

FIJI AND INTERNATIONAL CARBON MARKETS:

STRATEGIC ENGAGEMENT OPTIONS,
REQUIREMENTS AND CONSIDERATIONS

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EMERGING VIEWS

Bilateral Agreements

- Most appropriate for large investments that involve cost sharing with the private sector
- Require close government oversight and deepened technical collaboration with the private sector

Multiple individual voluntary projects

- Voluntary market provides flexibility and scalability that may better fit the differing needs of communities and support their stewardship of the natural environment.
- Communities are most 'ready' to engage in and benefit from Forestry-based carbon offset projects.
- Community projects should treat carbon offsetting as one of various benefits the project seeks to enable.
- Fiji has small land area, land owning units that involve many individual rights holders, and well-established traditional governance systems. For projects to engage effectively – a minimum carbon price needs to be established and a clear pathway for enabling FPIC and clarifying reporting needs to government clarified.
- Build in coverage of lease fees

Leveraging financing without the selling of credits

- Remember that carbon markets are a specific form of potential financing and other means exist to achieve similar objectives
- Must remember that in some cases developing robust proposals for donor financing or international grants would be more effective use of resources
- Payment for ecosystem services / conservation in the form of grants.
- Nakau concept of 'contribution credit'

SET A PATH THAT IS RIGHT FOR FIJI

Fiji Legislative Framework

- Regulations are in development
- Protection for landowner interests
- Additional value for landowners
- Requires clarity on leasing / licensing arrangements

Homegrown methods and solutions

- Develop methodologies that work for Fiji but can also support wider PSIDS approaches
- Encourage involvement of academia and civil society in the development of project methods and approaches
- Access funding to support development of project methods and scoping
- Improve understanding of the potential for carbon markets to support specific national goals

Identify a small group of impactful partners

- Work with partners that have interest in Fiji's priorities and the expertise to add value to priorities
- Fiji has limited tradable offset potential but has opportunity to produce high value high integrity offsets for a limited number of transactions.



PRICING, INVESTMENT NEEDS AND PRIORITIES

1. Developng 'home grown' methodologies for understanding and costing-in co-benefits will help to justify higher carbon price and attract the right investors
2. Project Pipeline – identify emission reduction opportunities that are unlikely to be realised without significant additional financing. Where is additional finance most urgently required.
3. Prices are volatile and uncertain, but a minimum amount per tonne is required on average to make activities in Fiji feasible ...

Urgent development needs that can be supported by carbon market transactions and projects?

- Community resilience
- Disaster risk management
- Livelihood diversification
- Decarbonisation

MOVING TOWARDS A MINIMUM CARBON PRICE

Should Fiji set a minimum floor on the carbon price Fiji will accept per tonne for specific sectors or activities (or across the board)?

For Buyers

- Clarifies expectations
- Attracts buyers that have legitimate interest in supporting sustainable development outcomes – not just offsetting carbon
- Attractive – limited amount for sale

- May limit opportunities
- Would need to be reviewed as market evolves – 5 year reviews?

