



Piloting a System of Positive Incentives for Reducing Emissions from Deforestation and Degradation (REDD)

The Proposed *Forest Carbon Partnership Facility*

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Latin American Carbon Forum
Lima, September 7, 2007



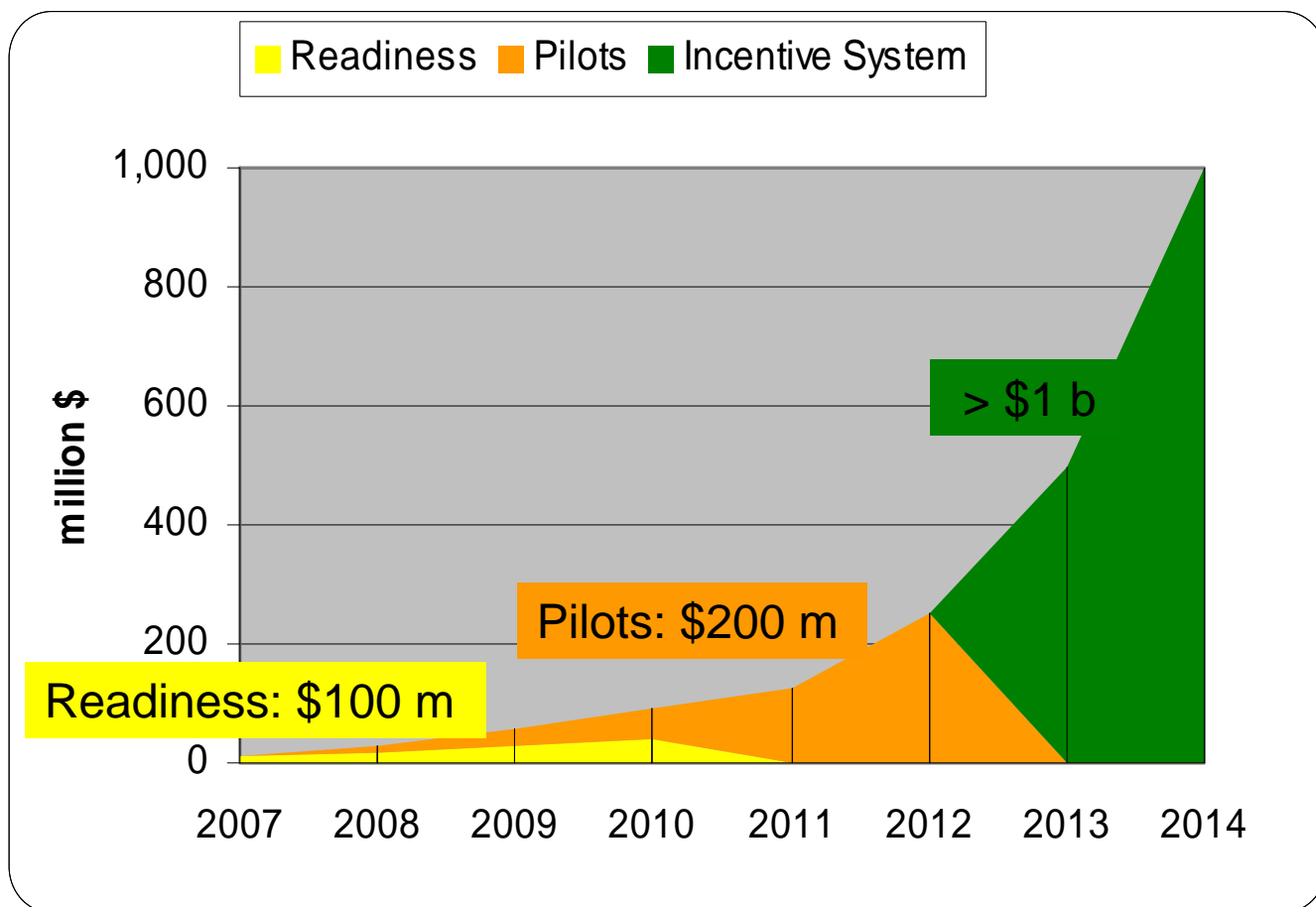
Context

- World Bank's forestry work
 - ✓ 2002 Forest Strategy
 - ✓ Forest sector dialogue in many countries
 - ✓ New financing mechanisms for forest sector
 - ✓ Need for more coherent framework for World Bank's forest partnerships
- World Bank's experience in carbon finance
 - ✓ Prototype Carbon Fund: global pioneer since 1999
 - ✓ BioCarbon Fund: LULUCF pioneer since 2004, incl. for REDD at project level
- Consultations on a proposed initiative with a range of countries and organizations since the summer of 2006
- Germany provided convening power
- G8 Heiligendamm summit communiqué (June 2007) requested World Bank to design a “forest carbon partnership”
- Developing countries have expressed interest



