Jurisdictions are invited to provide a cover letter template in their proposal submission.

Please note that in signing this form, you recognize that at a future stage, we will negotiate in good faith with a view to mutually fair and acceptable terms of a transaction through an Emissions Reduction Purchase Agreement (ERPA) with the LEAF Coalition participants via Emergent, acting as coordinator of Coalition.

Please note that the terms of the LEAF Call for Proposals (CFP) does not include removals due to the fact that ART/TREES 2.0 has not been finalized yet. Once the final version is published, all provisions therein will apply, and thus removals are expected to be eligible, and corresponding information will be requested of interested jurisdictions.

At this stage, jurisdictions are encouraged to provide succinct and clear responses with relevant links to this template. The LEAF Coalition participants recognize that the timeline for submission is short and as such does not expect complete and thorough explanations. Rather, we seek indication of willingness and ability to provide emission reductions to LEAF Coalition contributors according to the terms specified in the CFP. Please note that these answers are considered preliminary. If selected, Emergent will follow-up with further questions on a case-by-case basis.
Proposal submitted by the Republic of Costa Rica (referred to as “Supplier” in this document)

<table>
<thead>
<tr>
<th>Institution name:</th>
<th>Ministry of Environment and Energy (MINAE) Costa Rica</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country:</td>
<td>Costa Rica</td>
</tr>
<tr>
<td>Focal point’s name, title:</td>
<td>[redacted]</td>
</tr>
<tr>
<td>Email address:</td>
<td>[redacted]</td>
</tr>
<tr>
<td>Telephone:</td>
<td>[redacted]</td>
</tr>
</tbody>
</table>

Brief description of legal authority to represent country or jurisdiction:

The legal authority of the Ministry of the Environment and Energy to engage on forest carbon transactions on behalf of Costa Rica derives from the article 50 of Constitution, the General Environmental Law N. 7554/1995, the Forest Law N. 7.575/1996 and the General Law N. 7.152/1990. Pursuant to Law No. 7788 Law on Biodiversity of April 8, 2008 and its Regulations, Executive Decree No. 34433-MINAE as amended, the Minister of Environment and Energy, in the exercise of her power over the sector of natural resources, has the legal authority to commit the Government of Costa Rica, to a transaction of emission reductions covered by international legal instruments derived from the application of the Climate Change Convention, its protocols and the agreements of the Conferences of the Parties, within which the REDD+ mechanism. Given the above the Minister of the Environment and Energy is the authorized representative with the final authority to sign agreements on behalf of the Government of Costa Rica.

Please check applicable category that best defines your institution:

- [ ] National government
- [ ] Sub-national government(s) (please specify applicable administrative level of government. If more than one subnational jurisdiction, please specify)

Please confirm that:

- [ ] The boundaries of a subnational accounting area correspond with the entire area of one or several administrative jurisdictions no more than one level down

- [ ] from national level and one or several recognized indigenous territories; Total forest area of at least 2.5 million hectares;

- [ ] The national government will provide the participant with a letter from the relevant national entity authorizing the Participant’s application to and participation in ART.
Recognized indigenous communities (TBC – depending on inclusion under the finalized ART TREES 2.0)¹

Please confirm that:

- The boundaries of a subnational accounting area correspond with the entire area of the territory/territories;

- Participating territories must be comprised of a total area (forest and non-forest) of at least 2.5 million hectares;

- The national government will provide the participant with a letter from the relevant national entity authorizing the Participant’s application to and participation in ART.

Expression of Consent

☑ The Supplier, by checking the box, agrees to negotiate in good faith towards entering into an Emission Reductions Purchasing Agreement (ERPA) with interested LEAF Coalition participants if the proposal is assessed as eligible.

Please note: if a proposal overlaps geographically with another proposal, the LEAF Coalition will require a plan for how the two potential Suppliers will distribute benefits amongst themselves as well as the Supplier Country’s authorization in the form of a letter, in accordance with ART/TREES.

Date of submission: July 30th, 2021

Name of authorized representative:
Andrea Meza Murillo – Minister of Environment and Energy of Costa Rica

Signature

¹ Under the proposed draft of TREES 2.0, “Participants shall be national governments (i.e., the highest level of government that exists in the country), subnational governments no more than one level down from national level, or recognized indigenous communities provided the requirements in section 3.1.1 are met.” The ultimate eligibility of Indigenous communities’ jurisdictions will depend on the definition of jurisdiction under the finalized ART TREES 2.0.
1. **Forest Emission Reduction Targets** *(500 words excluding links and appendices)*

Please provide a narrative and applicable links, outlining Supplier’s forest goals related to emission reductions from REDD+\(^2\), for example, 2030 zero deforestation goals.

Costa Rica’s Nationally Determined Contribution (NDC) commits to net emissions of 9.11 MtCO\(_2\)e by 2030, including all gases and sectors covered by the National GHG Inventory. This ambitious goal is consistent with the trajectory of the National Decarbonization Plan, the Long-Term Strategy (2019) to achieve **net zero emissions by 2050**. Costa Rica commits to hold absolute net emissions below 106.53 MtCO\(_2\)e for the period 2021 to 2030.