For Project Developers

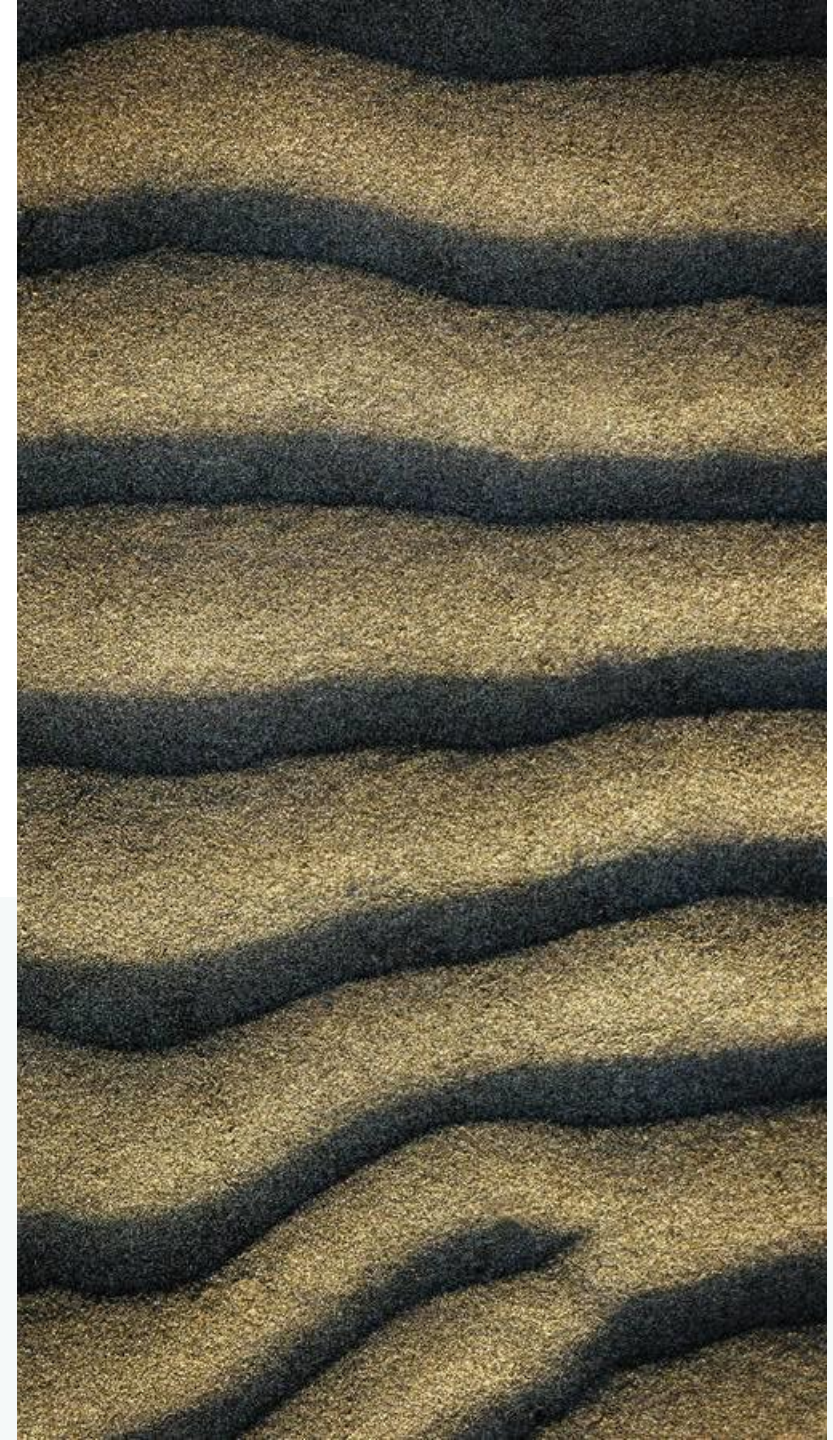
- Enables financial modelling
- Would support consultation needs

For Communities and Government

- Reduces price volatility and simplifies negotiations
- Helps create consistency from which to regulate the market
- Helps to 'weed' out the ill-legitimate actors
- Helps private sector actors to calculate required contribution share on a prospective investment

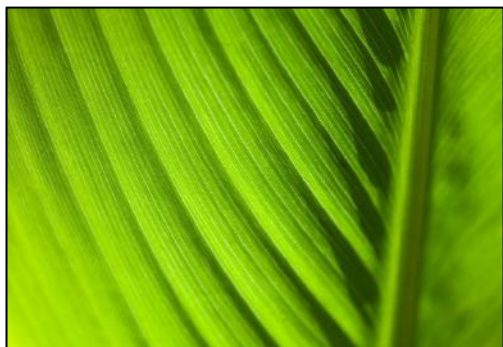
DEMAND-SIDE INTEGRITY

- Fiji / PSIDS have a moral/ethical role that must continue to remain intact.
- The severity of the risk faced by PSIDS means that we cannot engage in agreements that have questionable 'environmental integrity'
- Who we engage with is key
- Government must play a role in vetting incoming carbon projects as there is potential for Fiji's stakeholders to become involved with agreements which direct offsets towards questionable actors / end users.
- An agreement which creates questionable outcomes and supports questionable interests could erode Fiji's positions and values. This would be a high cost to pay for marginal benefit.





