CP.19 makes it clear that the national entities or focal points of developing country Parties **may** nominate **any** entities to obtain and receive results-based payments, **so long as** this nomination is consistent with any specific operational modalities of the financing entities providing support. The first point in the box above may be misleading in its construction for two reasons. 1) Any type of entity (not just national entities or focal points) might be nominated by a developing country Party. 2) In the absence of a nomination an entity is not automatically excluded from results-based finance. A Party may simply choose to leave eligibility open. To be accurate, the first bullet point should then be reformulated as:

- UNFCCC: Entities may be nominated by national entities or focal points of developing country Parties to receive RBPs, consistent with any specific operational modalities of the financing entities providing them with support

With this clarified, our responses to the questions are below:

- 1.1** Where nominated REDD+ national entities or focal points are GCF accredited entities and all other requirements have been met, these entities should be eligible to access RBPs. Where the national entity or focal point has nominated another entity or entities that are GCF accredited entities and all other requirements have been met, these entities should be eligible to access RBPs. Should no nominations have been made by the national entity or focal point at the time the RFP is issued, the national entity or focal point should provide a "No Objection" to the GCF accredited entity seeking to access RBPs.
- 1.2** Accredited entities should be eligible to access RBPs should all other requirements be met, and should then be responsible for the further distribution of funds and the associated monitoring.
- 1.3** No
- 1.4** The NDA should coordinate with a national entity or focal point, should the country have one, to ensure that the request to access RBPs is broadly supported by the relevant national institutions and to ensure the program is not overlapping with any other programs being planned by other agencies. As with other GCF funding, the NDA should also provide a letter of no-objection to the proposal.
- 1.5** Consistent with GCF Board Decision B.14/08 paragraph (d)(i)(4) and previous practice for entities responding to RFPs, should a national entity requesting RBPs not yet be an accredited entity, a submission for accreditation should be submitted at the same time as the request for RBPs, and this application for accreditation should be prioritized. Should the request for payments be made by a non-national accredited entity, an appropriate fee structure might be negotiated to reflect the limited role of this accredited entity (proposal preparation disbursement of funds and monitoring).

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.



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?

2.1 Under certain circumstances, a reverse auction may be an appropriate mechanism for determining price per tonne of CO₂e. This would permit countries to appropriately value their results, while allowing the GCF to maximize the tonnes for which it provides RBPs. However, we are open to considering other methods that are in line with GCF principles.

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?

3.1 The set aside for the first RFP for REDD+ RBPs should reflect a series of considerations, outlined in our responses to 3.2 and



3.3 below.

3.2 The context in which this first REDD+ RFP will be issued is an important consideration in determining an appropriate set-aside. The current capitalization of the GCF stands at approximately \$10 billion, though less has been transferred to date. Much of the available funding has already been committed to projects, or through previous RFPs. The GCF's allocation framework qualitatively requires a balance of funding across countries and themes, as well as between mitigation and adaptation. Forests and land use represent one of the most important mitigation opportunities in coming decades, representing by some estimates 30% of total global mitigation potential by 2030. The GCF supports action across all three phases of REDD+. While RBPs are provided only for the third phase, important mitigation may also come from Phase 1 and 2 programs. Only a limited number of countries will be able to submit a request for RBPs under the first RFP, as a number of requirements must be met before results are eligible for RBPs. The funding set aside for the RFP must therefore reflect a balance between mitigation and adaptation, between countries and thematic areas, among the three phases of REDD+, and between countries currently eligible for RBPs and those that will become eligible in the future.

3.3 The number of countries eligible for RBPs under the first RFP is likely to be limited. We recommend that RBPs be approved only after at least three countries meet the eligibility requirements established. At least three countries should be selected, with RBPs awarded to be determined based on a set of factors to include volume, price, and quality. Taking into account the results of the first RFP, the Board may consider an additional RFP after the first RFP has closed. This second RFP could be considered once a specific number of countries has met eligibility requirements.

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?

4.1 There are two issues of concern related to double financing. In both cases, this over-subsidization would be an inefficient use of GCF resources. Effectively paying again for net emissions reductions supported by others would reduce the total mitigation outcomes achieved through GCF funding, and thus the positive impact on the global climate.

1) Double payments: Should a country receive RBPs from the GCF for a specified volume of results (tonnes), and also receive payments from another entity for these same results, double payment would have occurred. This problem may be addressed through requiring: a) results eligible for RBPs to appear in the UNFCCC InfoHub, as created in decision 10/CP19; b) the serialization of these results through a robust registry system, so that payments against specific tonnes can be tracked (see 4.3); and c) attestation by the relevant country that the relevant results have not received compensation from other sources, and no payment from other sources will be sought.