Costa Rica's NDC offers the following commitments for the forest sector:

- **C 8.1.** Costa Rica is committed to promoting nature-based solutions.
- **C 8.2.** By 2030, Costa Rica will have strengthened the indigenous cultural conservation system.
- **C 8.3.** By 2030, Costa Rica will have maintained and improved the Payment for Ecosystem Services program.
- **C 8.4.** In 2030, the country will increase and maintain its forest cover to 60%, while not competing with the agricultural sector.
- **C 8.5.** In 2030, the country will maintain a zero-deforestation rate in mature forest.
- **C 8.6.** By 2030, adaptation based on ecosystems within and outside the State's Natural Heritage will have been promoted through the conservation of biodiversity in biological corridors, private reserves, indigenous territories, agricultural farms, and the integral management of natural and cultural heritage, among others.
- **C 8.7.** By 2030, the application of silvopastoral and agroforestry systems will increase by 69,500 hectares.
- **C 8.8.** By 2030, 1,000,000 hectares of forest cover, including secondary forests, will have been managed in a way that avoids land degradation and favors biodiversity.
- **C 8.9.** By 2030, Costa Rica will be implementing the Territorial Forest Environmental Plans, jointly with indigenous territories, as an instrument for implementing the National REDD+ Strategy.

The key policy for the implementation of Costa Rica’s NDC for the forest sector is the **National REDD+ Strategy** (2017 – 2025), developed from 2011 to 2015 through a national participatory process that considered all the social, political and environmental risks derived from the Cancun Safeguards. Costa Rica’s National REDD+ Strategy includes five policies, with quantifiable and

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\(^2\) Reducing emissions from deforestation and forest degradation in developing countries, and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries
The Government of Costa Rica has submitted a TREES Concept to ART in December 2020. This is a national submission, fully aligned with Costa Rica’s NDC, the REDD+ National Strategy and its forest definition. The information for the PLANT TREES assessment based on v1, for the TREES concept submitted by Costa Rica in 2020, is presented below.
Costa Rica plans on submitting a TREES Registration Document to ART by the end of 2021 which will include all emissions from forest remaining as forest (covering both deforestation and forest degradation) considering TREES v2. Since “inherited removals” were not considered eligible by TREES v.2, Costa Rica will not be able to include this activity in its submission to ART, therefore no recognition will be given to this important restoration and reforestation efforts undertaken since 2000.

A preliminary PLANT assessment conducted by UNDP of TREES v.2 requirements shows high compliance with TREES requirements.
The main requirements that will require further assessment and/or additional efforts from Costa Rica are:

- **4.1.1.** Deforestation in natural forest and planted forest should be assessed and reported separately.
- **4.3.** Inclusion of soil carbon or its demonstration that is not a significant pool.
- **3.2.1.** Having either a digital or analog system for providing information on safeguards.
- **4.1.1.** Deforestation in natural forest and planted forest should be assessed and reported separately.
- **4.1.1.** Conditions specific to pixel counts from wall-to-wall maps.
- **4.1.2.** Emission factors shall be re-evaluated and where necessary updated every five years in line with crediting Level updates.
- **4.5.** Participants must demonstrate that no potentially significant source of emissions has been excluded.

Carbon estimates and quantification approaches are expected to be fully alignment with the most recent IPCC guidance and guidelines and to conform with best practices. Uncertainties will be assessed on both activity data and emission factors, using Approach 2 (Monte Carlo simulation).

Costa Rica also faces important challenges in terms of collecting clear proof of ownership of ERs. The country is undertaking an expensive and time-consuming process through which rural landowners cede their rights to the government in exchange for payments. With payments received from the GCF for results achieved in 2014 and 2015, Costa Rica is working to fill these gaps to allow for its registration by the end of 2021. It is likely that by then, only about 55% of the total results will meet the legal requirements.

All TREES readiness efforts have so far been financed by Costa Rica with results-based payments resources received from the GCF, but the country may require additional support in order to move forward with its LEAF submission.

### 3. Capacity building/technical assistance needs (500 words excluding links and appendices)

*If applicable, please summarize the capacity gaps and needs for support identified as necessary to meet ART/TREES requirements, and plans to address these gaps before submitting validation/verification documents to ART. This information will be critical for planning purposes.*

Few technical capacity gaps and needs related to specific ART/TREES requirements have been identified through the PLANT assessment conducted by UNDP. For every gap, plans are being developed with resources received from payments made by the GCF, although additional resources may be needed in order to achieve full compliance in due time. The objective is to
fully address all gaps before submitting the TREES Registration Document to validation/verification (a VVB has already been hired for this process). These ART/TREES requirements and associated gaps, needs and plans are as follows:

• **3.2.1. Having either a digital or analog system for providing information on safeguards.** This system is currently under development. More information on: http://reddcr.go.cr/sites/default/files/docs/redd_hoja_6_sis.pdf

• **4.1.1. Deforestation in natural forest and planted forest should be assessed and reported on separately.** The country currently prepares land use maps based on satellite images and classification procedures that don’t ensure a precise differentiation between natural forests and forest plantations. Costa Rica requires technical and financial support to implement improved methodologies for estimating differentiated activity data for natural forests and forest plantations.

• **4.1.1. Conditions specific to pixel counts from wall-to-wall maps.** Costa Rica currently uses wall-to-wall maps to identify and estimate activity data and performs bias-corrected estimation on simplified maps with only two categories: forest and non-forest. Due to the large number of transitions resulting from the cartographic comparison of land-use maps and lack of high-resolution historical images to determine the age of forests during the visual assessment of land-use change, it is not possible to ensure bias-corrected area estimate for all transitions. Costa Rica requires support for implementing procedures for the bias-correction of areas of the entire set of transitions.

• **4.1.2. Emission factors shall be re-evaluated and where necessary updated every five years in line with crediting Level updates.** Nowadays, emission estimates have been calculated using emission factors from the 2013 National Forest Inventory (NFI). Costa Rica has not updated the NFI yet. A new survey is under preparation but requires financial support to expand the coverage.