Prepare for a system of positive incentives post-2012 that includes REDD

Concept





Readiness Mechanism

- Build the capacity of countries to access a future system of incentives
- Components:
 - Assess historical emissions
 - Project future emissions
 - Design emission reduction strategy
 - Design monitoring system
- Target: \$100 million
- ~ 20 countries
- Balance + competition
 - Submission of “Readiness Plan Idea Note”



Carbon Finance Mechanism

- Pilot carbon finance transactions for “ready” countries before post-2012 regime is in place
- Target: \$200 million
 - Private sector is key!
- ~ 5 countries
- Balance + competition
 - Selected from among Readiness countries
 - Submission of “Emission Reduction Program”
 - Selection by buyers’ committee



Principles

- **Regime neutrality**
 - Market and non-market
- **Partnership**
 - Developing countries on a par with industrialized countries in governance structure
 - Other stakeholders consulted: private sector, NGOs, international organizations
 - Community of participants will work together to address challenges
 - World Bank will not negotiate on behalf of buyers
- **Voluntary**
- **Testing**
 - Methods for setting reference scenario
 - Various incentive payments
 - Deforestation and degradation
 - Regional balance
 - Inform UNFCCC process
 - Align with UNFCCC modalities as they emerge
- **National approach**
 - National accounting framework
 - Room for sub-national project implementation
- **Catalyst**
 - \$300 million will not save the world's forests
 - Private sector is needed for scaling up

