



REDD+ Voluntary Finance: Lessons learnt from voluntary REDD+ Project in Cambodia

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Photo: Prey Long Landscape in Cambodia
Photo credited to FA and USAID-SFB (2014)

Presentation aims:

- Summarize how voluntary REDD+ finance flows, and
- The lessons drawn from them and, challenges related to financial management.

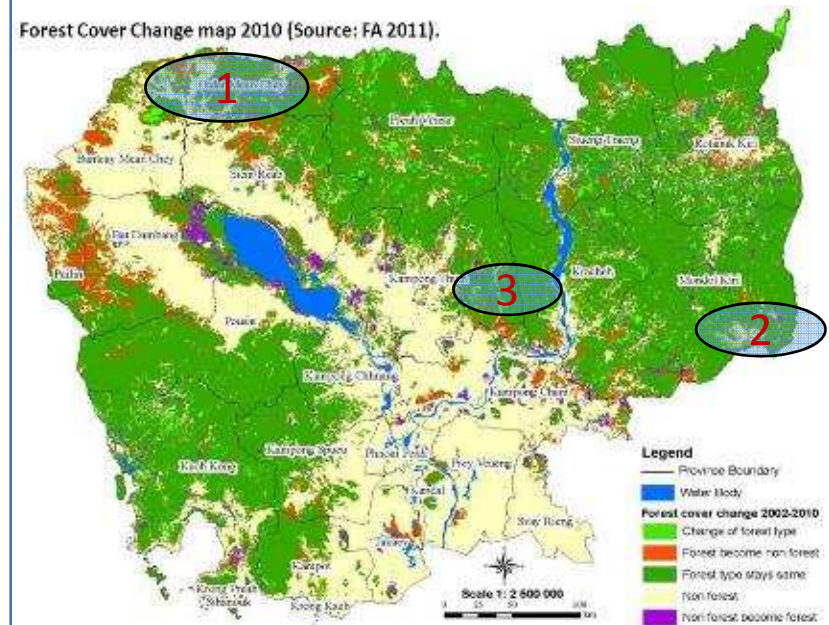
In order that:

- The RGC finds an appropriate scale for REDD+ implementation, *and*
- Provides ideas for those who aim to develop voluntary REDD+ projects.

Voluntary REDD+ Sites:

1. Oddar Meanchey Community Forest REDD+ Project (OMCFREDD)
2. Seima Forest Protection REDD+ Project (SPFREDD)
3. Cambodia-Korea REDD+ Joint Project (CKRP)

Forest Cover Change map 2010 [Source: FA 2011].



Overview of Projects

Project	Status	Size (ha)	Carbon Developer	Donors	Fund Mgt Agency
OMCFRE DD	Credit verified (2008-2012)- Avg186,428 tCO ₂ e annually	63,831	Terra Global Capital (TGC)	7 (INGO and DPs)	Pact- (INGO)
SPFREDD	Preparation for verification	180,513	Wildlife Conservation Society (WCS)	7 (INGO and DPs)	WCS (INGO)
CKRP	Developing PDD	70,042	Wildlife Work Carbon (WWC)	Korea Government	FA (government) - PMU



All three projects

- Forestry Administration is the Project Proponent
- Certifies under VCS and CCB standard (used VM0006, VM0009, and VM00015)

Voluntary REDD+ Standards



Gives confidence emissions reductions are real



[HOME](#) [ABOUT THE CCBA](#) [CCB STANDARDS](#) [PROJECTS](#)

CCB Standards

Verification of projects that deliver co-benefits

FORESTRY

ID AVAILABLE METHODOLOGIES

- | | |
|--------|--|
| VM0006 | Methodology for Carbon Accounting for Mosaic and Landscape-scale REDD Projects, v2.1 |
| VM0009 | Methodology for Avoided Ecosystem Conversion, v3.0 |
| VM0015 | Methodology for Avoided Unplanned Deforestation, v1.1 |

What are the costs incurred for voluntary REDD+ design?

Project Design Document (PDD)

(1) Carbon development and MRV

Follow the requirements of each methodology:

- the project area, leakage, proxy, reference region, etc.;
- forest land cover change data,
- develop emission factors; and develop forest emission models; and
- Forest biomass inventory.

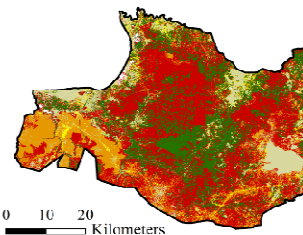
(2) Social and biodiversity part

The CCB standards requirements:
Social

- Intensive public consultation, disclose information, awareness raising, social assessment, social monitoring indicators, and FPIC.