• **4.5. Participants must demonstrate that no potentially significant source of emissions has been excluded.** Nowadays, Costa Rica does not include Soil Organic Carbon Pool. Insufficient information/data is available to properly estimate this primary carbon pool. Costa Rica requires financial and technical support to determine country specific SOC emission factors.

4. **High Forest Low/Deforestation (HFLD) (if applicable, 500 words excluding links and appendices)**
Please indicate whether the Supplier expects to qualify as HFLD according to the criteria in the draft TREES 2.0 and whether the Supplier proposes to make available emission reductions under LEAF according to a future, approved HFLD -methodology in TREES. Please note that expressing expectation to do so is not binding.

Even though Costa Rica has a forest cover area greater than 50% and an annual deforestation rate less than or equal to 0.5% during the 2016-2019 period, the country does not reach the 0.5 score threshold required to qualify as HFLD (using the methodological approach currently been proposed by ART/TREES).

A preliminary estimation of Costa Rica HFLD score is presented below:

<table>
<thead>
<tr>
<th>Reference period Year</th>
<th>HFLD Score</th>
<th>FCS</th>
<th>DRS</th>
<th>FC %</th>
<th>DR %</th>
<th>Score threshold</th>
<th>Pass</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0.3398</td>
<td>0.1118</td>
<td>0.2279</td>
<td>61.18%</td>
<td>0.27%</td>
<td>0.50</td>
<td>No</td>
</tr>
<tr>
<td>2017</td>
<td>0.3454</td>
<td>0.1174</td>
<td>0.2279</td>
<td>61.74%</td>
<td>0.27%</td>
<td>0.50</td>
<td>No</td>
</tr>
<tr>
<td>2018</td>
<td>0.4410</td>
<td>0.1132</td>
<td>0.3278</td>
<td>61.32%</td>
<td>0.17%</td>
<td>0.50</td>
<td>No</td>
</tr>
<tr>
<td>2019</td>
<td>0.4402</td>
<td>0.1123</td>
<td>0.3278</td>
<td>61.23%</td>
<td>0.17%</td>
<td>0.50</td>
<td>No</td>
</tr>
<tr>
<td>2020</td>
<td>0.4402</td>
<td>0.1123</td>
<td>0.3278</td>
<td>61.23%</td>
<td>0.17%</td>
<td>0.50</td>
<td>No</td>
</tr>
</tbody>
</table>

5. Estimate of ART/TREES crediting level (non-binding)

Please provide an estimate of the ART/TREES crediting level, including annual estimates used to develop the crediting level, and links to further methodological descriptions of these estimates. We understand that these estimates are based on assumptions and will not be final.

Please indicate a tentative selection of baseline years, consistent with the ART-TREES standard.

Please indicate the assumptions made in the emission reduction volume calculations.

Please provide a link to relevant public documentation or reporting (e.g. National Communications)

Costa Rica has submitted a TREES Concept in 2020 which allows the country claim for TREES units from 2016 to 2020. The first crediting level to be submitted to ART will consider the average of emissions from deforestation and forest degradation for the period 2011 to 2015. The subsequent ER TREES period (2021-2025) will be the one offered to the LEAF initiative and has as a crediting level that considers the average emissions from deforestation and degradation for 2016 -2020. This updated crediting level is lower than the previous crediting level.
The complete description of the methodologies of the forest emissions estimation process can be consulted in the First Monitoring Report submitted to the FCPF Carbon Fund.

**Table 1:** Estimate of the ART/TREES crediting level, including annual estimates used to develop the crediting level.

<table>
<thead>
<tr>
<th>Period</th>
<th>Year</th>
<th>Emissions from deforestation (tCO2e)</th>
<th>Emissions from forest degradation (tCO2e)</th>
<th>Actual emissions included in the FREL/FRL (tCO2e)</th>
<th>TREES crediting Level</th>
<th>TREES Emission Reductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historic emissions used to project forest emissions</td>
<td>2010</td>
<td>4,578,047</td>
<td>1,383,974</td>
<td>5,962,020</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>4,738,841</td>
<td>1,383,974</td>
<td>6,122,815</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>5,264,436</td>
<td>1,569,345</td>
<td>6,833,781</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>5,470,334</td>
<td>1,569,345</td>
<td>7,039,679</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>1,953,242</td>
<td>1,569,345</td>
<td>3,522,587</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>2,058,667</td>
<td>1,569,345</td>
<td>3,628,012</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>1,023,259</td>
<td>4,632,307</td>
<td>5,655,566</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEAF Reference period</td>
<td>2017</td>
<td>1,070,888</td>
<td>4,632,307</td>
<td>5,703,194</td>
<td>4,085,183</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>1,254,799</td>
<td>2,512,370</td>
<td>3,767,170</td>
<td>4,085,183</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>1,324,518</td>
<td>2,512,370</td>
<td>3,836,888</td>
<td>4,085,183</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td></td>
<td></td>
<td>3,696,653</td>
<td>4,085,183</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td></td>
<td></td>
<td>3,422,013</td>
<td>4,085,183</td>
<td></td>
</tr>
<tr>
<td>TREES Crediting period</td>
<td>2022</td>
<td></td>
<td></td>
<td>3,147,373</td>
<td>937,810</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2023</td>
<td></td>
<td></td>
<td>2,872,733</td>
<td>1,212,450</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2024</td>
<td></td>
<td></td>
<td>2,598,094</td>
<td>1,487,090</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2025</td>
<td></td>
<td></td>
<td>2,323,454</td>
<td>1,761,730</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2026</td>
<td></td>
<td></td>
<td>2,048,814</td>
<td>2,036,369</td>
<td></td>
</tr>
</tbody>
</table>
Historic Forest emission from deforestation and degradation in Costa Rica for the period 2010-2019. The projection of forest emissions for the period 2020-2026 is based on the linear trend of the historic emissions.

