



COSTA RICA REDD+ STRATEGY

Building specific requirements into fund
disbursement modalities.

Letter of Intent between the Carbon Fund
and FONAFIFO



Content

- ER Program Proposal
- Mitigation options and types of land tenure
- Financing Plan
- Letter of Intent
- Recommendations
- Next steps



Propuesta Proposal

- 341.000 hectáreas adicionales en su mayoría regeneración de tierras degradadas.
 - Incluye más de 34.000 hectáreas en territorios indígenas.
 - Apalancamiento del 75% del costo total de la parte LULUCF de Neutralidad del Carbono.
- 341,000 hectares a additional mostly regeneration on degraded lands.
 - Including more than 34,000 hectares in indigenous territories
 - Leveraging 75% of total cost of LULUCF part of Carbon Neutrality



Potencial de mitigación y área a implementar de las opciones de reducción de emisiones consideradas en el Programa de Costa Rica (cifras preliminares)

ER-Mitigation Options and land tenure classes (estimates)

Option	Land Tenure	Emission Reduction Option 2010-2020	Area PES (ha)	CO ₂ (Tons)	Service
A	Bosques privados y Reservas Indígenas (Private forests and indigenous reserves)	Area adicional de PSA para Deforestación Evitada Bosque Viejo (Expand the coverage of PES old growth forest)	107,000	8,500,000	Deforestación Evitada (Avoided deforestation)
B	Bosques Privados (Private forests)	Area adicional de PSA para Deforestación Evitada en Regeneración Media (Avoided deforestation in secondary growth forest)	19,000	630,000	Deforestación Evitada y Secuestro de carbono (Avoided deforestation and carbon sequestration)
C	Bosques Privados (Private forests)	Area adicional de PSA para Captura de Carbono mediante Inducción de Regeneración Temprana (Promote Secondary growth in degraded lands)	124,000	6,500,000	Secuestro de carbono (Carbon sequestration)

Potencial de mitigación y área a implementar de las opciones de reducción de emisiones consideradas en el Programa de Costa Rica (cifras preliminares)

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Option	Land Tenure	Emission Reduction Option 2010-2020	Area PES (ha)	CO ₂ (Tons)	Service
D	Bosques Privados (Private forests)	Area adicional de PSA para Captura de carbono mediante establecimiento de Plantaciones Forestales (Promote reforestation and agroforestry in degraded lands)	72,000	8,000,000	Secuestro de carbono (Carbon sequestration)
E	Reservas Indígenas (Indigenous reserves)	Area adicional de PSA para Captura de Carbono mediante Inducción de Regeneración Temprana (Promote Secondary growth in Indigenous Territories)	19,000	785,000	Secuestro de carbono (Carbon sequestration)
F	No aplica	Captura de carbono en productos de madera mediante el Incremento Uso de Madera (Promotion of the production and consumption of sustainable wood)	-	5,000,000 (est.)	Secuestro de carbono (Carbon sequestration)
Offer to CF is 40 % = 12.6 million tons		TOTAL	341,000	29,500,000	



Plan de Financiamiento

Financing Plan

Costos previstos

Expected Costs

Cost	Millions US Dollars	(%)
Operational and implementation costs	217	87%
Administrative cost	24	9%
Other costs	6	2%
MRV & Reference Level	4	1%
Total	250¹	

¹. The budget document ER-PIN is U.S. \$ 238 million vs. \$ 250 million. The difference corresponds to the inclusion of administrative costs

