



# FINANCING PEATLAND PROTECTION:

*The Forest Carbon  
Partnership Facility++*

December 11, 2007



## Overview

- Tropical forests continue to disappear (+/- 14 million ha per year)
- Deforestation accounts for 20% of greenhouse gas emissions → 20% of the solution?
- Carbon finance can contribute a new source of recurrent revenues for forest protection and sustainable forest management
- Need for a partnership approach among developing and industrialized countries
- Integration in the existing set of policies and measures



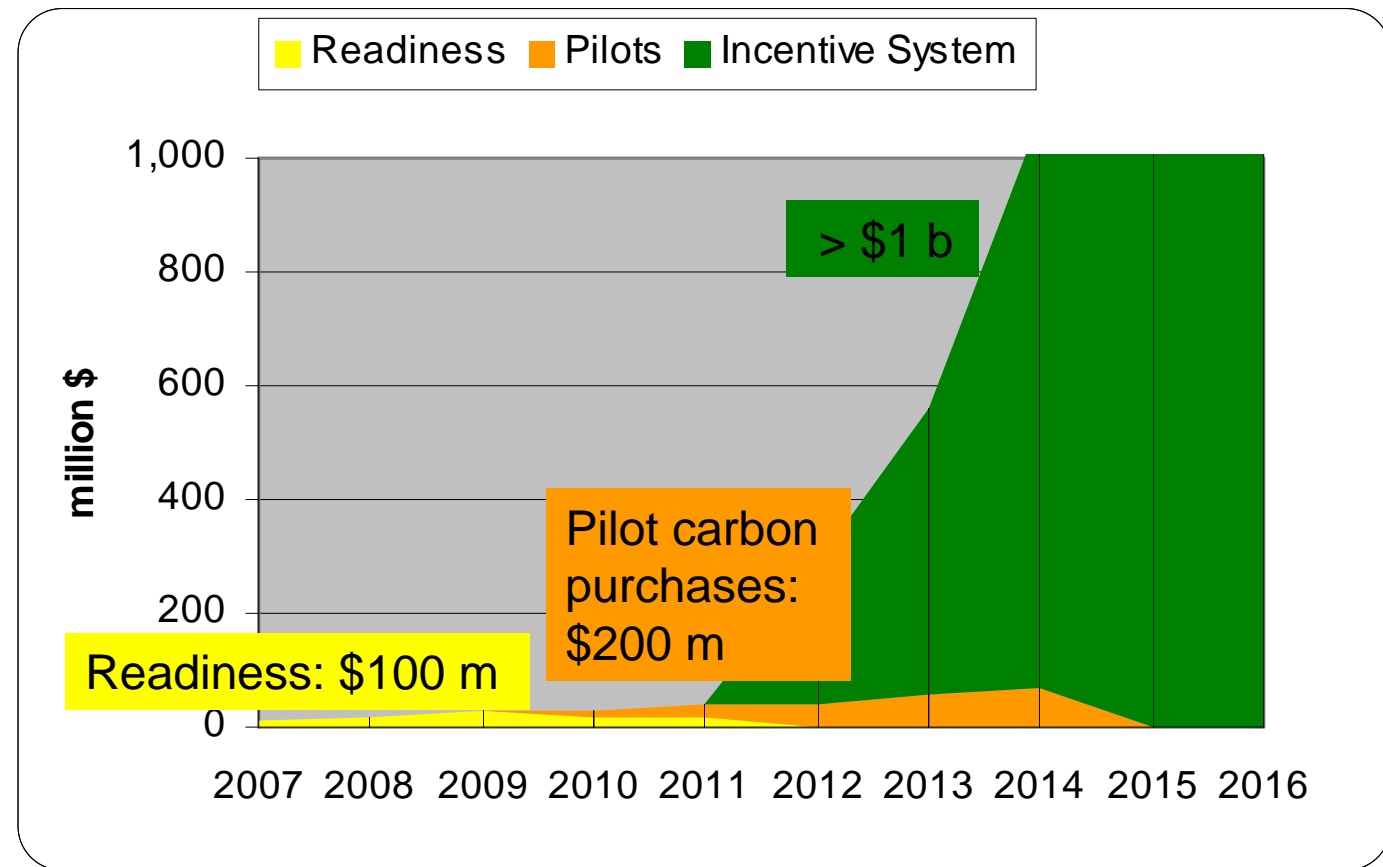
## Context

- World Bank's forestry work
  - ✓ 2002 Forest Strategy
    - Need for new financing mechanisms for forest sector
- 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