6. Annual target ERs

Please provide an estimate of the ART/TREES expected volumes of ERs that may be delivered annually in the 2022-2026 period. We understand that these estimates are based on assumptions, and will not be final.

Understanding that these are only preliminary, Costa Rica’s annual ER targets were estimated through the linear projection of the trend of forest emissions observed during the 2010-2019 period. Emissions from deforestation and forest degradation of primary and secondary forests were considered. Removals due to the improvement of the forest carbon stock in secondary forests and the improvement of stocks in permanent forests were not considered.

The figures present emission reductions, after deducting the reversal and the uncertainty buffers. Likewise, to estimate the total volume of ERs it is assumed it does not require the signing

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3 Please note that this is an initial estimate. LEAF Coalition participants do not expect this to be accurate at this stage.
of ownership transfer contracts with the forest owners. In the event that said contract is required, the amounts consigned must be reduced to only 55% of this total.

<table>
<thead>
<tr>
<th>Delivery by the end of (year)</th>
<th>Quantity (range, in metric tCO₂e)</th>
<th>Crediting year (please specify in brackets if emissions from forests are accounted for according to timelines that deviate from calendar years (e.g. Aug 1st – July 31st)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>741,064**</td>
<td>2022</td>
</tr>
<tr>
<td>2023</td>
<td>936,855**</td>
<td>2023</td>
</tr>
<tr>
<td>2024</td>
<td>1,123,028**</td>
<td>2024</td>
</tr>
<tr>
<td>2025</td>
<td>1,299,583</td>
<td>2025</td>
</tr>
<tr>
<td>2026</td>
<td>1,466,519</td>
<td>2026</td>
</tr>
</tbody>
</table>

** The ERs from years 2022, 2023 and 2024 are committed to the FCPF Carbon Fund. Costa Rica must deliver 12 MtCO₂e to the Carbon Fund, in three tracts (1. 2018-2019, 2. 2020-2021 and 3. 2022-2024) using the reference period 1998-2011. Eventually, if the country manages to deliver contract ER volumes ahead of schedule, more ERs can be offered to LEAF coalition buyers. But as of now, only 2025 and 2026 would be available. Important to highlight that 2026 would only come on the following cycle with a new crediting level.

7. Policies and Measures (500 words excluding links and appendices)

Please provide a summary of existing policy measures, regulations, enforcement, and public finance instruments (taxes, transfers, subsidies) the Supplier determines are adequate to achieve the ERs, and a reference to where this information is publicly provided. If applicable, please describe other interventions (beyond policies and measures) Supplier has taken, or will take, to reduce deforestation and forest degradation, and enhance sequestration in order to provide ERs under LEAF (e.g. forest fire prevention). If the interventions are not yet operational, please provide a timeline with milestones.

The Government of Costa Rica has been a strong proponent of green, sustainable, and resilient development, in particular the protection of natural resources, forests and their environmental services. Costa Rica’s Constitution establishes the fundamental right of a “healthy and ecologically balanced environment, and the responsibility of the State to guarantee it”. In the Costa Rican mindset, environmental protection occupies a privileged position and enjoys popular support.

Existing forest policies and programs implemented over the last three decades have played a key role in addressing drivers of deforestation and forest degradation. The main instruments have been the creation of the National Wildlife Protected Areas managed by the National
Conservation Area System (SINAC) and the FONAFIFO Payment for Environmental Services Program (PES). Other important policies include the prohibition of land use change in forested areas enacted by the Forest Law No. 7575 of 1996, as well as the National Strategy for Fire Management enacted in 1997, which set guidelines for planning, monitoring and evaluation of various activities carried out at national level in this area.

Thanks to the significant portion of the domestic budget allocation to the Wildlife Protected Areas System managed by SINAC, Costa Rica has protected a significant portion of its territory (26%) since 1970. Ecotourism, a national GDP driver, positively affects rural economies, especially, in coastal zones and highly depends on these Protected Conservation Areas.

FONAFIFO’s PES program was instrumental in achieving early REDD-plus results. FONAFIFO’s PES program is based on the polluter pays principle. As of 2018, the PES compensated environmental services in 1,262,720 hectares of forest (over 165,000 hectares in indigenous territories), investing over 413 million USD in economically depressed rural areas reaching over 18,000 different beneficiaries.

The PES is mainly financed by 3.5% of the national fuel tax and from a fee for water use. Between 2010 and 2015, 79% of the financing for the Costa Rican PES program came from the fuel tax and 6% from the of water resource users with only 2% coming from private initiatives. The rest has been covered by donations and debt from international financial organizations. More specifically regarding this debt finance, the PES was expanded thanks to two loans from World Bank known as Ecomercados I and II. Ecomercados’ overarching goal was to secure the conservation of biodiversity and to guarantee its long-term sustainability by implementing market-based mechanisms for payment of environmental services. Over the last 5 years the PES program has been fully funded by the national carbon-tax and water fee, and minimal contribution of the national private sector.