NDC Progress

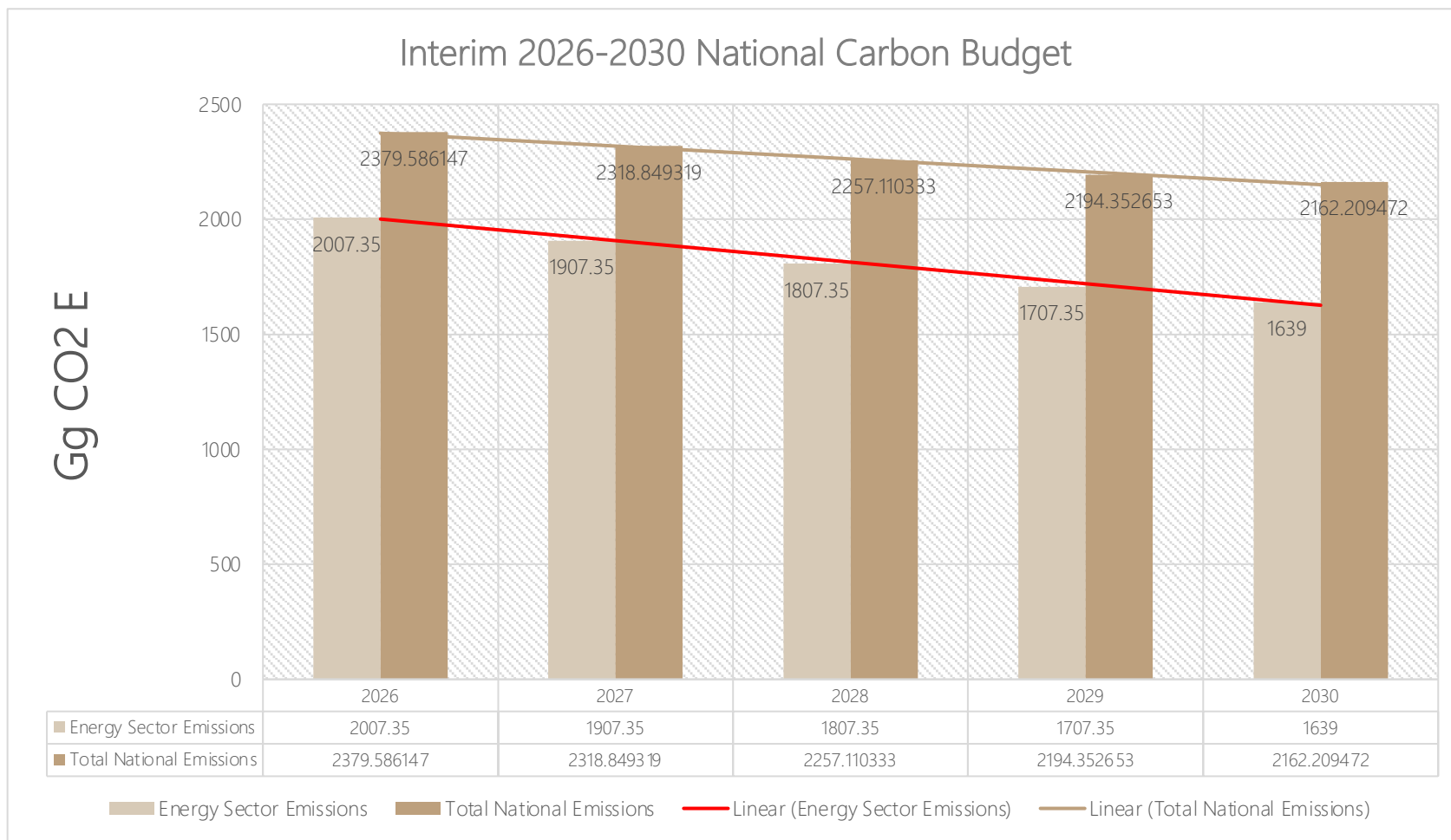


Abatement Potential

What is the extent of the potential additional GHG reductions or removals that can be achieved?

IS FIJI ON TRACK?

A shared interest? – not just a political commitment.



1. Should Fiji wait to confirm NDC progress / achieve unconditional NDC before selling credits? Or will the sale of carbon credits help support emissions reduction efforts?
2. Should a minimum and maximum number of credits be agreed to help mitigate risk over the NDC period? Is there risk of overselling credits?
3. How will Fiji approach its single year 2030 NDC targets - when reviewing the NDC in 2025?
4. How should the difference between Fiji's conditional and unconditional targets be treated in relation to the amount of carbon credits Fiji can commit to selling?