## Concept

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





## 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 participation



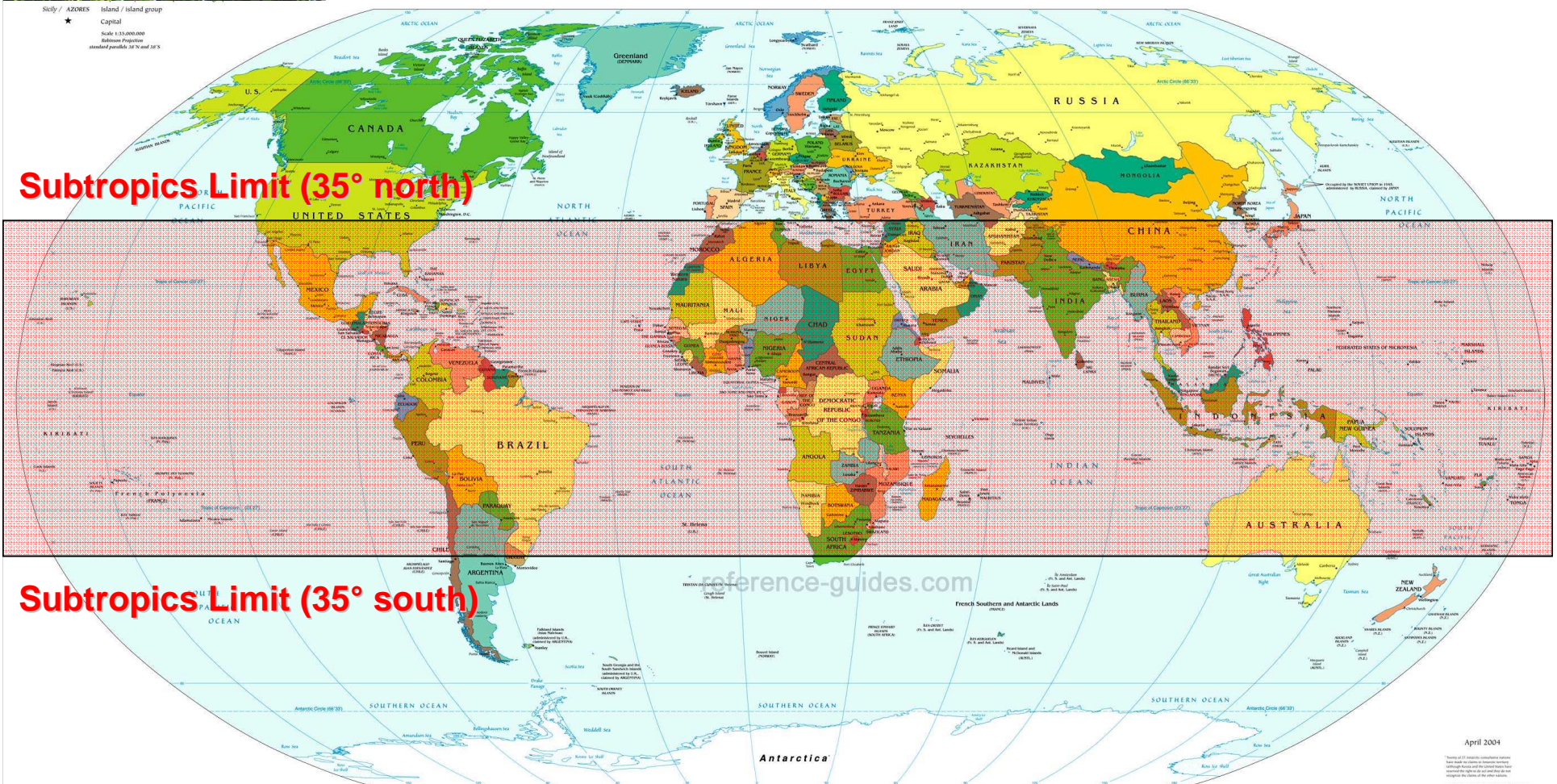
## Principles

- **Testing**
  - Application of IPCC guidelines
  - 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