All of the statistics related to the PES program are publicly accessible online at: http://www.fonafifo.go.cr/es/servicios/estadisticas-de-psa/

8. **Use of Proceeds (1000 words excluding links and appendices)**

*Please acknowledge the eligible uses of proceeds as established in the CFP, and provide initial thinking on the focus of a high-level investment framework describing the plans or arrangements in place for investing the proceeds of a transaction with LEAF Coalition contributors. This plan should be consistent with achieving the Supplier Country’s NDC and sustainable economic development with a priority for forest protection and forest restoration, including its REDD+ strategy/action plan. The plan must also explain how benefits from such a transaction will be distributed to stakeholders. This plan should demonstrate equity, inclusivity, and transparency, and it should reach local communities and support wider climate goals. Suppliers may indicate whether future payments will be used to leverage up-front investments, if applicable. In other*
words, proceeds may be used to repay bonds or loans that were used specifically to finance activities that are consistent with the guidance on use of proceeds.

Costa Rica’s NDC sets out an ambitious goal, consistent with the 1.5 °C trajectory and the National Decarbonization Plan which seeks to achieve net zero emissions by 2050. The proceeds received from LEAF will be invested in the policies and measures from the forest sector, included in Costa Rica’s National REDD+ Strategy, and that contribute to the achievement of the countries NDC targets and long-term strategy. The Government of Costa Rica has undertaken extensive consultative processes with stakeholders for the development of the NDC and the National REDD+ Strategy Benefit Sharing Plan. These inputs will determine the use of proceeds from this LEAF submission, ensuring that the benefits are shared in an equitable, inclusive, transparent and accountable manner.

Initial thinking on the focus of a high-level investment framework for investing the proceeds of a transaction with LEAF Coalition contributors
The proceeds from the sale of TREES units will be reinvested in improving and expanding the PES program and Costa Rica’s carbon neutrality initiative. It is estimated that 75% of the net proceeds (after discounting for the transaction costs) will be allocated to financing these programs managed by FONAFIFO.

Costa Rica’s PES Program. As part of its National REDD+ Strategy, Costa Rica through the National Forestry Financing Fund (FONAFIFO) has been implementing and continuously improving its PES Program. This Program recognizes four environmental services namely: (i) mitigation of GHG, (ii) protection of water resources, (iii) protection of biodiversity and (iv) scenic beauty. The primary focus of the PES program is conservation, reforestation, and sustainable forest management benefiting small and medium holders. The initial monitoring and reporting tended to focus predominantly on ensuring contract compliance and no alterations of the land uses in areas of conservation, reforestation, or sustainable forest management (i.e. that land cover remained untouched). In addition, two of the PES traditional modalities (forest management contracts and reforestation contracts) imply that landowners must commit to maintain forest areas for 15 to 20 years after the contracts ends. These measures evidence that the PES program contemplates measures that reduce the risk of reversals.

Recently, in an effort to give more participation to marginalized groups, the PES Program has undergone several modifications. As part of the results of the consultations carried out in the framework of the National REDD+ Strategy, there were positive changes in the indigenous PES, among which are:

- Assembly agreements for execution of the resources they will receive under the PES contract, which favors transparency and accountability.
- Decrease in transaction costs with areas of contracts renewed not necessarily requiring the regent.
• Increase of the area per PES contract in indigenous territories.
• Respect for autonomy or cosmovision, allowing 2% of the area under contract to be used for ancestral uses.

These modifications will be further strengthened with the resources received from LEAF.

In terms of gender, and as a result of the Gender Action Plan of the National REDD+ Strategy, in the qualification scoring matrix for entry into the PES, more points are given to women landowners in the selection of potential beneficiaries. There are plans to implement the Inclusive Fund for Sustainable Development, with a seed capital of US$1.5 million to support projects carried out by women in the different productive units. A credit scheme has been created for forestry activities, which favors the participation of women. LEAF resources will support this process.

**National/Country program for carbon neutrality.** Other similar financial mechanisms are also under being implemented, as part of a diversified financial strategy to support forest conservation in Costa Rica, the National Program for Carbon Neutrality, aimed at small and medium-sized enterprises focused on forest conservation and timber production.

It is also important to recognize and invest in other factors of success in the conservation and recovery of the forest cover such as the protection of the State's Natural Heritage, as well as actions to control illegal logging and forest fires on both public and private lands. These measures are managed by the SINAC. Thus, the proposal is directed at 25% of the net resources to be allocated to SINAC, so that it continues to carry out its responsibilities related to the protection of the Costa Rica’s forest resources.

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9. **NDC Alignment** *(500 words excluding links and appendices)*

*Please explain how payments received under LEAF would contribute to achieving the targets established in the Supplier Country’s NDC.*

*Please also indicate how it is envisioned that the payments will contribute to raising the level of NDC ambition over time. Please note that it is not expected that potential Supplier Countries will be able to commit to increasing ambitions by the July 30th deadline. Rather, a simple narrative about how this is envisioned is welcomed.*

*Payments received under LEAF will be reinvested in policies and measures in the forest sector that contribute to the achievement of Costa Rica’s ambitious NDC targets.* Costa Rica’s NDC commits to an absolute maximum of 9.11 MtCO₂e net emissions by 2030 including all gases and all sectors covered by the National GHG Inventory submitted to the UNFCCC. This ambitious goal is consistent with the trajectory of the National Decarbonization Plan, the Long-Term...
Strategy presented by Costa Rica in 2019, which seeks net zero emissions in 2050, consistent with the 1.5 °C trajectory.

The National REDD+ Strategy is one of the policies and plans fully embedded in Costa Rica’s NDC. Costa Rica’s participation in initiatives such as LEAF is an objective of the National REDD+ Strategy’s Policy 3 Incentives for Conservation and Sustainable Forest Management, which, among other actions, establishes the need to expand the coverage of economic incentives and flexibility mechanisms for the conservation, regeneration and management of forests.