Article 6 of the Paris Agreement

DECISION TREE

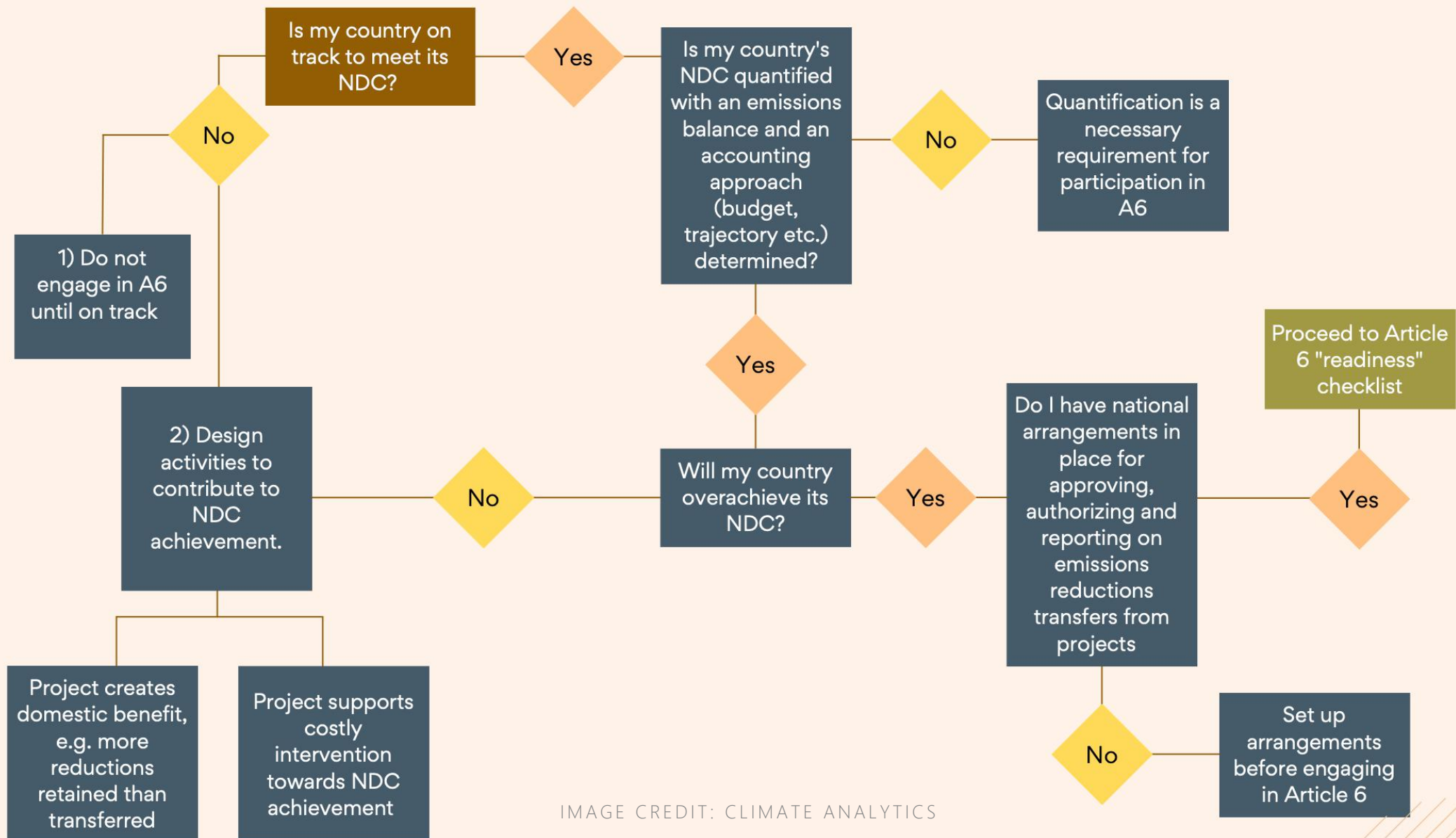


IMAGE CREDIT: CLIMATE ANALYTICS



IMPLEMENTATION CAPACITY

1. Consider capacity available in country to support the project activities – How to reduce dependency?
