



ISFL Process Requirements

Version 2.5

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1. Introduction

1. These Process Requirements define the steps required for ISFL ER Programs to participate in the BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL), generate Emissions Reductions and receive incentive payments to catalyze the development of a low carbon rural economy that generates livelihood opportunities and overall reductions in Emissions from the land.
2. The objectives of ISFL process Requirements are to:
 - a) Provide clarity on the participants and documents involved in the ISFL Process;
 - b) Describe the overall process to obtain ISFL verified Emissions Reductions.

2. References

3. The following are references that are applicable for Validation and Verification:
 - a) ISFL Emission Reductions (ER) Program Requirements: Provides the overarching guidance and act as a standard that is designed to achieve a consistent approach to carbon accounting and programmatic characteristics;
 - b) ISFL Validation and Verification Requirements: define the requirements for Validation and Verification of ISFL Emission Reduction Programs (“ISFL ER Program”) under the BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL);
 - c) Registry Requirements: Operational Requirements for Emission Reductions Transaction Registry.

3. Glossary of Terms

4. For the purposes of the Process Requirements, the terms and definitions described in the ISFL Glossary of Terms shall apply.

4. Overview of the ISFL

5. The BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL) is a multilateral fund established in 2004 supported by donor governments¹ and managed by the World Bank. It promotes reducing Greenhouse Gas Emissions from the land sector, from deforestation and forest degradation in developing countries (REDD+), and from sustainable agriculture, as well as smarter land-use planning, policies and practices.
6. ISFL is designed to help countries and their stakeholders achieve long-term sustainability in financing forest conservation. They are intended to help reduce climate change impacts from forest loss and degradation by making forests more valuable standing than cut down. The BioCarbon Fund remunerates participant countries in accordance with negotiated contracts for verifiable Emission Reductions (ERs).

¹ a.k.a. BioCF T3 Participants.

5. Administration and Management

7. The ISFL Contributors² make-up the ISFL's governance structure as its main decision-making body. The ISFL Contributors meet at least once a year to approve budgets. They also make decisions, either at these meetings or on an ad hoc basis, related to the selection of programs, rules of procedures, methodologies, as well as approve funding allocations, budgets and rules of procedure.
8. The International Bank for Reconstruction and Development, acting as Trustee of the BioCF T3 provides secretariat services through a Fund Management Team. BioCF ISFL Fund Management Team administers the ISFL. The FMT oversees the Validation and Verification process to ensure that all ISFL operations comply with applicable World Bank Group Policies and the ISFL requirements. The FMT has several functions, *inter alia*:
 - a) Proposals for approval by the governance structure;
 - b) VVB selection;
 - c) Completeness check and posting of the final ER-PD and ER Monitoring Report;
 - d) Communication between the VVB and the ISFL ER Program;
 - e) Review of the Validation and Verification Reports;
 - f) Management of the Carbon Asset Trading System, i.e. ISFL Transaction Registry.
9. Validation and Verification are conducted by Independent Validation and Verification Body (VVB) which, according to the Validation and Verification Requirements, “shall be accredited under ISO 14065 for scope ISO 14064-2, specifically for Land Use and Forestry by an Accreditation Body that is a signatory of the IAF Multilateral Recognition Arrangement (MLA) for ISO 14065. The ISFL will submit a request for proposals from accredited VVBs to conduct country-specific Validation and Verification engagements”. Other requirements for Validation and Verifications under the ISFL may be found in the Validation and Verification Requirements.
10. Accreditation of any Validation and Verification Body is given by an Accreditation Body acceptable to the ISFL.

6. Documents

11. There are four general classes of documents:
 - a) Requirements: Normative documents setting rules required to be complied with by ISFL ER Programs.
 - i. Emission Reductions Program Requirements: High-level requirements designed to achieve a uniform approach to compliance with the ISFL Requirements. The Program Requirements are mandatory;
 - ii. Other Requirements: a set of procedures intended to ensure that criteria of the ISFL ER Program Requirements and other requirements are fulfilled. Requirements are mandatory.
 - b) Guidance Notes: provides supplemental advice or instruction on the ISFL Requirements. A guidance note describes acceptable methods of satisfying requirements.
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- c) **Templates:** Used to capture data or information required in the ISFL processes. A form contains predefined fields to be filled in by the ISFL Country, or the Validation and Verification Body. Templates include specific text with Requirements.
- d) **ERPA documents:** Documents related to the ERPA with the ISFL.

Requirements	Guidance Notes	Templates	ERPA documents
<ul style="list-style-type: none"> •ISFL ER Program Requirements •ISFL Buffer Requirements •ISFL Process Requirements •ISFL Validation and Verification Requirements 	<ul style="list-style-type: none"> •Guidance note on Benefit Sharing •Guidance note on the ability of the Program Entity to transfer Title to ERs •Guidance note on financing plans for ER Programs •Stakeholder engagement approach •Guidance note on application of IPCC guidelines for subcategories and carbon pools where changes take place over a longer time period 	<ul style="list-style-type: none"> •ISFL Program Document •ISFL Preliminary Screening of potential ISFL Programs •ISFL ER Monitoring Report •ISFL Validation Report •ISFL Verification Report 	<ul style="list-style-type: none"> •ERPA framework agreement •ERPA Phase agreement •ERPA general conditions •ERPA Commercial Terms

12. The following requirements have been approved:

- a) **ISFL ER Program Requirements:** Provides the overarching guidance and act as a standard that is designed to achieve a consistent approach to carbon accounting and programmatic characteristics;
- b) **ISFL Buffer Requirements:** Provides the procedures for managing Uncertainty and Reversal Management Mechanism of ISFL ER Programs;
- c) **ISFL Validation and Verification Requirements:** Provides the procedures for conducting Validation and Verifications of ISFL ER Programs by Independent Validation and Verification Bodies;
- d) **ISFL Process Requirements:** Provides the procedures for the ISFL ER Program cycle from Identification and Concept Stage to submission to payment of Emission Reductions and provisions for the approval of documents.