In addition to the goals laid out in section 1, some contributions of the National REDD + Strategy to the NDC that can be potentially supported with the resources received from LEAF are:

**Forests and Biodiversity**
By 2030, Costa Rica’s Territorial Environmental and Forest Plans will be in execution within indigenous territories, as instruments for the implementation of the measures established in the National REDD+ Strategy.

**Transparency and Continuous Improvement**
As a cross-cutting action in the NDC, Costa Rica will account for GHG flows from coastal wetlands by integrating the REDD+ MRV into the National GHG Inventory, enhancing the transparency of its climate actions.

**Finance**
By 2030, the Payment for Ecosystem Services Program, and other instruments, will have developed new financing mechanisms for adaptation and mitigation to climate change.

**Strategy Policies and Climate Change Plans**
By 2022, Costa Rica will begin the implementation of the Gender and Climate Change Action Plan, under the framework of the National Policy for Effective Equality between Women and Men, the National Adaptation Plan and the National Decarbonization Plan, and the REDD+ Strategy.

Costa Rica is fully committed to promoting the well-being of all people and the country’s nature and recognizes that the best way to do so is by reinforcing the commitments acquired in its NDC which consulted with the national community before it was presented to the international community. Costa Rica’s updated NDC was duly consulted with a broad group of relevant stakeholders, in total more than 165 comments were processed.

**10. Nesting (500 words excluding links and appendices)**

*If applicable, please describe Supplier’s initial approach for how double counting from relevant activities with overlapping geographical scope will be avoided. This should include Supplier’s approach to accounting for incorporation of activities either crediting, or seeking results-based approaches.*
payments for emission reductions from forests in the same geographical area (e.g. emission reduction or sequestration projects).

Costa Rica is a global leader and advocate for the high integrity of international carbon markets (for more information on the San Jose Principles see section 12 of this proposal). These principles, which include the avoidance of double counting, guide Costa Rica’s engagement in international carbon market transactions for all sectors.

In the forest sector, there are currently two active voluntary carbon projects on private lands that fall outside the PES program:

1. BaumInvest Mixed Reforestation in Costa Rica: A reforestation project on 1,209 ha over three sites in the central North of Costa Rica. The plantations are managed and certified under the Forest Stewardship Council (FSC).


The volume of ERs that could be issued by these projects for years 2022 to 2021 is very small and does significantly impact this LEAF proposal. To prevent double payments, these units will be included in the national registry and subtracted from the total volume offered to LEAF. Costa Rica’s national registry, is expected to become fully operational on the second half of 2021, and will cover all sectors of the economy, integrated into the National Climate Change Metrics System (www.sinamecc.go.cr) managed by MINAE.

There are also two ongoing government-led carbon market initiatives:

1. National/ Country program for carbon neutrality. A voluntary mechanism that can be accessed by organizations, public and private companies, communities and event organizers, for the reporting of GHG inventories, the demonstration of reduction actions, removal and compensation of emissions and the strengthening of decarbonization, developed by the Directorate of Climate Change (DCC) of MINAE. Since 2012, more than 200 organizations, 21 municipalities and 2 districts have joined the program. This is one of the domestic measures in place to achieve Costa Rica’s ambitious NDC targets and its Long-Term Strategy presented in 2019, which seeks net zero emissions in 2050.

2. Forest Carbon Partnership Facility Carbon Fund of the World Bank. A total of 12.0 Mt CO₂e of emission reductions are committed via ERPA over a period of seven years (2018-2024). The payments per reporting period are expected to be:
   - Retroactive Period (January 1, 2018 – December 31, 2019): US$ 17,000,000 (3.4 Mt CO₂e)
   - First period (January 1, 2020 - December 31, 2021): US$ 17,000,000 (3.4 Mt CO₂e)
   - Second period (January 1, 2022 - December 31, 2024): US$ 26,000,000 (5.2 Mt CO₂e)
Costa Rica has also received payments from the Green Climate (GCF) for results achieved in 2014 and 2015 and with these resources is working on a diversified financial strategy to ensure the long-term sustainability of its PES program. The objective is to raise funds from a variety of REDD+ performance finance sources, both market and non-market based. The Government of Costa Rica is also interested in making a submission for potential payments for future years over the next phase of the pilot program for REDD+ RBP under the GCF.

11. Transfer of Title (500 words excluding links and appendices)

Some buyers will seek transfer of title of ERs on the ART registry, while others will allow the Supplier to retire ERs on the ART registry. Please indicate the Supplier’s preference and expectations regarding transfer of title. Please refer to CFP document term “nature of transactions” for a detailed explanation of options under CFP related to transfer of title. Note that jurisdictions may choose to pursue multiple options.

The Government of Costa Rica is willing to transfer ER titles from forests on public and private lands for which the landowners (including indigenous communities) have previously ceded their carbon rights through a Forest Emissions Reduction Agreement (CREF). The price offered by LEAF must reflect the transaction costs associated with the robust legal framework that underpins carbon ownership and transfer for ERs generated in Costa Rica. This legal framework provides for a high degree of respect for the rights of indigenous peoples and has a detailed procedure to ensure that landowners get fair compensation for the transfer of carbon rights to the government. The amount of compensation for landowners is fixed and will depend on the forest area contribution to forest emissions reduction. This is a unique process that no other REDD+ country is undertaking.

The REDD+ Secretariat has designed a recruitment plan with transparent and fair standards and procedures to engage with landowners to obtain carbon rights over at least 55% of the private forest land in the country. In October 2020, a first call was made through national circulation newspapers, Facebook, website, and individuals inviting landowners (including indigenous peoples) to express their interest to sign CREFs by filling out a form on FONAFIFO's website. A total of 635,000 ha of natural forests and around 6,300 beneficiaries could participate in this mechanism.