2) Double financing: Results may have also been achieved with significant up-front support. In the case where net emissions reductions have been achieved largely through the support of external donors (bilateral, multilateral, or other), adding ex-post RBPs to ex-ante payments may effectively be seen as paying again for net emissions reductions already achieved. This problem might be addressed by: a) Including significant externally-supported programs in the baseline, so that net emissions reductions achieved are additional to these efforts, *or* b) subtracting net emissions reductions supported by significant externally-supported programs from the reported results submitted to the GCF.

4.2 As with double financing from any source (above), double financing from ex-ante finance provided through the GCF project cycle should be avoided through a) Including significant externally-supported programs in the baseline, so that net emissions reductions achieved are additional to these efforts, *or* b) subtracting net emissions reductions supported by significant externally-supported programs from the reported results submitted to the GCF.

4.3 Results submitted to the GCF for RBPs should be included in a robust registry to ensure no double counting, no double claiming, and no double payment. Among other attributes, these registries should be secure and allow the tracking of units (tonnes), serialization of units, tagging (i.e. “this unit received GCF RBPs”), and retirement or cancellation. Guidance on registries is provided by various sources; the Partnership for Market Readiness and Forest Carbon Partnership Facility issued a set of joint guidelines in 2016: <https://openknowledge.worldbank.org/handle/10986/25142>. Any registry that meets established guidance and addresses the risk of double counting, double claiming, and double payment might be considered by the GCF. An existing third-party registry might be the most efficient option, should countries not already have a national registry that meets the requirements.

4.4 The GCF will need to compare the degree of concessionality it is providing through RBP to that provided through ex-ante forest financing. It should avoid establishing an arbitrage opportunity by making RBPs more or less concessional than ex-ante support.

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?

5.1 At a minimum, the use of proceeds from REDD+ RBPs should be consistent with the objective of the GCF, and should adhere to the GCF safeguards (the IFC Performance Standards on an interim basis). A clear plan for the use of these funds should be developed through stakeholder engagement and provided at the time of submission; and regular reporting on the execution of this plan should be carried out. This reporting should not be unduly burdensome.

Beyond this, it would be good practice for countries to reinvest proceeds for RBPs in the same sector that generated the results – in this case in additional REDD+ 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?

6.1 The GCF should maintain the option of requiring transfer of title; this might be discussed on an RFP by RFP basis.

6.2 For the initial REDD+ RBP RFP, we recommend the GCF provide results based payments without claiming emissions reductions. However, as noted above these emissions reductions should not have received previous compensation, and should not be eligible for additional payments, or to be further transacted. This obligation would need to be made clear in the relevant legal documents. A registry system will help avoid double payments, along with double counting and double claiming (see 4.3 above).

6.3 The implications for reporting towards a country’s target will depend on the timeframe in which the emissions reductions were achieved (see element 7 below). In all cases the net emissions reductions achieved should be *reported* in a country’s national GHG inventory. Whether the results might be *accounted* towards a national target depends on several factors.

If the net emissions reductions were achieved pre-2020, for example, the relevant targets would be countries’ Copenhagen pledges. Any pre-2020 results which receive RBPs under this first RFP would be eligible to be accounted towards countries’ Copenhagen pledges, as transfer of title would not be required. Should transfer of title be required (and units not retired) then the results would not be eligible to be accounted a country’s target, as this would be considered double counting.

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?

Note: While it is correct to say that the UNFCCC does not reference an eligibility *date* for payments, paragraph 64 of decision 2/CP.17 provides clear eligibility *requirements* for RBPs:

64. *Recalls* that for developing country Parties undertaking the results-based actions referred to in decision 1/CP.16,



paragraphs 73 and 77, to obtain and receive results-based finance, these actions should be fully measured, reported and verified, and developing country Parties should have the elements referred to in decision 1/CP.16, paragraph 71, in accordance with any decisions taken by the Conference of the Parties on this matter;

Therefore, to be eligible for results-based payments, the results must have been achieved after a Party in place had in place all the elements referred to in paragraph 71 of decision 1/CP.16. These include a national strategy or action plan, reference level, safeguard information system, and national forest monitoring system. Without these required elements in place, results are not eligible for RBPs.

Furthermore, decision 10/CP.19 establishes an InfoHub. The information on all of these required elements, as well as the results achieved and any results based payments received, is to be uploaded onto this web platform to provide transparency around actions and payments.