13. The following Guidance Notes have been approved:

- a) **Guidance note on benefit-sharing for ISFL ER Programs:** Provides supplemental advice for the development of benefit-sharing plans of ISFL ER Programs;
- b) **Guidance note on the ability of the Program Entity to transfer Title to ERs:** Provides supplemental advice for demonstrating the ability of the Program Entity to transfer Title to ERs;
- c) **Guidance Note on the preparation of financing plan of ISFL ER Programs:** Provides supplemental advice on the preparation of financing plans for ISFL ER Programs;
- d) **Stakeholder engagement approach:** describes the the stakeholder engagement approach at both the initiative and Program levels.

- e) Guidance note on application of IPCC guidelines for subcategories and carbon pools where changes take place over a longer time period: provides guidance on the application of the IPCC guidelines in the context of the BioCF ISFL.

14. The following templates have been approved:

- a) ISFL Program Document: Form and guidance to help ISFL Countries to prepare a description of the ISFL ER Program required for the approval of the ISFL ER Program;
- b) ER Monitoring Report: Form and guidance to help ISFL Countries to prepare a Monitoring Report describing the results of the applicable Reporting Period.
- c) ISFL form for preliminary screening of potential ISFL programs: The purpose of this form is to collect key information on candidate landscape-level programs that reduce Greenhouse Gas (GHG) Emissions in the land use sector, to shape the BioCarbon Fund (BioCF) Initiative for Sustainable Forest Landscapes (ISFL) pipeline
- d) ISFL Validation and Verification Report: Form and guidance to help VVBs to prepare the Validation and Verification Report describing the assessment of ER-PDs.

15. The following ERPA documents related to fund ER transactions are available:

- a) ISFL ERPA framework agreements
- b) ISFL ERPA Phase Agreements
- c) ISFL ERPA general conditions;
- d) ISFL ERPA Commercial Terms.

16. All documents and new versions shall be prepared by the FMT and presented to ISFL Contributors for approval prior to making them publicly available in the ISFL Webpage. New versions³ of the ISFL ER Program Requirements shall be subject to a 30-day public comment period through the ISFL webpage.

7. ISFL Process

17. The creation of Emission Reductions in the ISFL consists of the steps below. Note that the steps may not necessarily be sequential.

18. The availability of ISFL documents as mentioned in all the steps below is determined in accordance with the World Bank's Access to Information Policy.

19. The ISFL Process consists of the following steps which may not be sequential:

- a) Preliminary Screening form is completed by candidates
- b) ISFL country selection by ISFL Contributors
- c) Development of an ISFL ER Program Document
- d) Review of ER-PD by World Bank and ISFL Contributors;
- e) Validation of ER-PD by VVB

³ Version number refers to the first number of the version number, i.e. x of x.y.

- f) Monitoring and Reporting:
- g) Verification:
- h) Payments and allocation of ERs to the ISFL
- i) Post-ISFL

7.1 Application and selection of ISFL Countries

7.1.1 Preliminary Screening

20. The landscape-level programs candidates shall complete and submit to the ISFL the form for Preliminary Screening of Potential ISFL Programs. Candidates shall comply with a set of criteria to be selected by the ISFL. Such criteria includes general indicators that cover relevant areas such as environmental conditions, institutional matters and Non-Carbon Benefits; REDD+ specific indicators; and agriculture indicators associated with climate smart agriculture.

7.1.2 ISFL Country selection

- 21. ISFL countries are selected based on criteria that provide the best foundation for ISFL programs to achieve the greatest possible impact. These criteria ensure that countries are prepared to undertake a complex land use program and that programs will be governed and monitored effectively. They also assess the global community's commitment to working collectively towards solutions in-country so that countries have support to achieve results.
- 22. Each program candidate relies on institutional infrastructure for low carbon rural development that was fostered during the REDD+ Readiness process. The ISFL performs an assessment of the readiness process through a range of indicators that provide a preliminary view of countries' engagement and capacity in REDD+ and potential to reduce GHG Emissions through a similar program, such as the ISFL. In particular, linkages between national REDD+ efforts and other land uses are considered, as well as the institutional arrangements in place and the capacity of local stakeholders to implement the program.
- 23. The ISFL assess the initial quality of the countries' enabling environment and its potential to improve considering the strength of governance, private sector engagement, and green growth initiatives in-country. Agricultural drivers of land use and impacting commodities are also assessed to identify the potential of climate-smart agriculture practices to reduce GHG Emissions in each country.
- 24. Based on the previous assessment the ISFL selected five target countries to the develop ISFL programs: Colombia, Ethiopia, Indonesia, Zambia and Mexico.

7.2 Development of the ISFL ER Program Document

- 25. The selected ISFL Country prepares and advanced draft of the ER-PD using the ISFL PD template.
- 26. The World Bank Task Team provides support to the Program Entity in developing its ER-PD, including the ASIP to ensure that the ISFL ER Program is developed in accordance with the World Bank's operational policies and procedures, including environmental and social safeguards, and BioCF T3 requirements (including the ISFL ER Program Requirements)