Biodiversity

- Biodiversity assessment, design monitoring indicators



What are the costs incurred for voluntary REDD+ design?

Cost Project Design Document (PDD) for OMCFREDD

Donor	Fund Recipient & Implementer	Cost
DANIDA&DFID throw TWG-F&E	Community Forestry International and Pact	\$322,785.00
US-Depart of State	Pact & Birdlife International	\$25,000.00
Clinton Climate Initiative	Pact	\$75,000.00
Pact-Signature Initiative	Pact	\$128,639.00
JICA	Pact, AAS, & Tuv Sud. LLP	\$77,111.00
UNDP-Micro Capital Grant	Pact, TGC, and Soksiphana & Association LLP (National Law Firm)	\$150,000.00
SNR Denton LLP	FA & Pact	Provided 6 months <i>pro-bono</i> services

Total cost for OMCFREDD:

USD 778,635.00

Does not include international legal service fee, and investment from TGC (amount unclear).



What are the costs incurred for voluntary REDD+ design?

Cost Project Design Document (PDD) and Validation for SFPREDD

Donor	Fund Recipient & Implementer	Amount of Funding Support	Year grant became effective
ADB-BCI	WCS	\$90,00.00	2008
IGES	WCS	\$70,265.00	2011
JICA	WCS	\$109,330.00	2011
SIF1	WCS	\$35,000.00	2009
SIF2	WCS	\$66,656.00	2010
Translinks	WCS	\$89,820.00	2010
UN-REDD	WCS	\$150,000.00	2012
Winrock & MacArthur	WCS	\$156,009.00	2011
JICA & USAID-SFB	WCS	\$560,000.00	2012
WCS Global Program	WCS's lawyer assisting legal support to FA on Term Sheet, ERPA, setting up ECROW account, project registry, and deal with credits buyers.		

Total cost for SFPREDD:

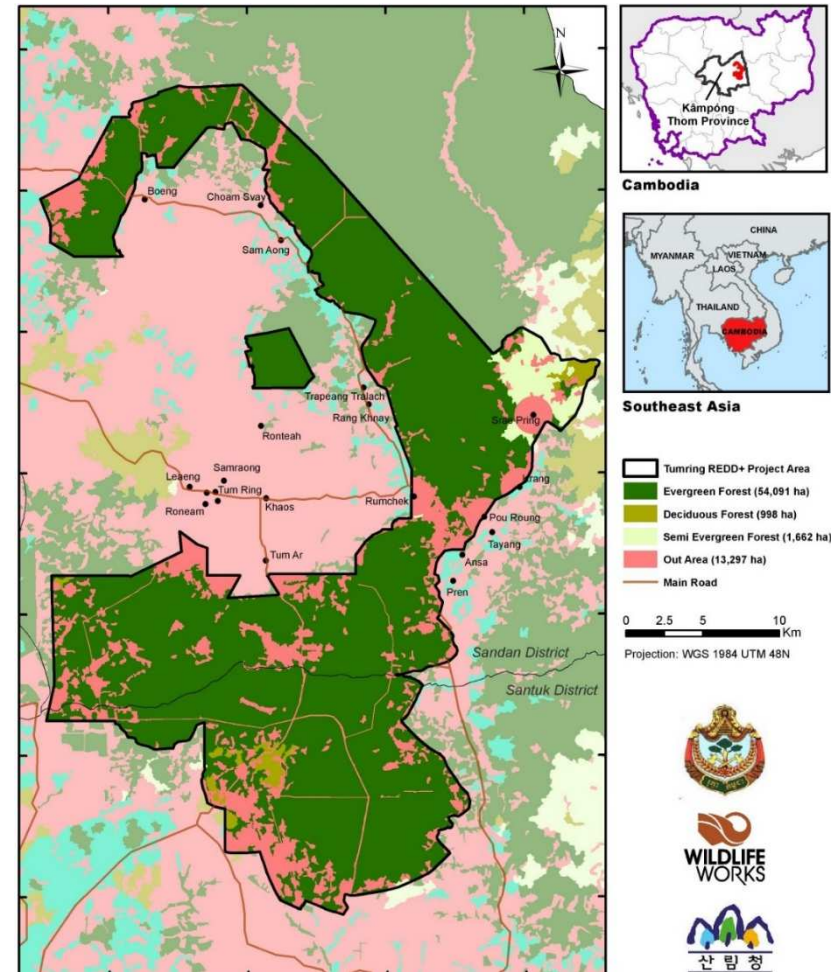
USD 742,080.00

This covers only PDD design and Validation. The project also engaged Soksiphanna & Associate LLP; estimated cost 5000.00 USD

What are the costs incurred for voluntary REDD+ design?

