

# BioCarbon Fund Questions and Answers

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The BioCarbon Fund will provide carbon finance for projects that sequester or conserve greenhouse gases in forests, agroecosystems and other landscapes. Through its focus on bio-carbon, or 'sinks', it will deliver carbon finance to many developing countries and countries with economies in transition, that otherwise have few opportunities to participate in the Clean Development Mechanism (CDM) or Joint Implementation (JI) activities.

One of the two main purposes of the CDM is to assist developing countries in achieving sustainable development. Negotiators have agreed that before a project can be accepted for credit under the CDM the host Party must confirm that the project activity assists it in achieving sustainable development. In this context the Fund has three main goals relating to:

- cost effective emissions reductions,
- environmental benefits, and
- poverty reduction.

All projects must also meet the requirements of host Parties and the safeguard policies of the World Bank.

## **How does the BioCarbon Fund differ from the Community Development Carbon Fund and the PCF?**

The BioCarbon Fund will complement the two other World Bank managed carbon funds, the Prototype Carbon Fund (PCF) and the Community Development Carbon Fund (CDCF). Like the PCF, the BioCarbon Fund will be a prototype fund in that it is designed to learn from the experience of doing real projects in real communities. However, the BioCarbon Fund will focus on sink related projects whereas the PCF deals mainly with energy related projects. Much of the experience from the BioCarbon Fund will be transferred to the CDCF, which seeks to provide carbon finance to small-scale energy and biocarbon projects in the least developed countries.

## **Will the BioCarbon Fund support projects based on extensive plantations?**

The BioCarbon Fund will support only those projects that meet strict design criteria relating to additionality (i.e. a real contribution to reducing the increase of greenhouse gases in the atmosphere), environmental and social benefits. Carbon finance is likely to make little difference as to whether a large scale plantation project goes ahead or not and thus many such projects would fail a strict additionality test. Plantations based on monocultures and/or exotic species also often have deleterious environmental and social effects.

The BioCarbon Fund will only factor in plantations as part of a wider landscape management program. These plantations may be established for biodiversity conservation (e.g. corridors connecting patches of native vegetation), soil stabilization, or the provision of forest products to be used also by local communities.

## **Will the BioCarbon Fund include emission reductions from avoided deforestation?**

Emission reductions achieved by projects that avoid the clearing of forest or other vegetation will not be eligible for credit during the first commitment period of the Kyoto Protocol (2008-2012). Thus, avoided deforestation projects cannot be included in the first (Kyoto eligible) window of the BioCarbon Fund.

The BioCarbon Fund is exploring projects that include the protection of remnant patches of native vegetation as part of a wider landscape management plan. Likewise, renewable energy projects that demonstrably remove pressures to harvest fuelwood from native forests will be examined for such credits. The Fund team will discuss options for second window credits for such protection, (i.e. credits that meet the same quality standards but are not currently eligible for Kyoto credit), with Fund contributors, host countries and project proponents.

## **Will agroforestry projects be included in the BioCarbon Fund?**

Agroforestry projects include establishing shade trees over existing non-tree crops or gardens, establishing shelter trees and planting trees to stabilize the soil. Where agroforestry projects meet the negotiated definitions of afforestation and reforestation they will be eligible for credit in the first window of the BioCarbon Fund. Some agroforestry practices will not meet the definition of afforestation or reforestation, usually because pre-existing trees on a site (measured in 1990) already met the definition of a forest. Such projects, along with projects based on forest rehabilitation by planting additional trees will be considered for the second window of the BioCarbon Fund.



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### **How will the BioCarbon Fund deal with the issue of permanence?**

The BioCarbon Fund is considering several options to deal with permanence (i.e. ensuring the long term retention of the stored carbon). The most effective is to support projects where the new activities are sufficiently rewarding to local people that they will be encouraged to continue with those, or better, activities in the future. This encouragement will be backed by contractual agreements that require the emission reductions to be maintained beyond the immediate project life within the BioCarbon Fund (c. 15 years). The Fund will also encourage conservative selling of carbon credits so that project proponents self insure against lower than expected yields of carbon or unexpected losses of stored carbon. Many of the Fund's projects will include several different types of carbon storage; for example, a project to manage an entire landscape with components of agroforestry plantings, enhanced soil carbon storage through improved agricultural practices and reforestation projects. This will reduce the risk of catastrophic loss of all forms of soil carbon. Finally, the Fund itself is a portfolio of many projects of different types distributed over a wide geographic range, so spreading and reducing risk even further.

A number of Parties and NGO groups have recommended that a form of temporary credits (temporary Certified Reduction Units or tCERs) be introduced. This will complicate the trading of credits and will increase transaction costs. However, pooling and risk spreading entities, such as the BioCarbon Fund, can simplify transactions and reduce costs for both purchaser and supplier.

### **Can sinks be measured and verified with sufficient accuracy to be part of a global compliance and trading system for greenhouse gas emission reductions?**

The IPCC (Intergovernmental Panel on Climate Change) in its Special Report on Land-Use, Land Use Change and Forestry (LULUCF) concluded that there were adequate methodologies to measure sink related carbon for them to be included in a global compliance and trading system. These types of measurements were uncommon in the past, but experience in making these measurements is increasing rapidly. Currently the IPCC is revising the Good Practice Guidance for LULUCF activities.

### **How does the BioCarbon Fund relate to the goals of other international conventions such as the Convention on Biological Diversity (CBD) and the Convention to Combat Desertification (CCD)?**

The goals of the BioCarbon Fund and its mode of operation are fully consistent with the goals of the above Conventions. The Fund seeks to bring additional resources to bear on improved land management to help all three conventions (United Nations Framework Convention on Climate Change, UNFCCC, CBD and CCD) achieve their goals.

### **Does the CDM seek to protect the rights of indigenous peoples?**

Neither the UNFCCC, the Kyoto Protocol, nor the elaboration agreed to in the Marrakesh Accords refer specifically to the rights of indigenous peoples, although representations on behalf of indigenous peoples have been made at several meetings of negotiators. The BioCarbon Fund will ensure that all projects it supports are consistent with the Bank's Safeguard Policies on Indigenous Peoples.

### **Does the use of biocarbon (or "sinks") merely divert attention from the more urgent goal of reducing greenhouse gas emissions from fossil fuels?**

The use of sinks in the early actions to reduce the build up of greenhouse gases in the atmosphere buys time for the eventual transition to an era of renewable energy and lesser dependency on fossil fuels. If governments, industry and civil society were to be short-sighted and not use the opportunity to make effective transitions to less carbon intensive technologies, then we would slip further behind in the enormous challenge to combat climate change. However, there is growing evidence that won't happen. All countries accept the need for greenhouse gas reductions and most of the leading multinational companies have actively sought to reduce their greenhouse gas emissions. Sinks are recognized as a legitimate form of mitigation of climate change, and the goal of the Biocarbon Fund is to facilitate the efficient implementation of projects of the highest quality.