7.3 Assessment of ER-PD

27. The advanced draft of the GHG Elements of the ER-PD is assessed by the World Bank and ISFL Contributors.
28. The ISFL ER Program Entity (Program Entity) submits an advanced draft of the GHG elements in the ER-PD in English to the ISFL Fund Management Team.
29. The FMT performs a Completeness and quality check on the advanced draft of the GHG elements of the ER-PD.
30. If necessary, the Program Entity revises the advanced draft of the GHG elements of the ER-PD and submits it to the FMT for a second Completeness check.
31. Once the advanced draft of the GHG elements of the ER-PD is complete, the FMT shares the document with the Contributors for written feedback in advance of a video/teleconference.
32. Contributors submit written comments to the FMT on the GHG elements of the ERPD in advance of a video/teleconference.
33. A response matrix is prepared by the Program Entity, Task Team, and FMT, as relevant, and shared with Contributors.
34. A video/teleconference is held with Contributors to receive their feedback with FMT, and Task Team.
35. After such discussion on the advanced draft on the GHG elements of the ER-PD, the Trustee then shares the complete advanced draft of the GHG Elements of the ER-PD and the feedback from ISFL Contributors with an independent third-party firm for Validation.
36. In parallel, The ISFL ER Program Entity (Program Entity) prepares an advanced draft ER-PD in English with the remaining non-GHG elements.
37. Once the non-GHG elements of the advanced draft ER-PD are complete, The ISFL ER Program Entity (Program Entity) submits the advanced draft ER-PD to the ISFL Fund Management Team (FMT).
38. The FMT performs a Completeness and quality check on the non-GHG elements of the advanced draft of the ER-PD.
39. If necessary, the Program Entity revises the advanced draft of the non-GHG elements of the ER-PD and submits it to the FMT for a second Completeness check.
40. Once the advanced draft of the non-GHG elements of the ER-PD is complete, the FMT shares the document with the Contributors for written feedback in advance of a video/teleconference.
41. Contributors submit written comments to the FMT on the non-GHG elements of the ERPD in advance of a video/teleconference.
42. A response matrix is prepared by the Program Entity, Task Team, and FMT, as relevant, and shared with Contributors.
43. A video/teleconference is held with Contributors to receive their feedback with FMT, and Task Team.
44. After such discussion on the advanced draft of the non-GHG elements of the ER-PD, the Trustee then shares the complete advanced draft of the non-GHG Elements of the ER-PD and the feedback from ISFL Contributors with an independent third-party firm for Validation.

7.4 Validation

45. Validation shall occur once during each ISFL ERPA Phase. The Emissions Baseline shall be revalidated during subsequent ISFL ERPA Phases.
46. Validation will occur before the first Verification in each ERPA Phase and it will be based on the advanced draft ER-PD and supporting documents.
47. The Validation process is divided into two parts: Part 1: Assessment of the GHG elements of the ERPD, and Part 2: Assessment of the non-GHG elements of the ERPD
48. To initiate Part 1, the FMT shares the complete advanced draft of the GHG Elements of the ER-PD and Contributor feedback with the VVB.
49. Upon the reception of the advanced draft draft of the GHG Elements of the ER-PD, the VVB shall prepare a Validation plan and a sampling plan in accordance with the requirements of the Validation and Verification Requirements.
50. Upon a desk review of documentation and a country visit, the VVB shall issue a list of findings to be addressed by the ISFL ER Program and revise the ER-PD.
51. All GHG-related Non conformity Request NCR and New Information Request shall be suitably closed out by the ISFL Country prior to issuing a positive Validation. Forward Action Requests issued during Validation shall be addressed prior to the submission of the first ER Monitoring Report and will be assessed by a VVB as part of the first verification.
52. The VVB initiates Part 2 of the assessment that consist in the review of the applicable⁴ non-GHG elements of the ER-PD.
53. Upon the reception of the advanced draft of the non-GHG Elements of the ER-PD, the VVB shall prepare a Validation plan and a sampling plan in accordance with the requirements of the Validation and Verification Requirements.
54. Upon a desk review of documentation and a country visit, the VVB shall issue a list of findings on the non-GHG elements of the ER-PD to be addressed by the ISFL ER Program and revise the ER-PD.
55. All non-GHG related Non conformity Request NCR and New Information Request shall be suitably closed out by the ISFL Country prior to issuing a positive Validation. Forward Action Requests issued during Validation shall be addressed prior to the submission of the first ER Monitoring Report and will be assessed by a VVB as part of the first verification.
56. The VVB follows up with the Program Entity until Part 1 and Part 2 of the assessment are concluded. The VVB issues a Validation Report following the requirements specified in the Validation/Verification Report template and the Validation and Verification Requirements
57. The final ER-PD (including both GHG and non-GHG related elements) and the Validation Report are submitted to the FMT.
58. The final ER-PD and the Validation Report are made public and the FMT informs Contributors of their availability in advance of the 'no objection' period.
59. A video/teleconference is held with Contributors to receive their feedback with FMT, VVB, and Task Team.

⁴ The firm will not assess compliance with World Bank Operational Policies and Procedures, including social and environmental safeguards

60. Once the 'No objection' period concludes, ISFL Programs proceed with ERPA negotiations for the ISFL ER Program based on the final ER-PD.

7.5 ERPA signature with the ISFL

7.5.1 ISFL ERPA Structure

61. The ISFL ERPA for each ISFL ER Program comprises of an ERPA Framework Agreement, ISFL ERPA Phase Agreement(s) and the ERPA General Conditions (together referred to as "ERPA").⁵ There is only one ERPA Framework Agreement for each ISFL ER Program and it covers the entire Term of the ISFL ERPA.
62. If Forward Action Requests are issued as part of Validation, they will be included in the ERPA in the form of World Bank Conditions of Effectiveness that need to be fulfilled by ER Programs during the Conditions Fulfillment period following the signature of the ERPA.