Ingresos previstos

Expected Income

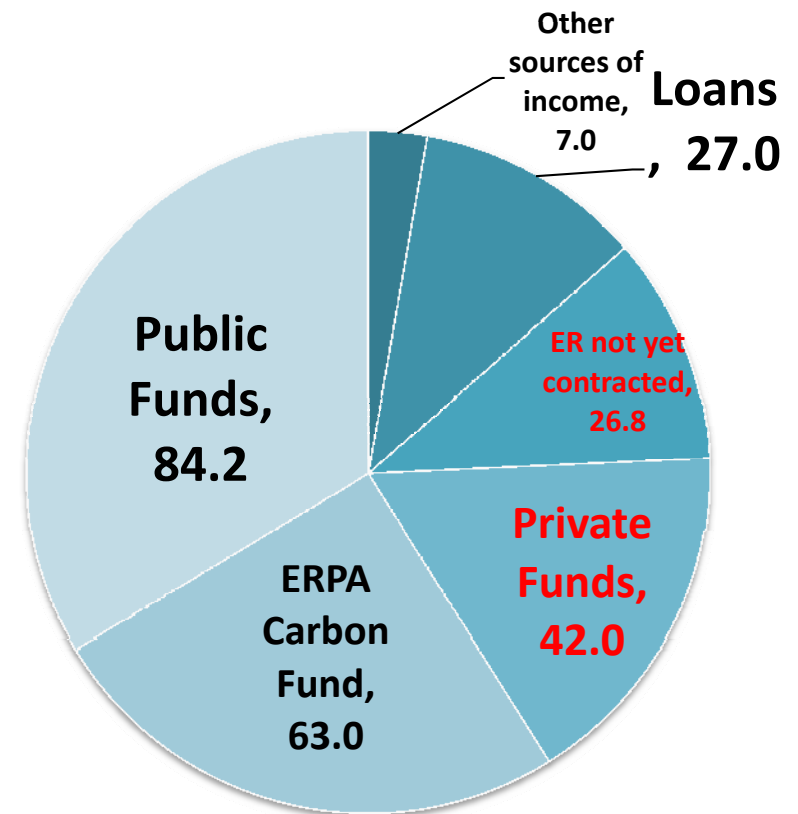
Income	Millions US Dollars	(%)
Other sources of income	7	3%
Loans	27	11%
Revenue from sale of additional Emission Reductions (not yet contracted)	27	11%
Private Funds	42	17%
ERPA Carbon Fund	63	25%
Public Funds	84	34%
Total	250	



Costa Rica ER-Program expected income

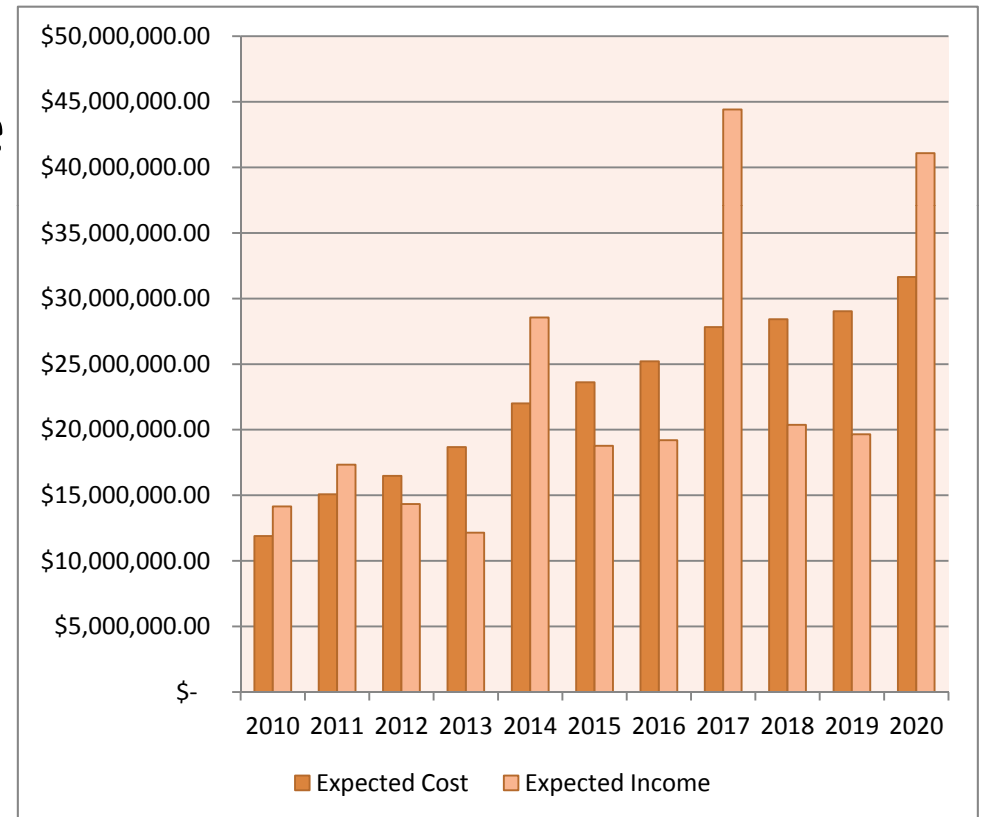
(56% of project financing leverage)

- Government funds allocated to the ER-Program (44%):
 - Public Funds
 - Loans
- Letter of Intent Costa Rica – Carbon Fund (25%)
- Private sector investment to achieve (17%)
- Sale of emission reductions in the voluntary market (11%)