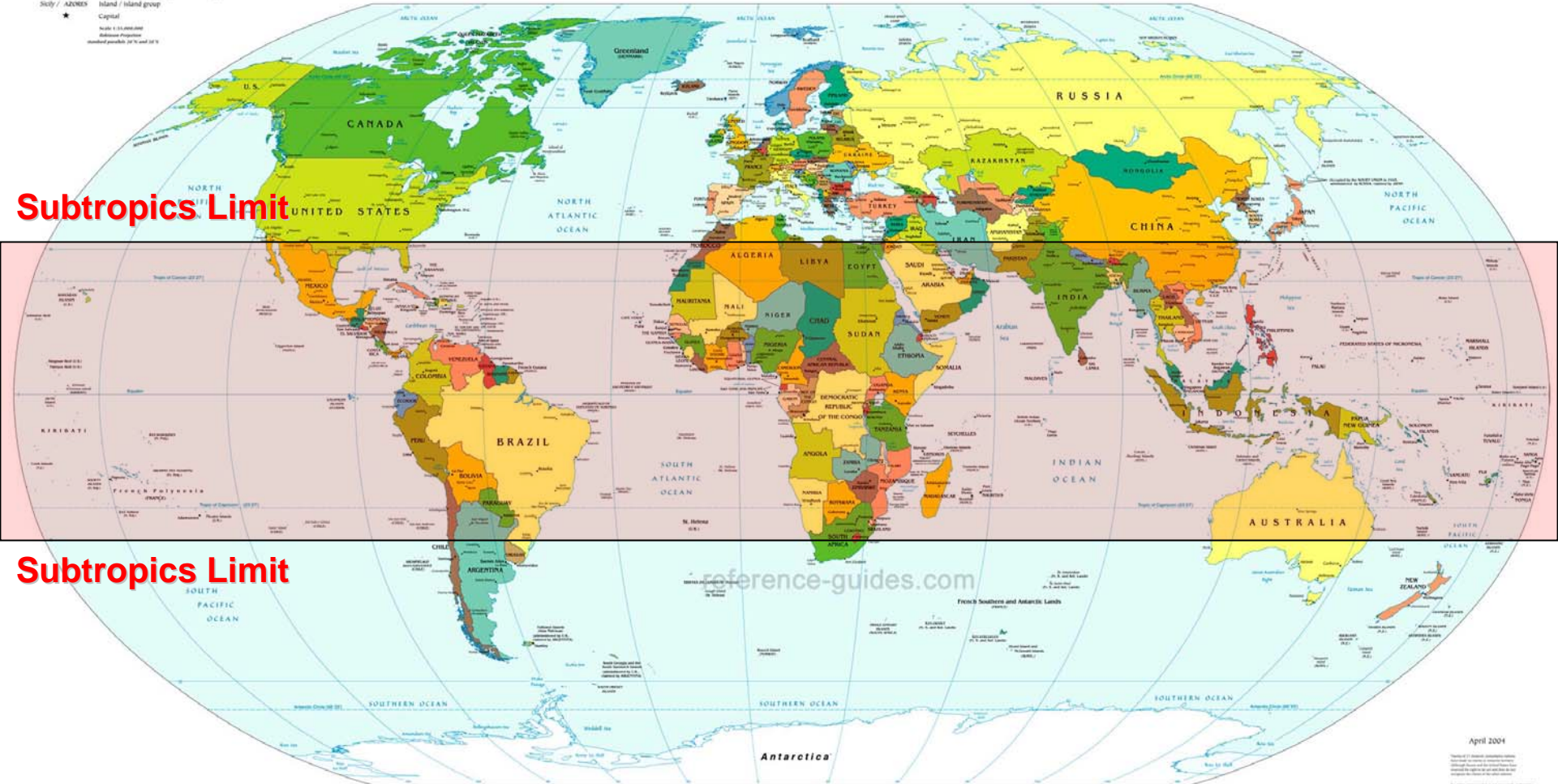


Country Eligibility

City / AZORES Island / Island group
★ Capital
Note: 1: 10,000,000
2: 10,000,000
3: 10,000,000
4: 10,000,000
5: 10,000,000