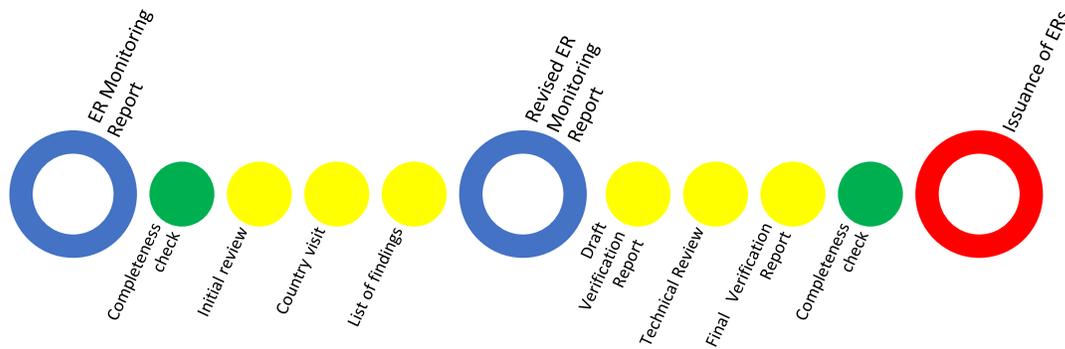
7.5.2 ISFL ERPA negotiation process

63. The complete ISFL ERPA negotiation process is detailed in the "ERPA negotiations process note".

7.6 Reporting and Verification

64. Verification will occur after Validation within each ISFL ERPA Phase and it will be based on the ER Monitoring Report that provides a description of the results of the program's implementation and reports on performance, in particular Emission Reductions generated. By completing and submitting the ISFL ER Monitoring Report, a program officially reports on its performance to the BioCF ISFL of the Reference Level of the ISFL ER Program and the carbon accounting system.
65. ISFL reporting and Verification include the following three phases.
 - a) The FMT performs a Completeness and quality check to the ISFL ER Monitoring Report
 - b) ER Monitoring Report: Upon the reception of the ER Monitoring Report, the VVB shall prepare a Verification plan and a sampling plan in accordance with the requirements of the Validation and Verification Requirements. Upon a desk review of documentation and a country visit, the VVB shall issue a list of findings to be addressed by the ISFL Program Entity and revise the ER Monitoring Report.
 - c) Revised ER Monitoring Report and supporting information: The VVB shall prepare a draft Verification Report that shall be subject to a Technical Review, upon which, it shall issue a final Verification Report. The final Verification Report shall be reviewed by the FMT, who may provide comments to improve its quality.

⁵ The ERPA Negotiation Process is based on several key legal documents, including the ERPA General Conditions, the default ERPA Term sheet, the ERPA Framework Agreement template and the ERPA Phase Agreement template. These are documents that have been prepared by the FMT and earlier versions were shared with BioCF T3 Participants. Upon acceptance of this note, the FMT will update and recirculate these documents for agreement.



66. Within forty-five (45) calendar days following the end of each Reporting Period, the ISFL Program Participant provides the FMT with an ER Monitoring Report for that Reporting Period following the ER Monitoring Report template.
67. The ISFL ER Program monitors and reports to the FMT on the implementation of the Safeguards Plans and Benefit Sharing Plan in accordance with the ERPAs.
68. The ISFL ER Country or its authorized entity sends the ER Monitoring Report and its annexes and any supporting documentation to the FMT, including information related to any previous FAR issued during Validation (in the case of the first monitoring event). The FMT reviews the ER Monitoring Report is complete and of sufficient quality (Completeness Check).
69. The FMT sends the ER Monitoring Report to a Validation and Verification Body (VVB) that has been previously selected by the FMT based on the World Bank’s procurement processes.
70. The VVB assesses the ER Monitoring Report following the Validation and Verification Requirements.
71. After the desk review and country visit, the VVB issues a draft report of findings that may include Non-conformity Requests (NCR), New Information Requests (NIR) and Observations (OBS).
72. Prior to issuing the first round of findings to the ISFL Country, the VVB shall submit the draft findings to the FMT for review and confirmation. The VVB shall not issue the findings to the ISFL Country until the FMT has completed its review and confirmed that the findings may be shared.
73. The ISFL Country proposes a solution for the findings raised by the VVB and sends the ER Monitoring Report and the Verification findings report back to the VVB and the FMT.
74. All Non-conformity Request (NCR), New Information Request (NIR), and Forward Action Request (FAR) issued during Validation (in the case of the first monitoring event) shall be suitably closed out by the ISFL Country prior to issuing a positive Verification Report.
75. Once the ER Monitoring Report is revised⁶ the VVB shall prepare a draft Verification Report that shall be subject to a Technical Review, upon which, it shall issue a final Verification Report.
76. The VVB issues a Verification Report following the requirements specified in the Validation/Verification Report template and the Validation and Verification Requirements.
77. Prior to the issuance of a final positive Verification Report, the VVB shall obtain confirmation from the FMT that the ISFL ER Program Entity has demonstrated its ability to transfer title to Emission Reductions (ERs) in accordance with ISFL ER Program Requirement Section 3.7.1.

⁶ Validation and Verification Requirements include requirements related to the issuance of positive opinions.

78. The VVB is not required to independently assess or opine on the legal validity of title transfer arrangements. However, the VVB shall verify that the ER Monitoring Report includes the required disclosure under Section 5.1 (Ability to transfer Title to ERs), and shall confirm with the FMT that no unresolved issues exist that would prevent the transfer of title to ERs generated during the Reporting Period.
79. The FMT posts the Verification Report and, if applicable, an updated version of the ER Monitoring Report on the ISFL website and notifies Contributors of the availability of the documents.
80. The Verification Report, along with the ER Monitoring Report must be submitted to the Carbon Asset Trading System (CATS) for issuance of ERs. ER Programs interested in generating CORSIA Eligible Emissions Units shall issue and submit to the FMT a Letter of Authorization (LOA) and other assurances to avoid double claiming before such units are labelled, following the requirements set out in Section 7.9 below. LOAs and related double claiming avoidance documentation will be made publicly available in CATS once they are received by the FMT.
81. ERs issued shall be administered by the Carbon Asset Trading System (CATS). Cancellations, Retirements, and Transfer of ERs occurs through CATS as per the CATS Terms and Conditions.
82. ERs under the ISFL can be issued only during the term of the ERPA. Once the ERPA Term is concluded, ISFL ER Programs that decide to continue trading credits under the CORSIA scheme shall transition to another standard approved by ICAO and adjust the program documents accordingly.