Considerations for the implementation of the ER-Program

- Key issues for the implementation of the program
 - Payment Schedule of ERPA with Carbon Fund
 - Engagement of private sector investment
 - Consolidation of carbon markets, local and voluntary



Payment Schedule of ERPA with Carbon Fund

- At least three payments
 - First payment, 2014:
 - First monitoring event. Emission reduction estimate for period 2010-2013.
 - Second payment, 2017:
 - Second monitoring event. Emission reduction estimate for period 2014-2016.
 - Third payment, 2020:
 - Third monitoring event. Emission reduction estimate for period 2017-2019. Payment of the last year must be negotiated (with or without monitoring)

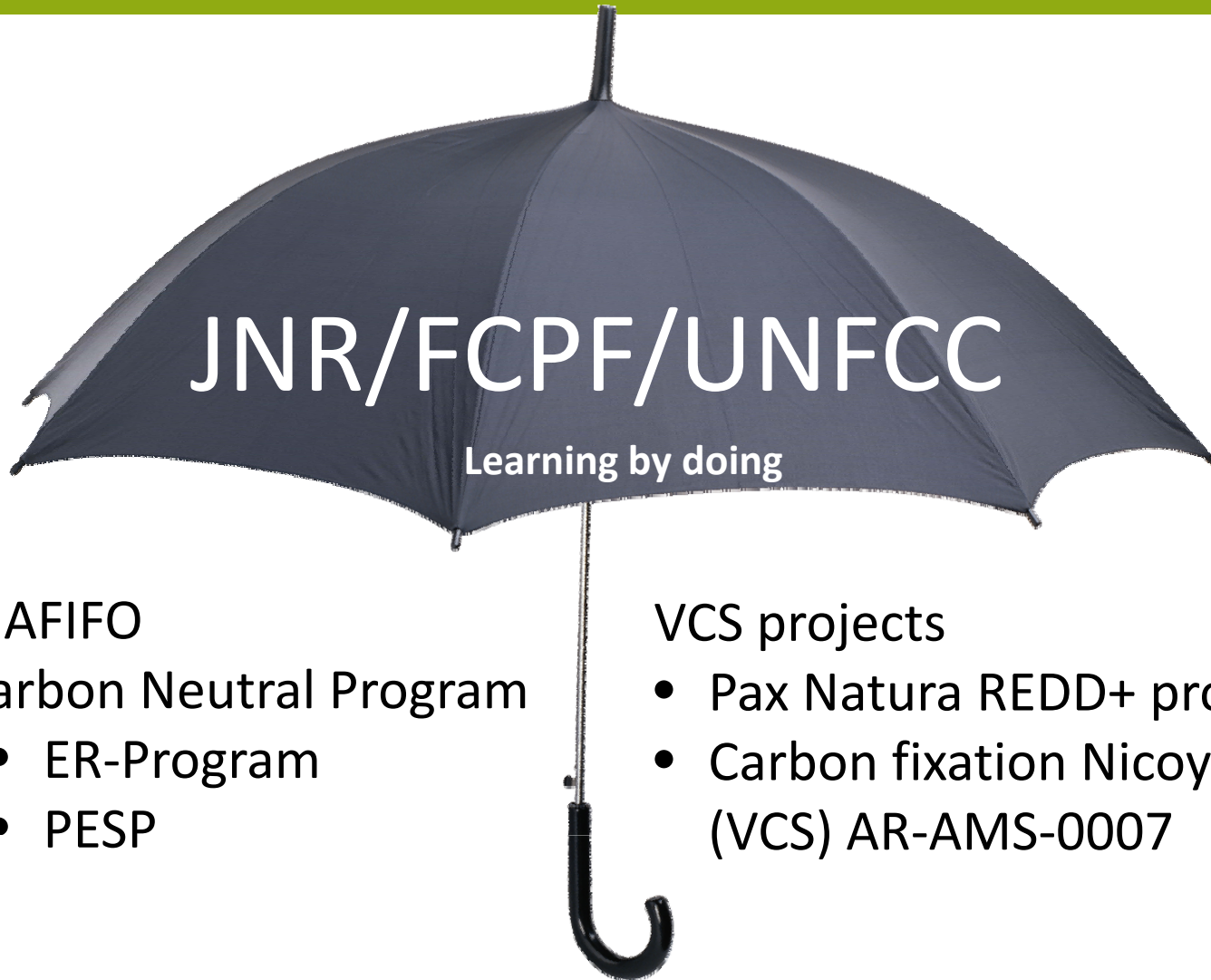


Consolidation of carbon markets, regulated, local and voluntary

Carbon		Regulated Market (Millions Ton CO ₂)		Voluntary Market (Millions Ton CO ₂)		Total
		Carbon Fund FCPF	Others buyers	Local buyers	International buyers	
1	ER-Program (2010-2020)	12,0	17,5			29.5
2	Post Bali (2008-2014)			4,0	26,4	30,4
3	Post Ecomarkets (2014-2020)				23,0	23,0
Total		12,0	17,5	4,0	49,4	82,9