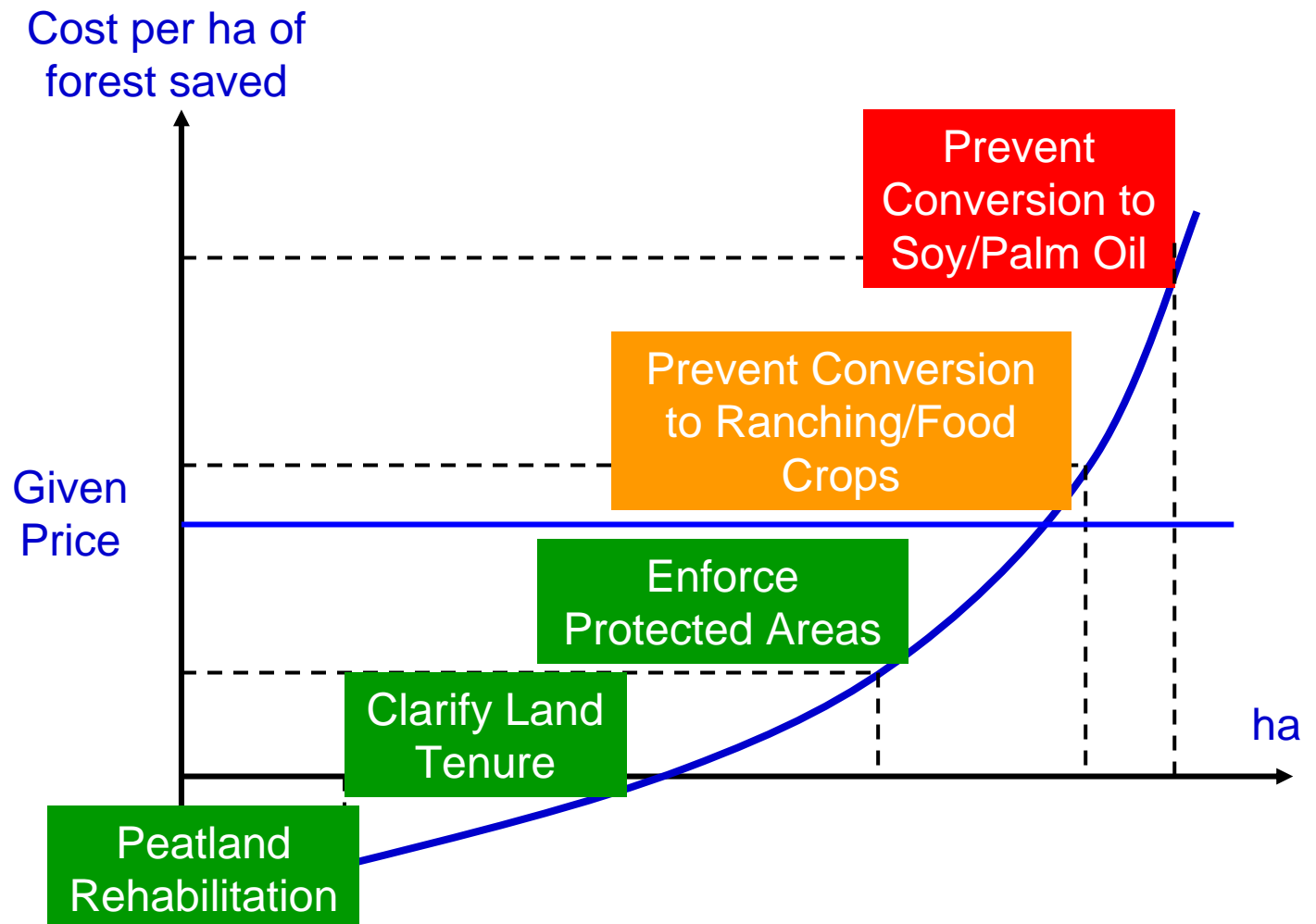
# Country Eligibility





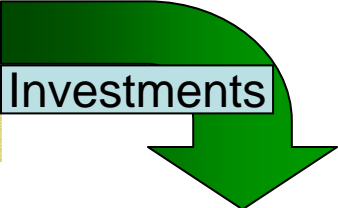
## Economic Choices for Reducing Emissions (Hypothetical Example)