7.7 Issuance, Buffer, Transfer, and Payment

7.7.1 Issuance

83. Based on the VVB's Verification Report, and subject to applicable operational policies and procedures and ERPA provisions being complied with, the FMT determines and notifies the ISFL Country or its authorized entity of the amount of generated and Verified ERs for which the ISFL Country or its authorized entity has demonstrated its ability to transfer Title to ERs and which form part of the ER Transfer.
84. The Verified ERs shall be recorded in the ER program's Recording Account. A Fund Transaction Processor shall record the units either as Reported (from the Monitoring Report) or Verified (from the Validation and Verification Report). After the Fund Transaction Processor records and submit the transaction, the request goes to the Fund Manager for approval.
85. A Fund Transaction Processor can issue (partial/total) verified ER units from the Recording account selecting available units from a specific verification period. After the Fund Transaction Processor records and submits the transaction, the request goes to the Country Program Approver and the Fund Manager for the final clearance.
86. These certified Emission Reduction units are recorded in the issuance account as blocks. Each block shall be assigned a unique Global Carbon Ticker Code (GCTC). The mechanism of GCTC serialization consists of 14 elements, reflected as alphanumeric characters that can be described as:
 - a) Static Elements that never change throughout the block life-cycle and define the details and characteristics of the block origin; and
 - b) Dynamic Elements that are subject to continuous change through the block life-cycle and define current state and characteristics of the block in relation to the transactions which have been performed

87. An ER Program that wishes to label all or a portion of units as CORSIA-eligible units, whether at the time of issuance or after issuance, shall provide to the FMT the necessary documentation described in Section 7.9 below. Once the CORSIA-labelling is deemed approved by the FMT, the Fund Transaction Processor labels the relevant units as CORSIA-eligible units, taking into account any limits that may have been established by the ER Program in the LOA.

7.7.2 Buffer

88. If applicable, the FMT, following consultations with the ISFL Country or its authorized entity, determines and notifies the ISFL Country or its authorized entity of the amount of generated and Verified ERs that have to be deposited into the ISFL ER Program Buffer as Buffer ERs in accordance with the ISFL Buffer Requirements.

89. Serialized ER units (after issuance) are allocated in Buffer accounts to help manage both Uncertainty and Reversal Risks. Two separate ER Program-specific buffer reserve accounts are established:

- a) an 'Uncertainty Buffer' to create incentives for improving (reducing) Uncertainty associated with the estimation of ERs and manage the risk that the Emission Reductions were overestimated for prior Reporting Periods;
- b) a 'Reversal Buffer' to insure against potential Reversals.

90. A Buffer Transaction Processor selects the Issuance account and the action Buffer for Uncertainty/Buffer for Reversal, setting the discount percentage or the specific number of units from a specific Reporting Period. Once he/she records and submit the transaction, the request goes to the ISFL Country Program Approver and the Buffer Manager for the final clearance.

7.7.3 Transfer

91. From the Issuance account, and once the buffer discounts have been applied, the available serialized ER units from a specific Reporting Period can be transferred to the Participant's accounts. The Fund Transaction Processor can record and submit the transaction, 'Purchase Units' for Fund Manager's approval. These Purchased Certified Units must be allocated to the Participant Interim Non-Tradable or Tradable Accounts based on their contributions (once the Tranches are closed). A Fund Transaction Processor records and submit the transaction and the request goes to the Fund Manager for approval. The corresponding amount is credited in the Participant Interim Accounts waiting to be forwarded to the Participant's Non-Tradable or Tradable Accounts. Again, the Fund Transaction Processor records and submit the transaction and the request goes to the Fund Manager for approval.

92. Finally, a Participant Transaction Processor can initiate the operation of Re-Transferring ERs from the Participant Non-Tradable Accounts to the Program-specific Non-Tradable account (NDCs justification) for retirement. This request shall go to the Participant Approver and the Country Program Approver for approval (final clearance from the Fund Manager). The corresponding amount is credited in the Program Non-Tradable Account (holding accounts).

93. Allocating available serialized ERs from the Issuance account to the Tradable Country Program Account and transfer a specific amount to a Third-Party Buyer account (selling) is also possible once the buffer discounts have been performed and considering the specific ERPA conditions. The Fund Transaction Processor records and submit the transaction to the Fund Manager's approval and the corresponding amount is credited in the Program Tradable Account (holding accounts).

94. Any transaction beyond the ISFL BioCarbon Fund (i.e. third-party buyers purchasing ISFL ERs from Tranche 3 or directly from ISFL Countries), including CORSIA-labeled units shall be done through an external transaction mechanism with the eligible external transaction registries: ART Registry or Verra Registry.
95. The account holder in CATS (Tranche 3 or the ISFL Country) interested in selling the relevant ISFL units to third-party buyers shall request in CATS (transaction processor role) the cancellation of the relevant ISFL units with the purpose of reissuing ISFL units in an eligible external transaction registry. Upon the request by the transaction processor and the approval by the account holder approver and final approval by CATS Admin, the cancellation becomes effective, the relevant ISFL units are no longer active in CATS and a cancellation certificate is issued in CATS with the following minimum information: Transaction ID (origin account and destination account in CATS), Project ID, Project Name, Number of Cancelled ER Units, Block GCTC ID, Reporting/Verification Period, Certification Period, Purpose (Transfer to Other Registry -name of the registry-).
96. All labels provided in CATS to the block before being cancelled (i.e. CORSIA eligibility, ITMO, etc.), will be included in the cancellation certificate and will be replicated in the eligible external transaction registry. For CORSIA labeled units the account holder in CATS shall only request the cancellation and reissuance through ART Registry or Verra registry. The new serial number assigned by the eligible external transaction registry to the block will differ from CATS', but the external registry will show the original CATS' Block GCTC ID to enable tracking any transaction (cancellation/reissuance) between registries. All relevant documentation related to the program including but not limited to the ER Program document, Monitoring Report, Validation Report, Verification Report will be publicly available in the external registry as well as in CATS.
97. The cancellation certificate issued in CATS will then be sent to the Requestor and to the eligible external transaction registry, including all the necessary information for the eligible external registry to perform the reissuance of the ISFL units. The cancellation certificate used for for the re-issuance of CORSIA labeled units will include other relevant information such as whether they are CORSIA eligibility, CORSIA eligibility date, the CORSIA phase for which they are eligible, and whether a corresponding adjustment has been applied at the time of cancellation.
98. Once the Requestor has opened accounts in the eligible external transaction registry and paid the corresponding fees (those fees may include account opening, account maintenance, reissuance fee, et cetera), the eligible external transaction registry will reissue the relevant ISFL units in the Requestor's account, who may transact with any third-party within the same transaction registry. Once the ISFL units have been reissued in the external registry all the transactions are conducted in accordance with the procedures of the external registry.
99. For a detailed explanation of all Registry procedures consult the CATS Operational Guidelines (CATS Registry), ART Registry Operating Procedures, and Verra Registry User Guide, as applicable.