Uniform methodological framework is critical for both voluntary and Carbon Fund programs



FONAFIFO

- Carbon Neutral Program
 - ER-Program
 - PESP

VCS projects

- Pax Natura REDD+ project
- Carbon fixation Nicoya (VCS) AR-AMS-0007



Expected distribution of the emission reduction transactions

Carbon		Regulated Market (Millions Ton CO ₂)		Voluntary Market (Millions Ton CO ₂)		Total
		Carbon Fund FCPF	Others	Local	International	
1	ER-Program (2010-2020)	12,6	-			12,6
2	Post Bali (2008-2014)			4,8	-	4.8
3	Post Ecomarkets (2014-2020)				0.6	0.6
Total		12,6	-	4,8	0.6	18,0

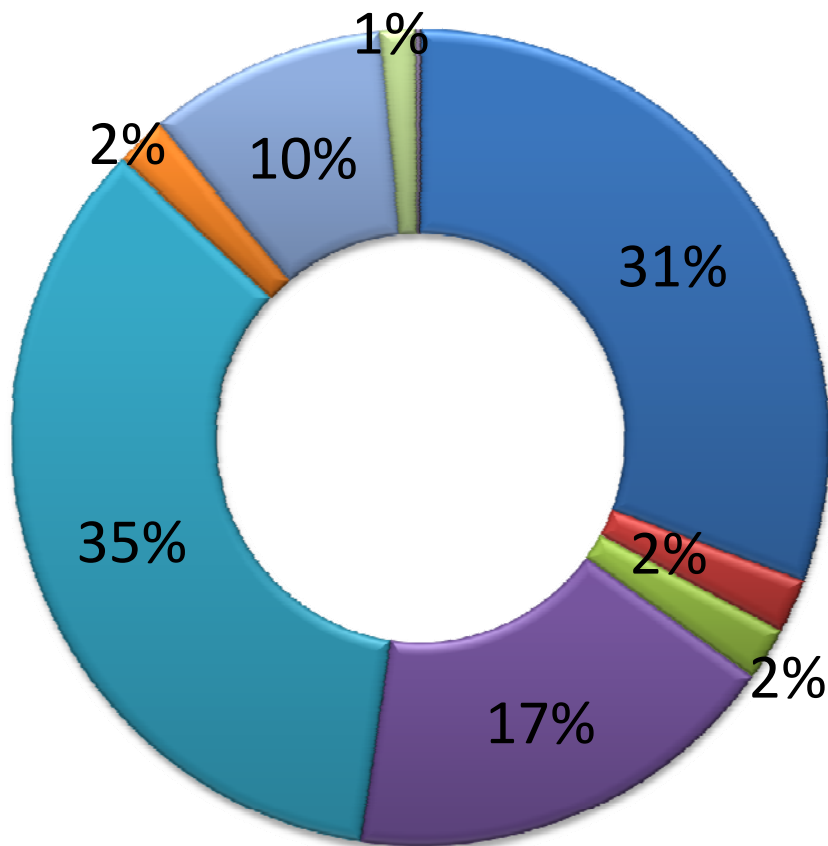


Engagement of private sector investment

- Agroforestry and Costa Rica's Carbon Neutrality
- Possibility of leverage investment by selling forest carbon credits
 - To finance 72 thousand hectares of forestry plantation and agroforestry systems that have been consigned in the ER-Program.
- To incentivize the consumption of sustainable HWP in the construction industry
 - Wood production and increase of consumption could produce a potential income for owners of unforested lands that establish forest plantations and/or manage secondary growth forests for sustainable timber production