Subtropics Limit

Subtropics Limit

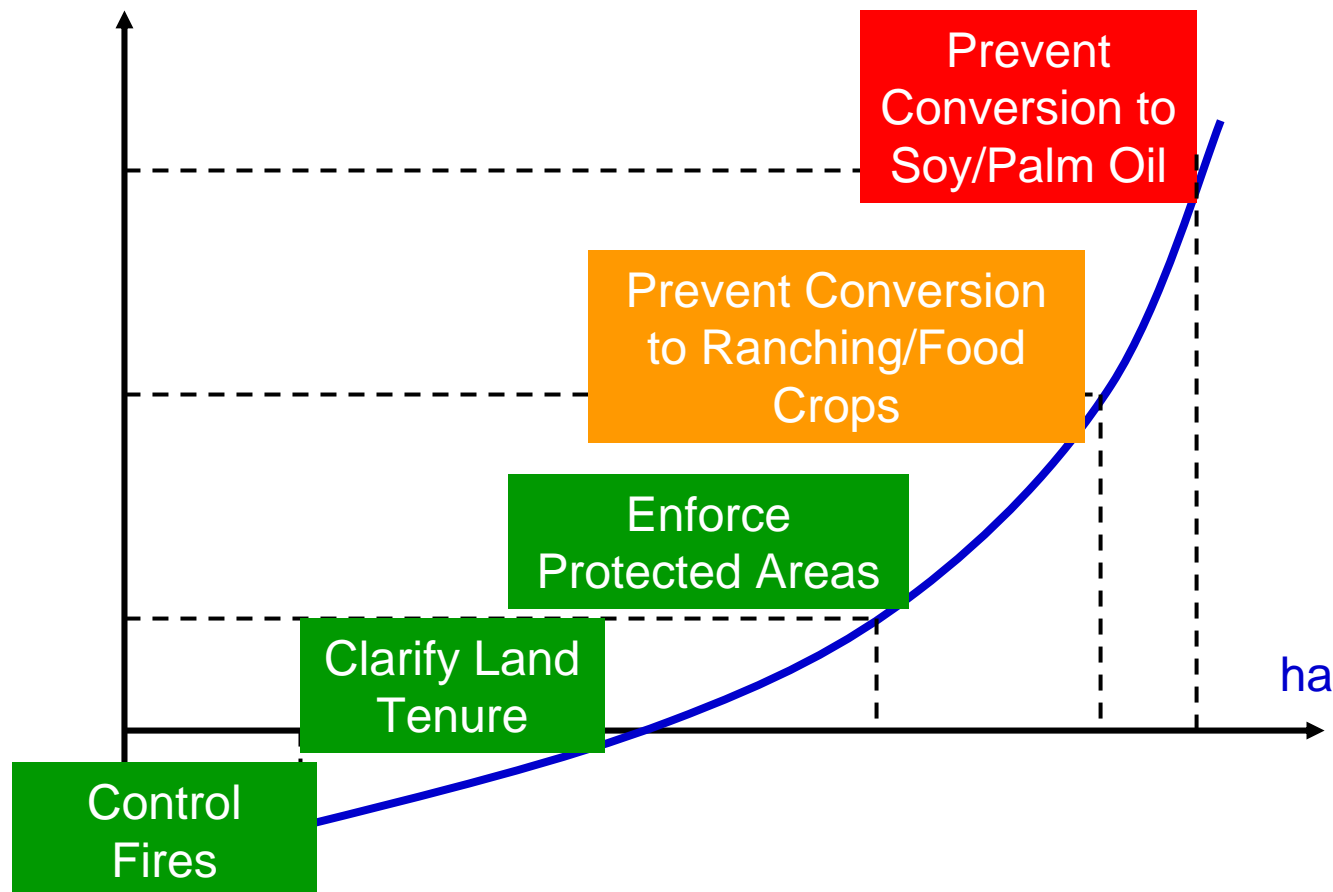




Economics in Reduction Strategy Design

- **Price Carbon \geq Opportunity Cost of land**
- **Start interventions at low end of the curve**

Cost per ha of
forest saved





**Donors
&
Buyers**

**Donors,
Investors,
World Bank**

**Readiness
\$ 100 million**

**Carbon
Finance
\$200 million**

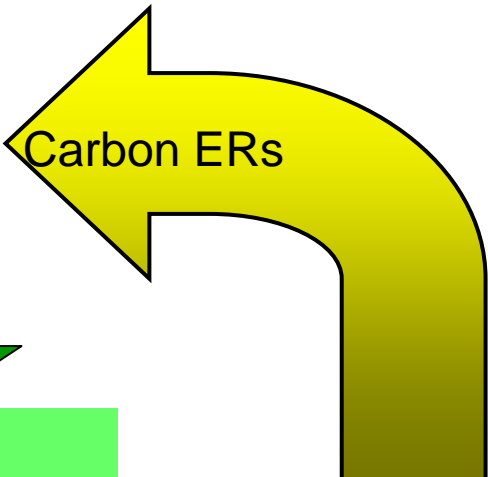
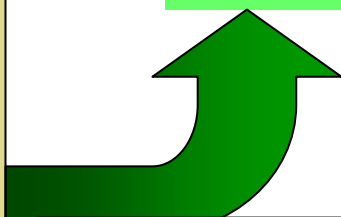
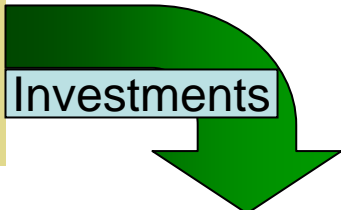
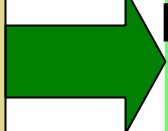
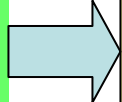
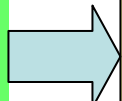
**Recipients/
Sellers**



Investments

Carbon purchase

Carbon ERs





18 Requests for Cooperation

- Bolivia
- Brazil (states of Acre, Amazonas and Mato Grosso)
- Central African Republic
- Colombia
- Costa Rica
- Democratic Republic of Congo
- Ecuador
- Gabon
- Ghana
- Indonesia
- Laos
- Kenya
- Mexico
- Nicaragua
- Panama
- Papua New Guinea
- Republic of Congo
- Vanuatu



Timeline

- **September 25:** World Bank Board discussion
- **End October:** Draft Information Memorandum
- **November 12-13:** Final consultative meeting with countries and private sector
- **End November:** Final Information Memorandum
- **December (CoP13):** Launch and start of operations
- **~ March 2008:** Organizational Meeting



THANK YOU!

www.carbonfinance.org