7.7.4 Payment by the ISFL

100. Within thirty (30) calendar days following receipt of the Buffer ERs in the ISFL ER Program Buffer, the ISFL Program Participant or its authorized entity provides the World Bank with a signed ER Transfer Form which documents the amount of Verified ERs to be transferred to the ISFL BioCarbon Fund.
101. Following the completion of an ER Transfer, the World Bank makes the payment to the ISFL Program Participant or its authorized entity in accordance with the ERPA.
102. The Trustee of the ISFL accounts for the pro-rated amount of ERs transferred to each Tranche of the BioCF ISFL and allocates a pro-rata share of ERs to each Tranche Participant.

7.8 Reversal Management after the Term of the ISFL ERPA

103. Section 10 of the ISFL Buffer Requirements specify provisions for Reversal Management Mechanism beyond the Term of the ISFL ERPA⁷ and the actions to be undertaken if the ISFL ER Program does not propose a RMM.
104. In accordance with Section 10.1 of the ISFL Buffer Requirements, if an ISFL ER Program transits into a new GHG program or standard, the applicable GHG program⁸ shall monitor for the Reversals and have in place a Reversal Management Mechanism to compensate for material Reversals for a period from the end of the Crediting Period to 31 December 2045.

7.9 Double Claiming requirements for CORSIA Eligible Emissions Units

105. ER Programs wishing to generate CORSIA-eligible units shall obtain a LOA from the Designated National Authority of the authorizing country and submit it to the FMT together with the request for labeling of units as CORSIA-eligible. Through the LOA, the ISFL Program Participant, in its role as host country shall:
- a) Identify the ER Program;
 - b) Acknowledge that the ER Program has, or may, reduce emissions and enhance removals in the country;
 - c) Acknowledge that the BioCarbon Fund has issued or intends to issue offset credits for the emission reductions and removals that occur in the country as a result of the ER Program activities;
 - d) Authorize the use of the ER Program's emission reductions and removals for other mitigation purposes, by aeroplane operators in order to meet offsetting requirements under CORSIA;
 - e) Declare that the country will not use the authorized emission reductions and removals to track progress towards, or for demonstrating achievement of its NDC and will account for their use by aeroplane operators under CORSIA by applying Corresponding Adjustments;
 - f) Specify the vintage and the maximum volume of the ER Program's emission reductions and removals issued as offset credits that the country authorizes for use,⁹ including any limits on the time period over which the country provides such authorization;
 - g) Optionally, include a request to the World Bank to provide information to the country on the use of offset credits; and
 - h) Declare that the country will report on the authorization and use of the ER Program's emission reductions and removals by other countries or entities in a transparent manner in its Initial, Regular and Biennial Transparency Report as required under Article 13 of the Paris Agreement.
106. A template for the LOA is presented in Annex 1, which includes mandatory elements LOA should contain.
107. To ensure that the emissions units covered by the LOA are not subject to double claiming in the relevant CORSIA compliance period, the ISFL Program Participant shall provide evidence, as outlined in paragraph 110, that the Corresponding Adjustment for the ERs covered by the LOA has been applied

⁷ These provisions ensure that ISFL ER Programs that wish to generate CORSIA eligible Emission Reductions need to inform the BioCF of their intention to transition to a "CORSIA Eligible Emissions Unit Programme" (as defined under CORSIA) one year before the end of the Term of the ISFL ERPA.

⁸ Such as a "CORSIA Eligible Emissions Unit Programme" as defined under CORSIA

⁹ Note that this number should be calculated using the Global Warming Potential values applied by the REDD Country in its reporting to the UNFCCC, particularly regarding its first Biennial Transparency Report, even if this value is different from the one used by the ER Program to estimate its emission reductions under the FCPF.

at the time of the request for labelling units as CORSIA-eligible. If such evidence is not provided, a guarantee must be presented to ensure that any double-claimed units (those for which corresponding adjustment has not been applied) will be replaced with an equivalent volume of ICAO-eligible units corresponding to the number of units that were double claimed by the ISFL Program (“Replacement Contribution”). In such case, the guarantee shall be submitted to the FMT as part of the request for labeling of units as CORSIA-eligible. To enable a robust guarantee, the ISFL Program shall issue a legally binding and enforceable LOA with commitments to applying Corresponding Adjustment and granting other carbon rights to buyers, as applicable. Such guarantee shall:

- a) Cover all units that have eligible unit dates within the relevant CORSIA compliance period, to which the LOA applies.
- b) Ensure that the ISFL will be fully financially compensated for the procurement of the Replacement Contribution for the double claimed units at the time they are needed. The Replacement Contribution will be CORSIA-eligible units that have not been sold or otherwise committed), and the FMT will cancel the Replacement Contribution to mitigate the ISFL Program Participant’s double claim of emission reductions.
- c) Cover losses arising from a government’s revocation and repudiation of its commitments to granting other carbon rights under the LOA.
- d) Be from a reputable third-party, an entity such as the Multilateral Investment Guarantee Agency (MIGA) or a World Bank-approved insurance mechanism.
- e) Have a coverage effective from when the CORSIA-eligibility label is applied to the emissions units, and at least until the FMT has verified that the Corresponding Adjustments were applied for all units used in the relevant CORSIA compliance period.