Funding for the development of CKRP

Based on MoU signed between FA and Korea Government, the Korea Government pledged \$900,000.00 to support the implementation of CKRP project.



What are the costs incurred for voluntary REDD+ design?

Voluntary REDD+ Transaction Cost

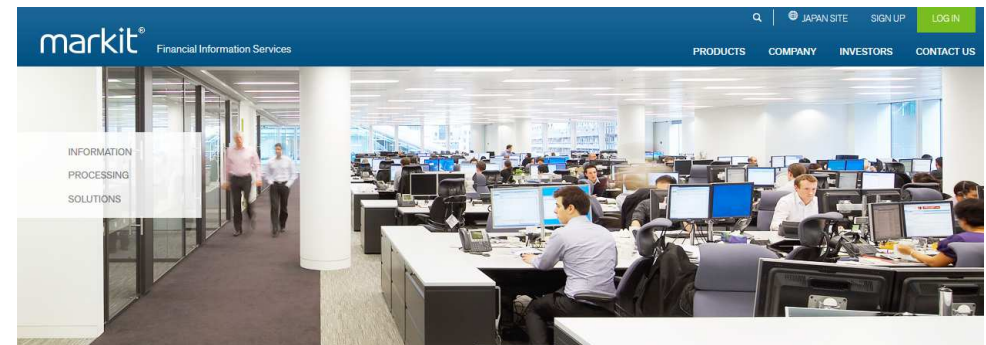
(1) Validation and Verification Cost

The project proponent/carbon developer needs to engage third party validators/verifiers, with the costs borne by the project proponent.

- Approximate cost for a voluntary REDD+ project validation is around 60k to 70k USD;
- Took around 1 to 1½ years; and
- OMCFREDD and SPFREDD engaged TÜV SÜD and SCS as 3rd party validation and verification.

(2) Project Registration and Marketing

Registry System with VCS



Example on the status of OMCFREDD credits sale

The OMCFREDD has had its VCUs registered on the voluntary REDD+ market since 2013, but up to now only 1.5% of its VCUs, a total of 755,712 tCO₂e (verified credit from 2008-2012) has been sold in detail:

- 7% of the net total VCUs were sold to Microsoft company which is legally credits owned by TGC;
- 3543.5 tCO₂e with 10USD price per tCO₂e were sold through international market alliance Stand for Tree;
- 7000 tCO₂e were sold to Carbon Neutral Company with USD8 per ton;
- Currently, all the fund were transferred to Oddar Meanchey ESCROW account in the Bank of New York Mellon (BNY), where FA is the account holder;
- FA is setting up the local account which will be under the TWG-FR main account in order to obtain the OMCFREDD fund; and
- However, other service fee to be charged such as the issuance fees for VCS and CCB to be deduced from any sell which USD0.10/VCUs for VCS, and USD0.05/VCU, and Markit fee cost estimate USD3k per quarter.



Challenges for voluntary REDD+ finance

- At least 4 to 5 years, and costs from USD 900k to 1 million USD per project design;
- Most of the investment costs were provided by donors/international NGOs and partners, and fund flows were unstable;
- Most of the investment funding was used to support the preparation PDD, and payment for validation, and verification, address the real drivers of deforestation and forest degradation in the field cost much less; and
- The VCS has developed robust and intensive rules and requirements which are so complicated that the project proponent (FA) is unable to develop a PDD using its own capacity.



Challenges for voluntary REDD+ finance

- The costs of carbon developers' service/fees represent a significant of total REDD+ investment funding;
- Some carbon developers/brokers have taken a share of the VCUs from the project proponent to cover the costs of their investment;
- The unstable nature of voluntary REDD+ markets has reduced the commitment of project proponents, donors and investors; and
- The capacity of the project proponents remains limited in addressing the complex procedures of the transactions, legal issues.



Challenges for voluntary REDD+ finance

Many lessons have emerged from Cambodia's experiences with voluntary REDD+ projects:

- How REDD+ safeguards can be addressed and respected under the REDD+ voluntary markets;
- The design of a REDD+ grievance mechanism
- REDD+ fund management and benefit sharing mechanisms;
- Contributed to address the urgent of forest loss of forest at the ground;
- Gained awareness raising activities; and
- Research and assessments have generated reports on drivers of deforestation, biodiversity, assessing GHG and forest degradation.

