

Danone Fund for Nature Guidance for wet carbon proposals

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Part A: Pilot Standard

1. Introduction

The Danone Fund for Nature (DFN) - a partnership initiative of the Danone Group, IUCN and Ramsar - aims to preserve and restore wetland ecosystems that are crucial to the carbon cycle, in various locations across the planet.

Specifically, DFN's objective is to provide a means for the Danone Group to offset the carbon emissions of some of its brands, primarily Evian, by preserving and restoring wetlands.

It enables the Ramsar Convention to promote the environmental contribution made by wetlands in the fight against climate change, whilst allowing the IUCN to help preserve and increase biodiversity.

DFN projects are also intended to benefit local populations: wetland preservation and restoration will not only generate carbon benefits for Danone, but will also secure ecosystem goods and services which are essential for the livelihoods of the communities who live in wetland areas. The local communities will be offered the opportunity to become involved with conservation, sustainable management and ecosystem rebuilding operations.

In this respect the DFN finances a range of different activities:

- programmes and activities developed by the Fund itself; and
- programmes and activities which are in line with the Fund's stated mission and objectives.

During this pilot phase, a financial contribution is made by Danone, based on its brands' carbon neutrality targets. But the DFN may be opened up to other investors at a subsequent stage.

Importantly, the restoration and preservation programmes financed by DFN must, ones up and running, be ready to withstand the scrutiny from one of the standards recognized by the international carbon offsetting community. That will ascertain that the carbon credits generated through the DFN can be used by the Group for the purposes of achieving its voluntary carbon neutrality targets.

If, in the future, Danone's operations are covered by an international greenhouse gas emissions regime, the standard of the DFN will be amended accordingly.

Finally, DFN-eligible projects should be financially sustainable. In other words they must demonstrate that they are likely to provide an adequate flow of funds for project implementation and to achieve the anticipated wetland, socio-economic and climate benefits over the long-term.

2. The pilot standards

Accordingly, the pilot standards for DFN-eligible projects include the following three elements:

- Wetland impacts,
- Community impacts, and
- Climate impacts.

Please note that it is possible for the project proponent to propose alternative performance standards for wetlands, socio-economics and climate to those which are presented in the following sections, but these will be subject to the approval of the DFN.

2.1 Wetland impacts

DFN-eligible projects must preserve and restore wetlands in order to help preserve and increase biodiversity. In other words, they must ensure a net positive biodiversity impact with respect to a wetland ecosystem and its surrounding environment.

In this respect, project proponents ought to adapt the Biodiversity section of the **Climate, Community and Biodiversity Project Design Standards** (CCB Standards) in a wetland context. This section addresses the following three topics:

- Net positive biodiversity impacts,
- Offsite biodiversity impacts, and
- Biodiversity impact monitoring.

Should a project proponent wish to adapt another approach to addressing wetland impacts, as the DFN is in its pilot phase, this is possible so long as the approach clearly specifies the net positive wetlands impacts - including benchmarks and milestones - and how these will be monitored.

2.2 Community impacts

DFN-eligible projects must benefit local populations, and offer them the opportunity to become involved with conservation, sustainable management and ecosystem rebuilding operations. Wetland preservation and restoration efforts and the subsequent distribution of benefits

should also be carried out in ways which ensure no net loss, and preferably a net gain, in local livelihood conditions, opportunities and rights.

In this respect, project proponents ought to adopt the Community section of Climate, Community and Biodiversity Project Design Standards (CCB Standards) in a wetland context. This section addresses the following three topics:

- Net positive community impacts,
- Offsite stakeholder impacts, and
- Community impact monitoring.

Should a project proponent wish to adapt another approach to addressing socio-economic impacts, as the DFN is in its pilot phase, this is possible so long as the approach clearly specifies the net positive socio-economic impacts particularly at the community level - including benchmarks and milestones - and how these will be monitored.

2.3 Climate impacts

DFN-eligible projects must have, once implemented, the potential to generate certified emission reductions or carbon credits that the Danone Group can use for the purposes of achieving its voluntary carbon neutrality targets. This means that the applicant programmes or activities must demonstrate they are designed to meet the requirements of one of the standards recognized by the international carbon offsetting community.

In this respect, if the project is to apply for support from the DFN it must demonstrate its commitment to comply with one of the below standards and its intent to seek approval for the carbon credits generated by the activity through either:

- the **Clean Development Mechanism (CDM)** established under the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC); or,
- the **voluntary carbon market**.

In both cases project proponents must develop methodologies and project documentation that meets of the selected standard's requirements. If the elected standard is the CDM, the project will need to develop an appropriate "Project Design Document" (PDD) and present its plan for securing the approval through the CDM project cycle.

On the other hand, if the project proponent chooses to qualify its carbon credits through the voluntary carbon market, the proponent should adopt the **Voluntary Carbon Standard (VCS)** and use the appropriate guidelines provided by the VCS Program. This includes drafting a VCS Project Description (PD) and securing its approval through the full VCS validation and verification process.

Should a project proponent wish to adapt another approach to securing internationally recognised carbon credits, as the DFN is in its pilot phase, this is possible so long as the approach clearly specifies the how these credits will be specified and monitored.

3. Resources

More information on the CCB Standards including draft terms of reference and guidance documents for validation can be found on the CCB Alliance website at:

- <http://www.climate-standards.org/>

More information on the CDM process including templates for methodologies, PPDs and additional guidance including some guidance for carbon offsets in wetlands can be found on the UNFCCC CDM website:

- <http://cdm.unfccc.int/index.html>

More information on the VCS process including templates for PDs and additional guidance including guidance for carbon offsets in peatlands (forthcoming) can be found on the VCS website:

- <http://www.v-c-s.org/>

4. The project concept note

To be considered for funding by DFN, the project proponent must first submit a short and succinct project concept note as set out in Part B.