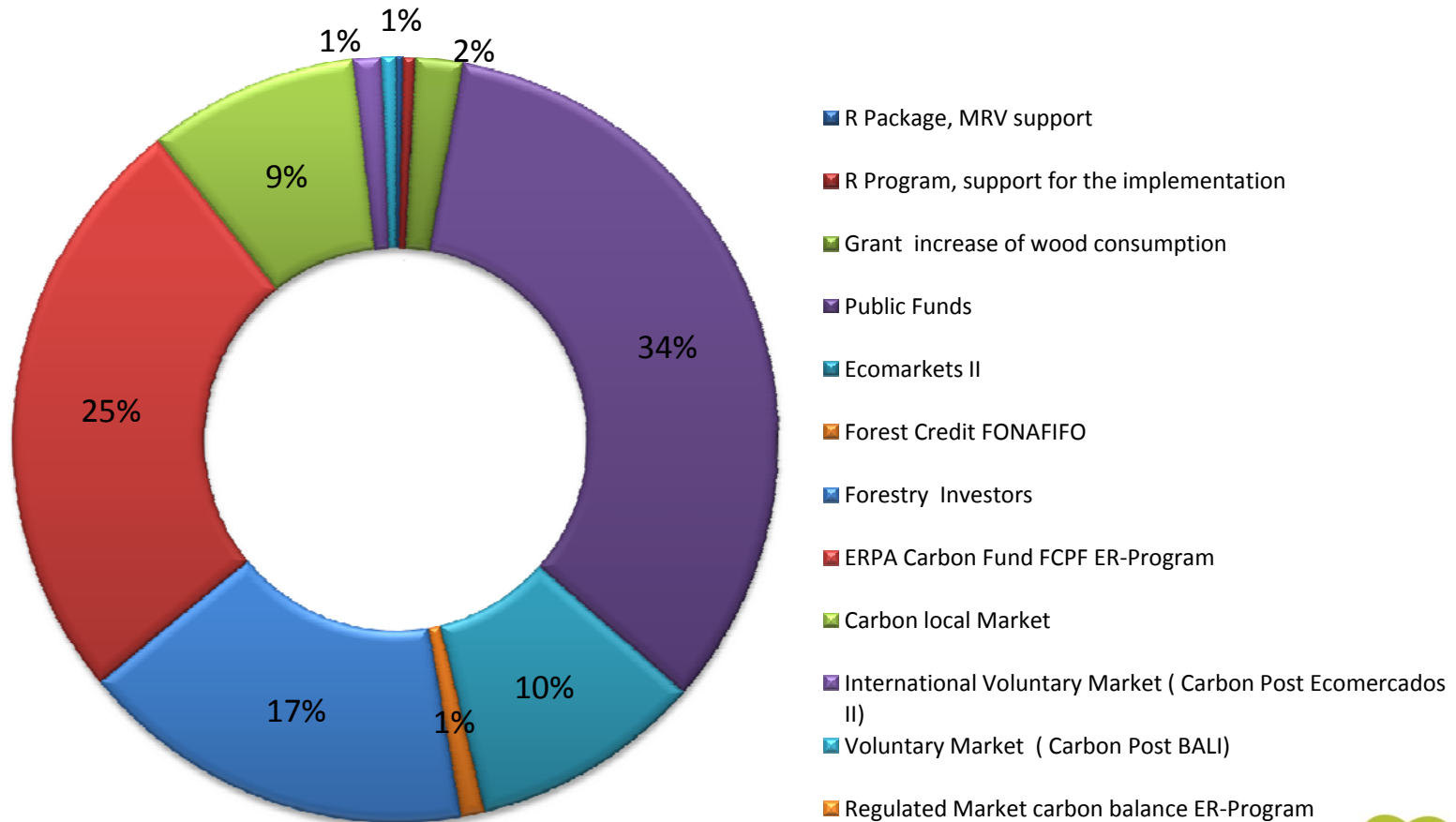
ER- Program Cost



- Payments for Environmental Services for avoided deforestation in 107600 ha for old growth forest
- Payments for Environmental Services for avoided deforestation in 19000 ha for secondary growth forest
- Payments for Environmental Services for 19,000 ha of secondary forest in Indigenous Territories.
- Payments for Environmental Services for 123,000 ha of secondary growth on private lands.
- Payments for Environmental Services for 72,000 ha for forest plantations or agroforestry systems on private lands.
- Carbon sequestration in wood products through wood use.
- Administrative cost
- Ecomarkets II
- Reference Level Establishment and ER-Program monitoring events
- JNR-VCS Iniciative, carbon package Post Bali y Post Ecomercados II