As part of this process to demonstrate ownership of emission reductions, the REDD+ Secretariat is building a geospatial database with the potential participants, including private landowners, Indigenous peoples, SINAC, FONAFIFO, and other institutions administering State Natural Heritage. The geodatabase allows the verification of the farms’ location, land tenure conflicts among private landowners, or the overlaying among the participants. A digital archive of land titles and cadastral plans was also created. The geodatabase includes a spatial registry by farm,
with a forest areas polygon for each potential beneficiary of a CREF. The REDD+ Secretary has implemented the following steps to include a potential beneficiary in the geodatabase:

- **FONAFIFO'S Database Review:** REDD+ Secretariat identified expired PESs agreements and PES applications that have not entered the PES. This is at the core of strategy for recruiting farms (second phase) that REDD+ Secretary expects to start in the coming months.
- **Location of farm polygons:** To locate the farms, the analyst builds the farms' polygons from the cadastral plans' information (azimuth/distance table and the graph with the geographic location).
- **Effective area calculation:** The analyst will determine the forest area's location according to the MCS 2019/20 land-use map. If a detailed analysis is required, the analyst will define forest area with high-resolution imagery, Google Earth, or planet imagery.

This represents a massive endeavor with significant costs. However, it does guarantees that the rights of every single forest landowner and indigenous peoples are fully respected. Such a high degree of social integrity and performance should be rewarded with higher prices per unit by voluntary carbon markets in order to ensure that countries are not incentivized to nationalize forest carbon or simply cut corners.

### 12. Corresponding Adjustments *(500 words excluding links and appendices)*

*Please indicate Supplier’s willingness to consider ERs with corresponding adjustments, per pathway #4 outlined in the terms of the CFP.*

*If applicable, please indicate the portion of total ERs (if any) for which the Supplier proposes to make a corresponding adjustment to the national account.*

*Please refer to CFP document term “nature of transactions” for detailed explanation of options under CFP related to corresponding adjustments.*

Costa Rica, together with Switzerland, leads an international initiative, the [San Jose Principles for High Ambition and Integrity in International Carbon Markets](#). The countries that support this initiative advocate that the rulebook that will guide the implementation of the Article 6 of the Paris Agreement at a minimum:

- Ensures environmental integrity and enables the highest possible mitigation ambition
- Delivers an overall mitigation in global emissions, moving beyond zero-sum offsetting approaches to help accelerate the reduction of global greenhouse gas emissions
- Prohibits the use of pre-2020 units, Kyoto units and allowances, and any underlying reductions toward Paris Agreement and other international goals
- **Ensures that double counting is avoided and that all use of markets toward international climate goals is subject to corresponding adjustments**
• Avoids locking in levels of emissions, technologies, or carbon-intensive practices incompatible with the achievement of the Paris Agreement’s long-term temperature goal
• Applies allocation methodologies and baseline methodologies that support domestic NDC achievement and contribute to achievement of the Paris Agreement’s long-term temperature goal
• Uses CO₂-equivalence in reporting and accounting for emissions and removals, fully applying the principles of transparency, accuracy, consistency, comparability, and completeness
• Uses centrally and publicly accessible infrastructure and systems to collect, track, and share the information necessary for robust and transparent accounting
• Ensures incentives to progression and supports all Parties in moving toward economy-wide emission targets.
• Contributes to quantifiable and predictable financial resources to be used by developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation
• Recognizes the importance of capacity building to enable the widest possible participation by Parties under Article 6

Costa Rica would like to see corresponding adjustments for all carbon market transaction including voluntary and invites all countries to consider this approach as it is best suited to preserve environmental integrity and contribute to the achievement of the Paris Agreement goals. **Costa Rica therefore chooses LEAF pathway #4 (will apply corresponding adjustments for the underlying mitigation associated with these ERs in accounting for its NDC) and expects that a higher price per unit will be paid for these credits and its ambitious efforts.**

### 13. Environmental, Social and Governance Safeguards (1000 words excluding links and appendices)

*Please provide a brief description of the steps taken to assess safeguards requirements of ART/TREES and Supplier’s ability to meet such requirements. The Supplier should outline how all the TREES safeguards (Section 12 of the standard) will be addressed and respected, and how a national system for providing information on safeguards, or subnational equivalent, will inform TREES safeguards conformity.*

*Your response should include an outline of key current gaps in TREES safeguards conformance and plans for gap-filling actions. Subnational Suppliers should outline how safeguards tracking and/or monitoring tools are consistent with national tracking or tools, in particular with the national system for providing information on safeguards.*

*Please provide links to relevant publicly available information (e.g. summaries of information on safeguards as submitted to the UNFCCC and/or provide a link to, or describe, the either digital or analog system for providing information on safeguards).*
Costa Rica’s approach to safeguards integrates multiple requirements, including the UNFCCC Cancun Safeguards, the Green Climate Fund’s Safeguards, the Operational Policies of the World Bank and ART/TREES safeguards requirements. **PLANT assessment conducted by UNDP shows that Costa Rica is meeting all ART/TREES safeguards requirements and aligning with the large majority of indicators (all structural and process indicators and the majority of outcome indicators),** which is due to the country’s REDD+ readiness progress, including the implementation of the PES program since 1997 and preparation for the Green Climate Fund results-based payments proposal and project implementation. Considerable amount of work has been conducted to address safeguards and improve governance of the PES scheme, in particular in relation to Indigenous Peoples (more details below).