- Carbon price  $\geq$  opportunity cost of land
- Given carbon price
- Start interventions at low end of the curve





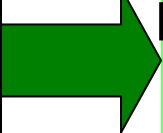
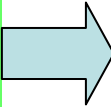
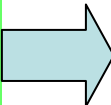
Donors,  
Investors,  
World Bank



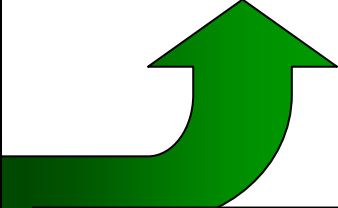
Readiness  
\$ 100 million

Carbon  
Finance  
\$200 million

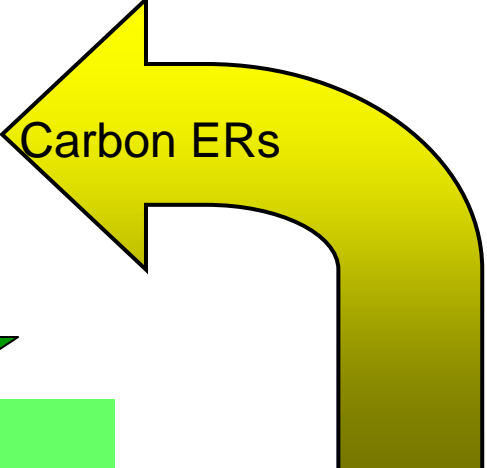
Donors  
&  
Buyers



Recipients/  
Sellers



Carbon purchase





**23 Requests  
for  
Participation/  
Cooperation**

- Bolivia
- Brazilian States (Acre, Amazonas and Mato Grosso)
- Central African Republic
- Colombia
- Costa Rica
- Democratic Republic of Congo
- Ecuador
- El Salvador
- Gabon
- Ghana
- Guatemala
- Guyana
- Indonesia
- Kenya
- Laos
- Liberia
- Mexico
- Nicaragua
- Panama
- Papua New Guinea
- Paraguay
- Republic of Congo
- Vanuatu



## Timeline

- **September 25:** World Bank Board approval
- **November 12-13:** Final consultative meeting with countries and private sector
- **End November:** Final Information Memorandum
- **December (CoP13):** Launch and start of operations
- **Jan – Mar 2008:** additional consultations with stakeholders
- **~ April 2008:** Organizational Meeting of Participants



## Other Mechanisms

- **Biocarbon Fund (REDD window)**
- **Facilitation, e.g. meeting of peatland governors on climate change**
- **Loan financing, e.g. implementation of Lahan Gambut master plan**
- **Grant-based projects, e.g. Multi Donor Fund support for possible peat swamp project in Aceh**
- **Non-World Bank initiatives**
  - GIFC (Australia)
  - Private sector carbon finance and CSR



## PEAT Readiness

- **REDD Implementation on Peatlands (Peatlands Land-use Strategy Team)**
  - Estimates of past and future emissions
  - Possible interventions
    - Water management
    - Fire prevention
  - Governance and regulatory framework
  - Pilot ideas



## PEAT PILOTS

# PEATLAND PILOT PROJECTS

## Selection criteria:

- **Biophysical (peat depth, fire risk, conversion risk)**
- **Social (pro-poor)**
- **Economic (income, equity, delivery of payment)**
- **Governance (rights+responsibilities, level of participation)**
- **Legal (land tenure, national policy, local policy)**
- **Result: 12 districts in NAD, Riau, Jambi, E Kalimantan, Papua**





THANK YOU!

[www.carbonfinance.org](http://www.carbonfinance.org)