ER-Program Incomes



The financing plan include three events (2014-2017-2020) with resources flows to continue with the ER Program



Letter of Intent: Potencial Purchase of Emission
Reductions from the FONAFIFO Carbon Fund
Emission Reductions Program in Costa Rica



Letter of intent: FONAFIFO Carbon Fund ER Program in Costa Rica

- US \$ 63 millones valor máximo de contrato.
- US \$63millions maximum contract value.
- 12,6 millones de toneladas de CO₂e (*no incluye carbono PMR*)
- 12.6 millions tons CO₂e (*does not include HWP carbon*)
- Período de venta de las RE del año 2010 al 2020.
- Sales period of the ER of 2010 to 2020 year.



Letter of intent: FONAFIFO Carbon Fund ER Program in Costa Rica

- El Programa de RE está conforme las salvaguardas ambientales y sociales del BM.
- The ER Program is in compliance with the environmental and social safeguards.
- El NR, Sistema de Monitoreo, el Documento de Programa y la debida diligencia del Programa de RE está completo y a satisfacción del FC-FCPF.
- The NR, Monitoring System, the Program Document and the due diligence of the ER Program is complete and in FC-FCPF satisfaction.
- Si hay suficiente capital disponible en el FC-FCPF para comprar lo acordado
- There is enough capital available in the FC-FCPF to buy the agreed.
- Todas las aprobaciones necesarias incluidas las administrativas del IBDR y la de los participantes del CF-FCPF son obtenidas
- All the necessary approvals included the IBDR administrative and from the participants of CF-FCPF are obtained.
- Executed ERPA between FC-FCPF and FONAFIFO.
- Period of exclusivity: 1 year and 8 months



Next Steps

Enhancement of ER PIN into ER Program Document

- Medición y reporte de ERs
 - Determinación y proyección del nivel de referencia en $\text{CO}_2 \cdot \text{year}^{-1}$ basado en un análisis histórico de deforestación.
 - Mejorar la estimación de la potencial reducción de emisiones
 - Asegurar la consistencia entre el nivel de referencia y el MRV
 - Incluir el monitoreo de fugas como componente del MRV para garantizar la integridad ambiental de las ER generadas
- Measurement and reporting on ERs
 - Determination and projection of the reference level in $\text{CO}_2 \cdot \text{year}^{-1}$ based on historical analysis of deforestation.
 - Improve the assessment of the potential emission reduction
 - Ensure consistency between the Reference Level and the MRV
 - Include leakage monitoring as a component of MRV to ensure the environmental integrity of the ER generated



Next Steps

Dissemination and ER-Program Safeguards

- Diseminación amplia ER-PIN/ERPD
- Retroalimentación de los actores ER-PIN/ERPD
- Aplicación de las políticas operacionales ambientales y sociales del BM
- Preparación de los instrumentos de Salvaguardas en base al ESMF
- Mejorar el plan de financiamiento
 - Desarrollo de incentivos positivos y mecanismos financieros, para la implementación de las opciones del ER-Program
- Wide dissemination of ER-PIN/ERPD
- Feedback from stakeholders ER-PIN/ERPD
- WB Operational policy implementation (environmental and social)
- Preparation of instruments based on ESMF Safeguards
- Improve financial plan
 - Development of positive incentives and financial mechanisms for the implementation of the ER-Program Options



Recommendations

- Que se pueda flexibilizar los recursos del FC para que se den adelantos
- Generación de apoyo que permita el desarrollo de alianzas público – privadas
- Mercados locales de carbono
- Fortalecimiento de capacidades MRV
- Make flexible the FC resources to give it in advance.
- Generating support to enable the development of public - private partnerships
- Local carbon markets
- Strengthening MRV capacity



Final comments

- De acuerdo a las circunstancias nacionales, este es el mejor enfoque posible para implementar el ER-PROGRAM.
- El ER-PROGRAM esta integrado en la Estrategia país para el desarrollo de una economía baja en carbono. Esto requiere:
 - Experimentación con Partnership Market Readiness
 - Experimentación con JNR (VCS)
 - Experimentación con PMR
- According to national circumstances, this is the best approach to implement the ER-PROGRAM.
- The ER-Program is well integrated into the country's strategy for the development of a low carbon economy. This requires:
 - Piloting with PMR
 - Piloting with JNR (VCS)
 - Piloting with HWP



Muchas gracias!!!

Thank you very much!!

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Secretaria REDD

Fondo Nacional de Financiamiento Forestal