7.1 We recommend that RBPs reflect only results achieved after the Board has decided to fund the proposal, and after the required elements are in place, would be eligible for RBPs. The required elements include a national strategy or action plan, reference level, safeguard information system, and national forest monitoring system (see above); results would have passed through the technical assessment process specified by the UNFCCC, been independently verified (see below), and uploaded into the InfoHub. This option would ensure that all GCF requirements, including the social and environmental standards, could be met while implementing the REDD+ activities leading to results, and would help demonstrate the value of GCF funding in generating new mitigation.

7.2 The starting point for eligibility will vary by country, depending on when all of the required elements are in place (see note and 7.1).

7.3 Flexibility should be provided to the countries to request the appropriate number of payments, over no more than a 5-year period.



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?

- 1.1** Consistent with UNFCCC decisions, GCF REDD+ financing should only support REDD+ programs that are national, or subnational on an interim basis. Nested projects should be allowed within the context of these national- or subnational-scale programs.
- 1.2** Consistent with emerging practice, we suggest “subnational” be defined as no more than one administrative level below national. In many countries, this would be a state or a province. (Multiple states or provinces might also be joined together in one subnational program.)
- 1.3** UNFCCC decisions note that subnational reference levels (a basis for REDD+ programs) are acceptable only as an interim measure. Should future requests for GCF REDD+ support be made, it should be expected that the scale of the program is expanded with the aim of achieving a full national program as soon as possible.

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? 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?

Note: The point on the FCPF above is incomplete, and therefore misleading. The FCPF Carbon Fund requires that the Reference Level does not exceed the average annual historical emissions over the Reference Period. Two limited exceptions are provided:

- Adjustments: For countries with high forest cover and low deforestation rates a very limited adjustment may be applied, based on documented factors, only if during the historical Reference Period likely underestimate future rates of deforestation and forest degradation during the Term of the ERPA. No other countries are eligible for adjustments;
- Trends: 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.

2.1 Countries have the flexibility to use different approaches to set reference levels, so long as these approaches are consistent with the relevant UNFCCC decisions.

2.2 The GCF, as all funding entities, has the ability to prioritize the use of its funding. In the case of REDD+ RBPs, it is critical that reference levels form a sound, credible basis against which to measure results. Many of the reference levels that have been proposed by countries in various fora are robust and appropriate. Some, however, raise concerns and might not be viewed as a sound basis against which to measure results that will be compensated. Thus it is important that the GCF establish guidelines for reference levels or baselines it will accept as the basis for results submitted to the GCF with requests for RBPs. Among the issues which should be considered are:

- Base period
- Activities
- Pools and gasses included
- Tiers
- Uncertainty
- Trends
- Methodologies
- Assumptions, including for any future projection
- Results achieved through external support

To avoid confusion with the FREL/RELS submitted to the UNFCCC, we suggest that reference levels submitted to the GCF as part of a request for results-based payments, and which conform to GCF guidelines, be identified by a different title – perhaps “GCF REDD+ baselines.”

2.3 The analysis of the results included in the REDD+ technical annex through UNFCCC processes is extremely useful, including for identifying areas for potential improvement. However, the technical assessment of FREL/RELS is not done in a funding context, and assessors are not tasked with accepting or rejecting a FREL/REL based on its merits. To determine whether a GCF REDD+ baseline meets the guidelines established by the GCF to prioritize its own funding, a separate review by independent technical experts will be necessary, and the GCF REDD+ baseline will need to be affirmatively approved (or not) against the relevant GCF guidelines.

2.4 If a national reference level has been established, a subnational program should be expected to explain consistency with this national level baseline. However, it should be recognized that subnational programs may be applying better methodologies or data than the national reference level. In this case, it should be expected that the data and information is being supplied to the national level, in order to facilitate improvements in that national reference level, NDC baseline, etc.

2.5 The ultimate intention of REDD+ is to slow, halt and reverse forest cover and carbon loss. To achieve this, GCF REDD+ baselines must be ratcheted down over time, to ultimately reach 0 (or even net sequestration). Any GCF RBPs provided to

³ Decision 14/CP.19



the same country/ subnational area for a subsequent period should be based on GCF REDD+ baselines that have been adjusted downward.

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?

Note: FCPF programs must meet *both* the World Bank safeguard policies and processes, and the Cancun REDD+ safeguards. The FCPF completed a “crosswalk” of the World Bank safeguard policies and the Cancun REDD+ safeguards to better explain this relationship.

3.1 Per paragraph 1 of decision 12/CP17, the Cancun REDD+ safeguards apply to all phases of REDD+; per paragraphs 3 and 4 Parties should provide a summary of information on how these safeguards are being addressed and respected periodically, through National Communications and other communications channels. Per decision 9/CP19, Parties seeking to be eligible for RBPs must provide the most recent summary of information on the application of these safeguards; they must also have a Safeguard Information System (See 7.1). The GCF should request copies of the summaries of information on safeguards that correspond to the full period during which the relevant results were generated, as well as the most recent summary of information on the application of the safeguards, and full information on the national Safeguard Information System.