108. Once a LOA has been submitted by the ISFL Program Participant to the FMT and made publicly available on CATS, and relevant units have been labelled as CORSIA-eligible in CATS, it cannot be amended/updated even if a Corresponding Adjustment has not taken place. If the ISFL Program Participant has not applied the Corresponding Adjustment and decides to revise the scale and/or scope of the LOA, such as decreasing the volume of ERs authorized in the LOA to be used for CORSIA, the FMT will proceed to execute the actions in paragraph 112. On the contrary, if the ISFL Program Participant decides to increase the volume of ERs authorized in the LOA to be used for CORSIA, a new LOA shall be submitted to the FMT to cover for the additional volume, and the ISFL Program Participant will make a new request for labeling of units as CORSIA-eligible.

109. Within a year after the application of the adjustment was due to be reported by the host country (i.e., the ISFL Program Participant) to the UNFCCC under Article 13 of the Paris Agreement, the FMT will verify that the ISFL Program Participant has carried out a Corresponding Adjustment for CORSIA-eligible units covered by a LOA, confirming that :

- a) Such country has established and operates an accounting system for recording adjustments, and that the adjustment was recorded appropriately in such system and reported in the structured summary referred to in paragraph 77d of the Annex to UNFCCC decision 18/CMA.1 and paragraph 17 of decision 4/CMA.1. Valid evidence must clearly reference the offset credits (e.g., using unique identifiers or serial numbers) for which the ISFL Program has applied the adjustments;
- b) Any necessary adjustment was applied for the offset credit and reported in the structured summary referred to in paragraph 77d of the Annex to decision 18/CMA.1 and paragraph 17 of decision 4/CMA.1, noting that only credits issued from emission reductions covered by the country’s NDC (geographically and temporally) are deemed to require a Corresponding Adjustment.

110. Valid evidence that the ISFL Program Participant has carried out a Corresponding Adjustment for CORSIA-eligible units covered by a LOA includes:
- a) The structured summary included in the Biennial Transparency Report based on initial report and updated initial reports referred to in decision 2/CMA.3, annex, chapter IV.A (Initial report); and annual information, as referred to in UNFCCC decision 2/CMA.3, annex, chapter IVB (annual information) in the Agreed Electronic Format (AEF), in accordance with paragraph 77 (d) of decision 18/CMA (“Modalities, procedures and guidelines for the transparency framework for action and support referred to in Article 13 of the Paris Agreement”) and with Section IV C, paragraph 21 (c) of decision 2/CMA.3 “Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement” reviewed in accordance with Section V of the same decision.
111. The FMT will keep a publicly available record of any relevant documentation related to the application of double claiming procedures. The FMT will make publicly available in CATS and the applicable external registry and link it to each relevant issuance block, the relevant LOA submitted by the ISFL Program Participant together with any submitted evidence that the Corresponding Adjustment has been applied, or in its defect, the applicable Guarantee. The FMT will also record in CATS and the applicable external registry the actions taken to obtain evidence that the Corresponding Adjustments were applied, including of the type of evidence found. Once the FMT acquires evidence that the respective Corresponding Adjustment has been applied, the relevant CORSIA-eligible units will be tagged to indicate that they have been subject to such adjustment.
112. Where the FMT is unable to obtain evidence of the Corresponding Adjustments after a year since the moment the Corresponding Adjustments were due to be reported by the ISFL Program Participant in the structured summary included in its Regular Report and/or Biennial Transparency Report under Article 13 of the Paris Agreement, or if the ISFL Program decides to revise the scale and/or scope of the LOA, such as decreasing the volume of ERs authorized in the LOA to be used for CORSIA, the following actions will ensue:
- a) The FMT will inform the UNFCCC and ICAO’s relevant bodies accordingly.
 - b) The emissions units covered by the LOA for which the Corresponding Adjustment could not be verified shall be subject to compensation by the ISFL Program participant following the guarantee provisions referred to in paragraph 104.
 - c) The FMT will procure and cancel the associated replacement contribution to mitigate the ISFL Program Participant’s double claim of emission reductions.
113. The FMT will elaborate, publish and share with UNFCCC and ICAO’s relevant bodies, on a yearly basis, reports with aggregated information on:
- a) Total units issued by country, calendar year, and needing an adjustment;
 - b) Total units issued;
 - c) Issued and covered by a LOA;
 - d) Qualified as CORSIA eligible;
 - e) Cancelled to meet offsetting requirements under CORSIA;
 - f) Cancelled for purposes other than meeting offsetting requirements under CORSIA.
 - g) Total CORSIA Eligible Emissions Units cancelled by aeroplane operator for each compliance period to meet offsetting requirement under CORSIA;
 - h) Maximum number of emission reductions and removals from ER Programs authorized by countries through LOAs for use by other countries and entities by country and year.

114. In cases where an ER Program is located uses different Global Warming Potentials than those applied by the ER Program in accordance with the Methodological Framework, the FMT will provide the information described above using the GWP used by the country, so as to facilitate the consistent estimation and reporting by countries of the number of credits issued or cancelled.

