

Addendum to Letter of Intent between Gabon and CAFI signed in 2017

RESULTS-BASED PAYMENT PARTNERSHIP

September 19, 2019

PREAMBLE

Recalling commitments under the United Nations Framework Convention on Climate Change, the Paris Agreement and the Convention on Biological Diversity;

Recalling the UN Declaration on the Rights of Indigenous Peoples and the African Charter on Human and Peoples' Rights;

Recalling the Letter of Intent between Gabon and CAFI, signed in 2017, and commitments therein, including on reduced deforestation and reduced forest degradation, and related ongoing and planned CAFI support;

Underlining the importance of forests and tropical forests in particular as stocks and sinks of carbon, noting that reduced deforestation and sustainable land use can contribute up to a third of the necessary emission reductions required prior to 2030 to limit global warming to 2 degrees C;

Recognising the importance of countries with high forest cover and low deforestation (HFLD) maintaining their high forest cover and low deforestation, and wishing to pilot a mechanism to incentivise this;

Recognising the importance of piloting new approaches and learning together from joint efforts;

Confirming that the Parties under this Addendum intend to benefit from the development of the independent third party accounting approach called *The REDD+ Environmental Excellency Standard* (TREES);

Gabon and CAFI, the Parties of the Letter of Intent, have agreed to the following:

1. PURPOSE OF THE ADDENDUM

The Partnership is aiming to reward Gabon, an HFLD country, for maintaining a high forest cover and low deforestation rate, recognising the ecosystem services provided for by natural forests and the real and additional efforts needed to maintain a low deforestation rate. The Parties seek to do this in a way that ensures the highest environmental and social integrity and that can set a model for other countries.

2. GABON'S NATIONAL CLIMATE GOAL

Gabon will submit the following to the UNFCCC, after completing appropriate national processes, prior to the first payments under this Addendum:

- A Nationally Determined Contribution, confirming relevant provisions of the Letter of Intent signed with CAFE, such as Gabon's ambition to reduce emissions by 50% by 2025, compared to 2005.
- A Forest Reference Emissions Level or Forest Reference Level, as provided for by relevant COP decisions.
- A summary of information on how REDD+ safeguards are being addressed and respected, according to relevant UNFCCC decisions.

3. PAYMENTS FOR VERIFIED EMISSION REDUCTIONS AND REMOVALS

Results delivered by Gabon as defined by this Addendum may be rewarded by CAFE for the calendar years 2016 - 2020 (Period 1) and 2021 – 2025 (Period 2).

4. CARBON ACCOUNTING

4.1. Third party certification

The Parties are committed to a learning-by-doing approach and will jointly seek to adapt the partnership to the global best practice.

Gabon will seek to go through ART (*Architecture for REDD+ Transactions*) certification for the emission reductions and removals under this partnership. This includes the TREES provisions on safeguards reporting and double counting, and ART processes for third party verification.

The Parties recognise that ART's new standard *The REDD+ Environmental Excellency Standard* is still undergoing a global public consultation process and is not yet finalised. They will assess the final standard and to the extent possible seek to adapt the approach described in this Addendum to the final version of TREES.

The Parties also recognise that even though ART in due course intends to develop a robust method under TREES to credit HFLD countries beyond historic levels, for continued low deforestation, TREES may not initially include such a method. The Gabon-CAFE partnership intends to pilot a new approach to provide incentives for HFLD countries and to gain experiences from this approach. Once TREES includes HFLD crediting beyond the proposed tagging of emission reductions below historical levels from HFLD countries, the Parties will assess whether and how to adjust to that methodology, as provided for in chapter 7 of this Addendum.

4.2. Accounting approach

In line with the intention of the partnership, Gabon and CAFE wish to include fluxes of greenhouse gases from undisturbed natural forest in the accounting approach.

The accounting will therefore consist of two elements:

- A. Reduced emissions from deforestation and forest degradation, as provided for by the TREES standard;

B. Removals from forest land remaining forest land, which at the time of signature are not a part of the draft TREES standard, will be accounted for as follows:

- Removals from both disturbed and undisturbed natural forests are included;
- Removals from plantations are excluded;
- Removals from lands converted to forest lands are excluded.

The removals will be accounted for according to the following principles:

- A 10 year historical crediting level, using the same calendar years as those for the crediting level for emissions from deforestation and forest degradation,;
- The annual removals will be compared to the annual historical average of the removals. The difference (higher removals) constitutes the annual results for which payments may be made.
- Accounting will be based on annual estimates, but reporting on an annual basis is not mandatory.
- Other relevant provisions in the TREES standard are applied, such as Chapters Carbon accounting, Monitoring, Reversals and leakage, Uncertainty, Avoiding double counting, and Registry requirements.
- The estimates and the results will be subject to independent third-party verification, intending to apply the process for verification as provided for by TREES.
- CAFI will disburse the payments after the completion of the verification process.
- Results as provided for in letter A above (reduced emissions) is a prerequisite for issuing payments for results as provided for in letter B (increased removals) for the same reported years.

5. CAFI'S FINANCIAL CONTRIBUTION

CAFI is prepared to contribute up to USD 150 million¹ for results delivered during the entire 10 years results period by Gabon under this partnership.²

CAFI will guarantee a floor price of USD 5 per ton for up to 75 million USD for results achieved in 2016-2020 and up to an additional 75 million USD for results achieved in 2021-25. CAFI will guarantee a floor price of USD 10 per ton for results certified by ART provided that the overall financial commitment from CAFI remains at up to USD 150 million for the 2016-25 period. Gabon may exercise this offer or sell to another buyer offering a higher price. The Parties will seek to use the floor price to attract additional sources of finance including private buyers. The Parties aim to agree the modalities for such an arrangement prior to the first CAFI contribution.

CAFI payments are subject to the fulfilment of the conditions in the CAFI Fund Standard Administrative Arrangement (the Agreement between CAFI Fund Manager MPTF and CAFI donors), as specified in Article VIII of the Letter of Intent signed between Gabon and CAFI in 2017.

¹ This amount should nevertheless not exceed NOK 1 350 million.

² For budgetary reasons, payments would generally need to be made on a regular basis. Nevertheless, CAFI will strive to offer some flexibility on a case-by-case basis.

6. FINANCE MECHANISM

A detailed national investment plan directing the reinvestment of the results-based payments under this Addendum will be developed by Gabon in a participatory way with all relevant stakeholders and agreed with the CAFE Executive Board. The agreed investment plan will specify reporting requirements between the Government of Gabon and the CAFE Executive Board and a detailed description of the principles governing the selection of programmes/projects and implementing agencies. Supported programmes/projects should as their main objective contribute to climate change mitigation as defined in Gabon's revised Nationally Determined Contribution (NDC). Only implementation agencies accredited to the CAFE Fund are eligible agencies to implement projects / programmes under the investment plan.

The Ministry of Economy of the Government of Gabon will, upon recommendation made by the National Climate Council, make the final investment decision of the selected, individual investment programmes / projects and implementation agencies under the investment plan, in accordance with the agreed principles described above.

Payments under this Addendum will be made through the CAFE Fund and according to its Terms of References.

7. MID-TERM REVIEW

Once ART develops a standard to recognise HFLD countries beyond emission reductions from deforestation and forest degradation relative to historical average, the parties will discuss whether this standard can be adopted for the partnership.

A mid-term review will be held during 2021 to take stock of the partnership and decide on arrangements for its Period 2. During the Mid-Term Review, the Parties can raise any issue of relevance to this partnership.