2. In each instance - How difficult will it be to achieve the objectives of the project? Is there risk of failure? How will risks be managed?
3. What technical assistance requirements should be costed and built into the projects?



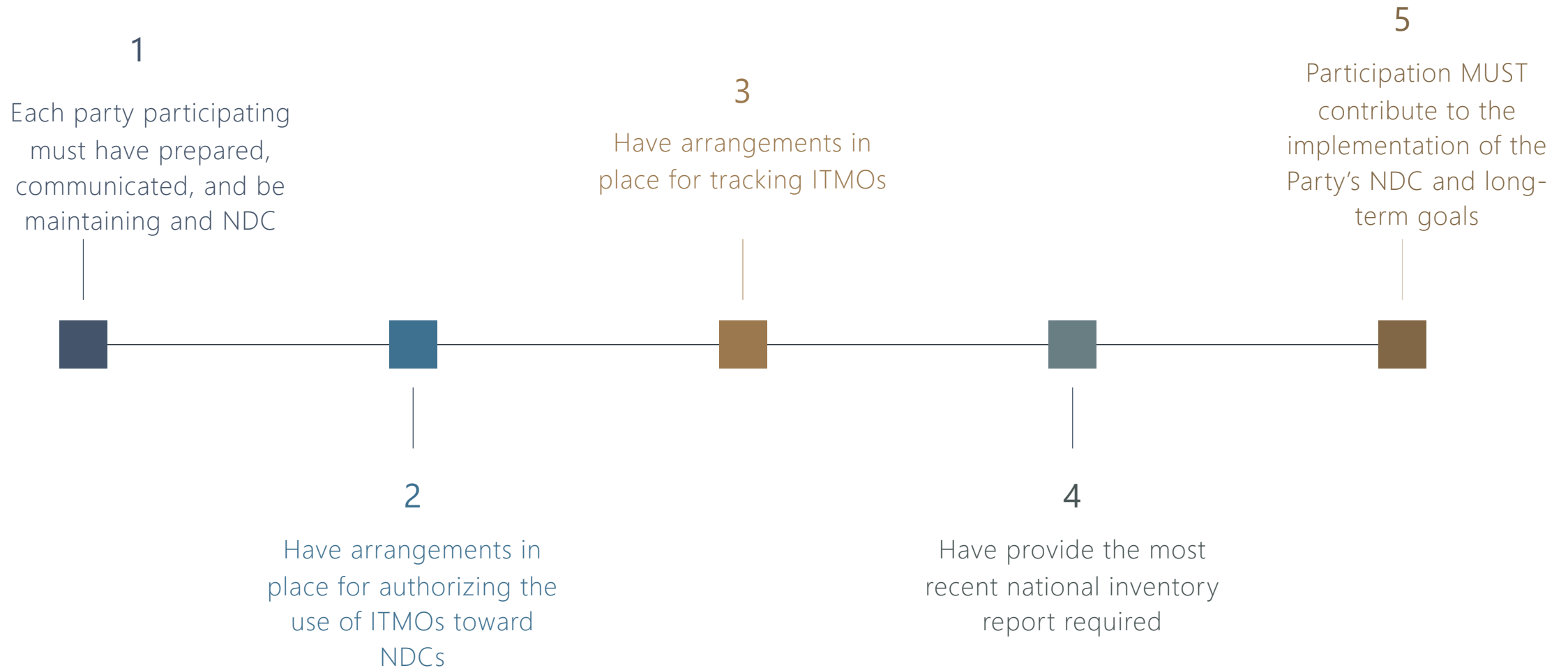
ENABLING ENVIRONMENT AND LEGAL FRAMEWORK