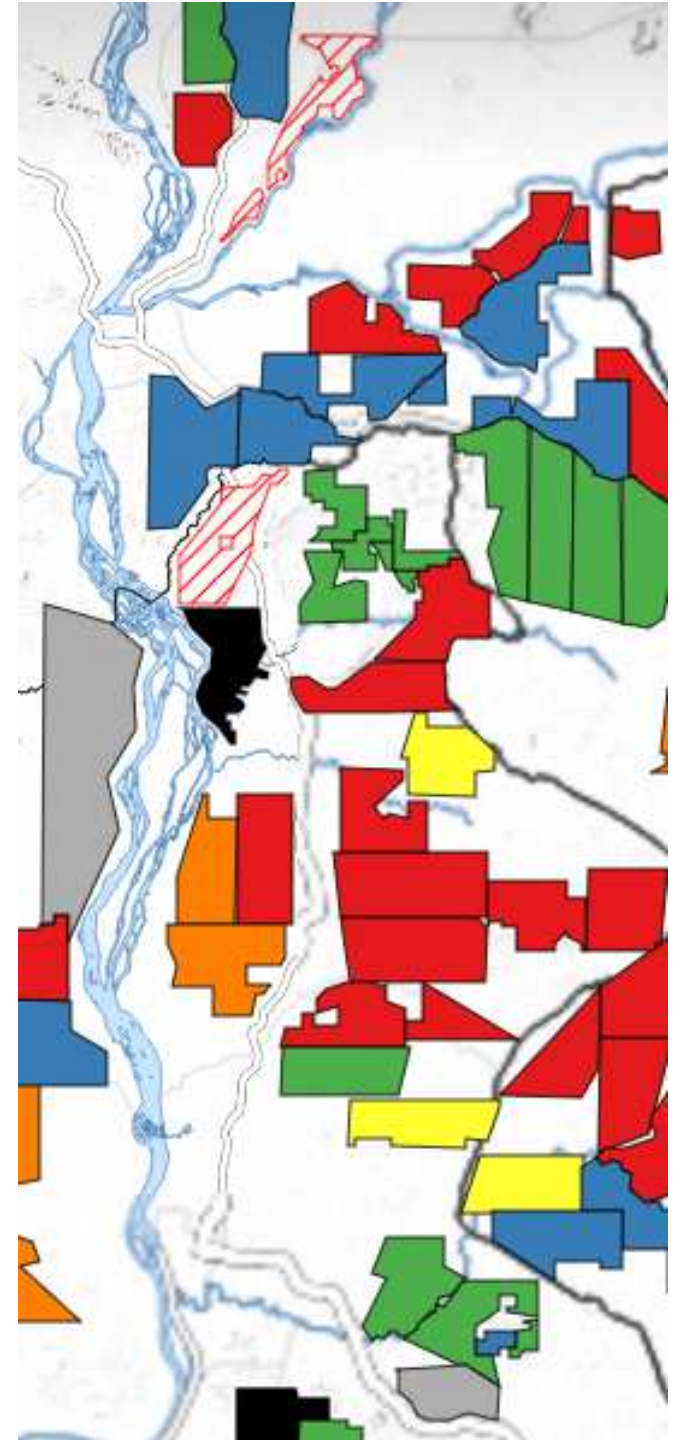


Challenges for voluntary REDD+ finance

Voluntary REDD+ markets are facing numerous challenges, not only the issue of financial investment but also issues of:

- The harmonization between voluntary REDD+ projects and the National REDD+ system;
- Overlapping project reference regions and activities shifting leakage areas between voluntary REDD+ project and its adjacent projects within the country; and
- Issue of institutional coordination.

Currently, in Cambodia, at least eight more initiative voluntary REDD+ projects had been proposed by INGO, and Development Partners (DP) to RGC.



Discussion



- The Paris Agreement opens the door to Parties to implement the model of Internationally Transferred Mitigation Outcomes (ITMO); and
- REDD+ countries are able to approach Results-based Financing under the UN mechanism by considering the IMTO model, bilateral and multilateral funding for REDD+ in the future.

Thanks Cambodia Team members and UN-REDD Regional Team who provided great inputs to the presentation:

- H.E Choup Paris, Cambodia REDD+ Focal Point
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- Mr. Sum Socheat, MoE
- Mr. Yeang Donal, REDD+ Specialist (WCS Cambodia),
- Dr. Timothy Boyle, Regional Technical Advisor, UN-REDD Program
- Ms. Thy Heang, the UN-REDD regional Knowledge Management Specialist

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Cambodia-Korea REDD+ Joint Project Forest Biomass Inventory Team, Tumring commune, Kompong Thom Province, Cambodia (March 2016)