Annex I. LOA template

Model Letter of Authorization

To: [Address]

[place, date]

ISFL Program designated authority for authorization (“Authority”)	[insert name of government authority and official]
Contact details for ISFL Program Authority	[insert contact details]
Name of Applicant	[insert contact details for entity seeking authorization]
Date of letter	[insert date]
Effective date of Authorization	[insert date]
Expiration of Authorization	[insert date]

The Authority confirms that [ISFL Program X]:

- [Is a Party to the Paris Agreement, having ratified the agreement on [insert date].]
- [Has prepared and communicated a “nationally determined contribution” (“NDC”) to the secretariat of the UNFCCC on [insert date of NDC submission], in accordance with Article 4.2 of the Paris Agreement and decision 4/CMA.1]
- [Has arrangements in place for authorizing the use of internationally transferred mitigation outcomes (“ITMOs”) towards [Country X]’s NDCs pursuant to Article 6 of the Paris Agreement and arrangements in place for tracking ITMOs.]
- [Has provided a recent national inventory report in accordance with decision 18/CMA.1 on [insert date].]
- [Its participation contributes to the implementation of its NDC [and long-term low-emission development strategy], and the long-term goals of the Paris Agreement.]
- [Is participating voluntarily in the cooperative activity described in this letter.]

This Authorization is irrevocable and in reference to the specific cooperative approach identified below:

Name of cooperative approach	[insert name of ER Program]
Unique identifier of the cooperative approach	[Insert the unique identifier obtained from the centralized accounting and reporting platform, where available]
Date and duration of the authorization	[Insert the date and duration of the authorization, including the final date for mitigation outcomes to be issued, or to be used or cancelled, in connection with the first transfer specified by the Party]
Specification of first transfer for the mitigation outcome	[Insert the specification of the first transfer of the mitigation outcome, as specified by participating Parties]
Information on changes to the authorization	[Insert information on the circumstances in which such changes may occur and a description of the process for managing them in a way that avoids double counting]
Program Entity	[insert name and full contact details]
[Public program participants/proponents]	[insert name and full contact details]
[Private program participants/proponents]	[insert name and full contact details]
Name of Crediting Framework	ISFL BioCarbon Fund
Identification of underlying regulations, frameworks, standards or procedures	[Insert The identification of or cross-reference to underlying regulations, frameworks, standards or procedures, including any specific methodologies underpinning the cooperative approach]
Program Document	[insert reference]
NDC Implementation Period	[insert Host Country's NDC time frame]
Metrics of measurement and GHG covered	[Insert the metrics and units of measurement or conversion and the greenhouse gases covered by the authorization]
Vintage years of the ITMOS	[all years during which mitigation outcomes will be verified]
Sector	REDD+
Activity type	[insert a description of the activity type]
Location of activity	[insert geographic location]
Party intending to use ERs	[insert party]
Type of Authorized use	[insert use] [for use for other international mitigation purposes, specify how "first transfer" is defined consistently with Paris Agreement Rules]
Volume of Authorized ITMOS	[insert total volume of ITMOS Authorized]
Registry	[insert Registry intended to be used to effectuate Transfer of ITMOS]

In terms of the cooperative approach specified above, the Authority confirms the following:

- It (i) promotes sustainable development and environmental integrity in [ISFL Program] and (ii) relates and contributes to the implementation of its nationally determined contribution (NDC)
- [ISFL Program X] shall not use the internationally transferred mitigation outcomes (ITMOs) from ERs Authorized pursuant to this Authorization Letter to demonstrate achievement of its own NDC.
- [ISFL Program X] will apply [Indicative Corresponding Adjustments]/[Corresponding Adjustments] as required by the Paris Agreement and its implementing rules (Paris Agreement Rules) for ERs authorized pursuant to this Authorization Letter, using [*insert method*];
- The Applicant has the right to rely on this Authorization for future transfers, provided that all conditions specified for transfer are met and that this Authorization is based on true and accurate information provided by the Applicant upon which the Authority has the ability to rely for the decisions herein; and
- In the event any information provided by the Applicant is inaccurate or is modified during the duration of this Authorization, Applicant has the responsibility to notify the Authority immediately and provide necessary information.
- The Authorized mitigation outcomes represent mitigation from 2021 onwards.

This letter of authorization is done in two (2) originals in the English language.

Sincerely,

By _____

[Name of Signatory]

Document history

Version	Date	Notes
1.0	April 2020	Version to be approved by ISFL Contributors.
2.0	March 2021	The process for the assessment of the ER-PD and for validation has been updated to clarify that the Validation assessment has been divided in two parts: Part 1: Assessment of the GHG elements of the ERPD, and Part 2: Assessment of the non-GHG elements of the ERPD. This version has been approved by ISFL Contributors
2.1	February 2023	Small edits have been included to clarify the process for dealing with Forward Action Requests issued during Validation
2.2	June 2023	Section 7.9 and Annex 1 (and related edits throughout the document) were added to address the risk of double claiming of CORSIA-eligible units.
2.3	March 2024	Annex 1, section 7.9 and paragraphs 77, 83, 84 have been adjusted/included to clarify the mechanisms to compensate double claimed ER units in the context of CORSIA eligible units.
2.4	March 2025	<p>Paragraphs 90-95 were added to describe the process for transacting ERs with third parties beyond the ERPA.</p> <p>Paragraph 104 was adjusted to clarify the procedure to compensate, replace or reconcile double claimed ERs, in the context of CORSIA.</p> <p>The LOA template was updated to reflect the outcomes of COP29 on this subject.</p>
2.5	March 2026	<p>Clarified verification procedures to require (72) prior FMT review and confirmation before issuance of the 1st round of findings to the ISFL Country, and (77) mandatory FMT confirmation of the Program Entity's ability to transfer title to ERs prior to issuance of a final positive Verification Report.</p> <p>Paragraphs 94 and 96 were revised to include ART Registry, and 99 was revised to include ART Registry Operating Procedures.</p> <p>Paragraph 104 was revised to monitor for the Reversals and have in place a Reversal Management Mechanism to compensate for material Reversals for a period from the end of the Crediting Period to 31 December 2045.</p>

		Paragraph 110 was revised to update the evidence needed to demonstrate that the ISFL Program Participant has carried out a Corresponding Adjustment for CORSIA-eligible units covered by a LOA.
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