The Government of Costa Rica has demonstrated its full commitment to the implementation of UNFCCC decisions throughout the design, pilot, and implementation of its National REDD+ Strategy. Through its **Safeguards Information System (SIS)**, Costa Rica informs the UNFCCC at least biennially about its progress on addressing and respecting the Cancun safeguards. Costa Rica’s SIS was designed in 2015 using a stepwise approach, drawing from the country’s robust environmental and social legal framework. The proposed design builds on the safeguards related work (national clarification on safeguards, SESA and ESMF, GRM) developed for the National REDD+ Strategy with FCPF’s support. Costa Rica’s SIS REDD operates as a module under the National Environmental Information System (SINIA) established by decree 37658-MINAET as the official institutional and sectorial coordination platform for environmental information management, distribution, that operates at the National Geo-environmental information Centre (CENIGA). The main objective of the SIS is to gather and present relevant information for the UNFCCC and other institutions that support REDD+ implementation on how safeguards are addressed and respected in Costa Rica, as well as to present information that allows for performance evaluation of REDD+ measures to enable timely decision making. The SIS generates information for the institution responsible for REDD+ in Costa Rica, facilitates the elaboration of reports, national communications, and update reports by the Meteorological Institute (IMN) in Costa Rica.

Costa Rica developed its **first SOI** in 2019 with a complete analysis of the national circumstances for REDD+ in the country, specific legal and policy framework applied throughout the preparation phase and early efforts related to the National REDD+ Strategy, as well as the relevant policies laws and regulations (PLRs) in the country that support the national clarification of each of the Cancun Safeguards in the national context constituting evidence of how the Government of Costa Rica has addressed and respected REDD+ safeguards to date. The government plans to submit annual summaries of information on safeguards (SOI) through the REDD+ web platform (Lima Info Hub) established by the UNFCCC as well as to the Forest Carbon Partnership Facility (FCPF) and periodically also through ART/ TREES.

The **2020 PLANT Costa Rica assessment conducted by UNDP** provided recommendations on elements which could be strengthened in the future and will be included in the plans for conformance as required by ART/TREES:
• To address the recognition of land and resource rights, Costa Rica has established the plan for the Recovery of Indigenous People Land (2016-2022). One future area for improvement is to ensure that there is sufficient funding to effectively implement the Plan and achieve efficient results, including completed processes to recover IP lands, in line with international standards. Resources from initiatives such as LEAF may be used to support this process.

• Costa Rica has developed a specific REDD+ grievance mechanism (MIRI). Future assessments should review the alignment and the implementation of the MIRI with specific TREES indicators. Costa Rica should continue the tracking and resolution practices successfully put in place under the PES Program and continue to report to the public.

• The regulations to Costa Rica’s Indigenous Peoples Law rely on Integral Development Associations (ADIs) as legal representatives of communities. Some indigenous peoples have embraced ADIs while others maintain traditional governance structures. The adoption of a new framework for consultations and FPIC in 2018 has helped to overcome the shortcomings of the ADIs. Its implementation in the framework of the PES needs to be assessed to demonstrate that the PES Program ensures the participation and respect the rights of Indigenous People in relation to FPIC and traditional decision-making structures.

• Costa Rica has already proposed to create a forest management plan that is specific for Indigenous Peoples of the country, where all aspects related to the exercise of their rights are incorporated, considering the various aspects related to both international and national regulations. It has been integrated into the National REDD+ Strategy in Policy 5.3. The Indigenous 'Cosmovisión' will be implemented through what is defined by indigenous peoples in the indigenous chapter of the forest management plan. The indicators will need to be assessed against the implementation of this new instrument.

• To ensure the project contributes to gender equality and addresses existing gender inequalities around land tenure, decision-making, training and access to information and access to and control over resources, it will be important to secure human and financial resources for the full implementation of the gender action plan of the National REDD+ Strategy including monitoring and evaluation against the baseline already developed (that includes data disaggregated by sex and other relevant parameters).

• It will be important to finalize socio-cultural indicators for monitoring impact and ensure collection of information is fully integrated into the REDD+ SIS system so that opportunities for mitigation and social benefits can be identified and acted upon more systematically.

14. Financial Intermediary (FI)
Before an ERPA can be finalized, an accredited FI must be identified as a channel for disbursement of funds. FIs will ensure that robust monitoring and reporting procedures on the use of proceeds are in place. If available, please provide the name of the proposed institution(s). Please note there may be multiple candidate institutions.

At the time of submission of this proposal, the Government of Costa Rica has not yet defined who will act as its financial intermediary under LEAF. This designation will be made by the higher authorities of the Ministry of the Environment and Energy of the Government of Costa Rica in due time, before the finalization of the ERPA negotiations.

15. Contacts and Implementation Arrangements

Please describe the key jurisdictional contacts and government entities managing the jurisdictional program and indicate preferences for how subsequent correspondence with your jurisdictions should be handled.

All correspondence should be directed to:

Country: Costa Rica

Institution name: Ministry of Environment and Energy

Focal point’s name, title: [Redacted]
Phone: [Redacted]
E-mail: [Redacted]

Institution name: National Fund for Forest Financing

Focal point’s name, title: [Redacted]
Phone: [Redacted]
E-mail: [Redacted]

Focal point’s name, title: [Redacted]
Phone: [Redacted]
E-mail: [Redacted]

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4 FIs may be selected from the list of institutions accredited by the Green Climate Fund (GCF) or the Global Environment Facility (GEF). Additional FIs may be assessed for eligibility following a process published on the Emergent website.