3.2 In order to determine whether the REDD+ programs that generated relevant results genuinely followed the safeguards included in Appendix 1 of decision 1/CP16, complete, robust reporting should be required. This reporting should provide showing how each of the safeguards included in decision 1/CP.16, appendix 1 is being “addressed” and “respected” per paragraph 71d of 1/CP16. (Per the SBSTA Expert Workshop held in Panama City in October 2011, “addressed” has been taken to mean institutions, policies, regulations, strategies, agreements, etc. that are relevant to a safeguard are in place. “Respected” has been taken to mean the safeguard is being implemented effectively.)

3.3 We recommend the GCF complete a “crosswalk” of the IFC Performance Standards (and any subsequent GCF environmental and social safeguards) and the Cancun Safeguards, to facilitate compliance with both sets of standards.

Any additional issues/comments

Strategic approach

The GCF is intended to support a paradigm shift through financing transformational projects and programs. It is strategically

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



placed to provide risk-taking finance and/or support more transformative approaches to distributing the concessional finance (e.g., through a reverse auction). Any approach to REDD+ RBPs must be considered in the context of the GCF's role in catalyzing transformational change.

REDD+ Activities

In decision 1/CP.16 the UNFCCC established five REDD+ activities that Parties might undertake, as deemed appropriate by each Party and in accordance with their respective capabilities and national circumstances: (1) Reducing emissions from deforestation; (2) Reducing emissions from forest degradation; (3) Conservation of forest carbon stocks; (4) Sustainable management of forests; and (5) Enhancement of forest carbon stocks. Later decisions on RLs and MRV of results (decisions 12/CP.19 Annex and 11/CP.19) specified that RLs, and the results measured against these RLs, should not exclude any significant pools or activities.

The GCF should ensure that, consistent with these decisions, all pools and activities leading to significant emissions or removals are included in the GCF REDD+ baseline and measured results. This would avoid a situation where the GCF pays for emissions reductions from reduced deforestation, for example, while emissions from forest degradation in the same area increase significantly. The FCPF addresses this in a pragmatic way by requiring degradation be included if it represents more than 10% of forest emissions in the jurisdiction.

MRV

Methodological consistency should be maintained between the data and processes used to construct the GCF REDD+ baseline, and those used to measure results. To ensure robust measurement, monitoring, and reporting of results, guidance that might be considered includes:

- All Carbon Pools and greenhouse gases that are significant within the area of the program (national or subnational) are included in the GCF REDD+ baseline and MRV, unless this would lead to an underestimation of results;
- Uncertainties are identified and quantified, and together should not be more than X%
- Both emissions and removals are accounted for.
- At least IPCC Tier 2 methods are used to establish emission factors and Activity Data.

Beyond this, the results considered for RBPs will need to be verified by independent experts. As noted previously, the technical assessment of REDD+ results under the UNFCCC has much value, but it was not designed to be applied in a funding context, and does not definitively answer whether results meet the robust standard of quality the GCF will want to require as it considers how to responsibly allocate its resources. GCF Board Members may not have the time or skill set to carry out this independent verification themselves.

Permanence

To address the risk of non-permanence, many REDD+ programs require that specific mechanisms be put in place. Options include: (1) Buffers, (2) Discounts, (3) Insurance mechanisms, and (4) Reductions in future funding eligibility. The GCF should require one or more of these mechanisms be used to address non-permanence risk.

Accreditation/Standards

All GCF-funded activities need to adhere to GCF Standards (environmental/social, fiduciary, gender). However, it is very difficult to ensure that this occurs when using RBP, because it requires validation that historic actions met those Standards: monitoring compliance may not have occurred during implementation and it is extremely difficult to do ex-post. The GCF will need to consider how to address this issue in the context of RBPs. As noted above, at a minimum the use of GCF RBP proceeds will need to adhere to these Standards, and monitoring be carried out to this effect. However, consideration should also be given to whether countries will need to demonstrate that the actions which led to the REDD+ results also adhered to the GCF Standards.

Requests for REDD+ RBPs

All requests to the GCF for REDD+ RBPs should respond to a specific RFP; requests should not be considered outside of REDD+ RBP RFPs.

Phases 1 and 2

We note that the work on GCF REDD+ RBPs is being carried out in parallel with another effort – guidance to provide additional clarity on how existing GCF financing tools and programs can support Phase 1 and 2 REDD+ programs. These two lines of work should move forward together, so that REDD+ countries and stakeholders have full clarity on options to support all three phases of REDD+ under the GCF.