1. Legal authority to transfer title
2. Independent power producers
3. Linkage between legal process and traditional governance systems
4. Robust process for securing free, prior, and informed consent

BILATERAL AGREEMENTS (ARTICLE 6.2)

- Require corresponding adjustments
- Require focus on NDC achievement
- Most appropriate for large investments that involve cost sharing with the private sector
- Require close government oversight and deepened technical collaboration with the private sector
- Have potential to help fund a range of projects through partnerships between private sector companies

ARTICLE 6.2 INITIAL PARTICIPATION REQUIREMENTS



Keep options open
but prepare for
complexity

ALLOW
VOLUNTARY
TRADING AND
AND PURSUE
BILATERAL
AGREEMENTS

Allow hybrid mix of
arrangements to
co-exist.
Government
regulates
transactions and
makes
corresponding
adjustments

Open market –
with minimal
safegaurds

ALLOW
VOLUNTARY
TRADING
WITHOUT
VALIDATION

Voluntary market is
allowed to operate
but Government
does not verify the
credits or make
corresponding
adjustments

Closed to Market –
Pursue other
sources of financing

DO NOT
TRADE ITMOS
AND MINIMIZE
TRADING

Use all emissions
reductions towards
NDC. Dissuade use
of voluntary market.

Focus on bilateral
and compliance
based options

ONLY TRADE
ITMOS – BUT
FOR VARIETY
OF PURPOSES

Trade ITMOS from a
range of sectors to
support investment
into both resilient
development
outcomes and NDC
achievement

Sector
Specific
Transactions

TRADE ITMOS
–BUT ONLY TO
SUPPORT NDC
ACHIEVEMENT
FOCUS

Trade ITMOS from
sectors that require
investment to
enable emissions
reductions for NDC
achievement

POLICY SETTINGS

SHORT TERM PRIORITIES

1. Consider providing recommendations in the roadmap that could inform the approach to the 2025 NDC Review
2. Progress the development of the Part 10 regulatory framework – but do so with attention to the principles of the roadmap
3. Seek clarity on the types of credits that Fiji will authorize and in which cases that a corresponding adjustment will be required to be made.
4. Be proactive in negotiations to ensure the needs and circumstances of small island countries and indigenous landowners are not under-represented by systems that are not designed in the interest of the most vulnerable (consider deepened engagement on Article 6.8).
5. Civil Society and Private Sector engagement is needed to support achievement of Fiji's NDC. Government to help provide support to actors and projects that are doing 'good work' in Fiji and help to distinguish best practice from malpractice.



SECOND NATIONAL CONSULTATION
NATIONAL CARBON MARKET STRATEGY
ROADMAP

THANK YOU



Climate Change Division
Office of the Prime Minister