Part B: Pilot Project Concept Note Template

1. Overview

This document provides guidance for the preparation of a preliminary 'wet carbon' project concept note for consideration by the Danone Fund for Nature (DFN). On the basis of the concept note, project proponents may be invited, and receive financial support, to develop a full project document.

DFN is interested in large scale wetland restoration or conservation projects which deliver tangible socio-economic benefits, and generate a significant amount of certified carbon credits. For further information on DFN eligibility, please see the DFN Pilot Standard.

The project concept note should be no longer than 10 pages in length and include the following sections:

Project Summary

1) WHO - Details of the project proponent(s)

- a) Contact details
- b) Summary information on the organisation and organisation structure
- c) Overview of relevant expertise and experience
- d) Short description of other project partners, if any

2) WHERE - Location and description of the wetland

- a) Type of wetland
- b) Location and size
- c) Current legal status of wetland and ownership
- d) Current management and use of wetland
- e) Wetland stakeholders

3) WHY - Status of the wetland

- a) Historical status as a functioning wetland (at least for the last 10 years, and in case of CDM since 1989)
- b) Current degraded or threatened status of the wetland
- c) Direct and underlying, current and possible future threats, and causes of degradation
- d) Overview of any previous or on-going restoration initiatives, in addition to the planned project

4) WHAT - Expected project outcomes

- a) Goals, objectives and projected outcomes of the project in the following areas:
 - Wetland aspects: e.g. how will the project address wetland threats and what are the expected impacts on the provision of wetland good and services;
 - Community aspects, including the distribution of benefits between stakeholders and project proponents;
 - Carbon related aspects: e.g. expected emission profiles in the baseline and the project case, quantities of carbon credits over the lifetime of the project and choice of standard (how will marketable carbon be delivered);
- b) Major assumptions, risks and threats to achieving outcomes

5) HOW - Project description

- a) Project summary matrix
- b) Technical description of project activities
- c) Methods and technologies to be used
- d) Project schedule and milestones
- e) Project team
- f) Community participation and benefits

6) HOW MUCH - Project finance

- a) Description of total project value
- b) Estimate of total project cost
- c) Total DFN investment sought
- d) Sources of co-financing, if any (both secured and under application)
- e) Financial analysis

2. Annotated outline for the project concept note

This annotated outline provides additional guidance on the preparation of a project concept note. Project proponents are also advised to refer to the technical guidelines for the preparation and implementation of full projects and to guidance provided by other standards that will be applied to the project; e.g. CCBA, CDM, VCS, etc.

Project Summary (one page)

- Project name
- Project location
- Project length and dates
- Contact person
- Statement of project goal
- Names of project proponents and main project implementing organisation

- Total project cost
- Amount of funding being requested from DFN
- Amount of funding being provided from elsewhere (indicated whether it is already secured and under application)

2.1 WHO - Details of the proponent

a) Contact details

Provide the details of the key contact person for the note, as well as for the project partners and implementing agencies. Indicate the main responsibilities of all of them.

Name	Contact details	Role / responsibility
....

b) Summary information on the organisation and organisation structure

Describe the legal status and mission of the organisation, as well as main activities carried out by the various project partners.

c) Overview of relevant expertise and experience

Provide a brief overview of the expertise and experience of the organisation in the light of delivering key project outcomes - wetland restoration or conservation, socioeconomic benefits, and carbon credits.

d) Short description of other project partners, if any

Describe proposed local and foreign partners - individual experts and institutional partners - as appropriate. It should be noted that only under very exceptional circumstances will a project be accepted without evidence of local partners being involved in the project design and implementation.

2.2 WHERE - Location of the wetland system

a) Type of wetland

Indicate the type of wetland to be restored or conserved and describe the key biophysical characteristics.

b) Location and size

Specify the location and size of the wetland. Provide the corner geographic coordinates, and describe the key features of the surrounding landscape.

c) Current legal status of wetland

Specify who owns the wetland, and what legal status it has (e.g. government protected area, communally-held, private ownership,

etc.). Indicate whether the boundaries are officially delineated and/or registered. If wetland ownership is subject to conflict or dispute, this should be elaborated.

d) Current management and use of wetland

Specify who manages the wetland, including both *de jure* and *de facto* managers. This section should also list the main goods and services which are obtained from the wetland or for which the wetland is managed, including commercial or industrial uses as well as local or subsistence-level activities/products.

e) Wetland stakeholders

List the groups and sectors that depend or are otherwise linked to wetland goods and services in the project site. Wherever possible, estimates of the wetland-dependent population should be given.

Stakeholder group	Nature of relationship with wetland (also list goods and services)	Estimated number of stakeholders in this group
...

2.3 WHY - Status of the wetland system

a) Historical status as a functioning wetland

Describe the features of the wetland prior to its current degraded or threatened status. In case the VCS standard is pursued for the generation of carbon credits, describe the situation of the wetland at least for the last 10 years. In case of CDM, describe the same but since 31 December, 1989. Describe the sources of evidence of the historical status (remote sensing, field surveys, anecdotal evidence, literature, etc.) and provide evidence of trends in wetland degradation or ecosystem change over time for the project area of the larger region.

b) Current degraded or threatened status of the wetland

Describe the current status of the wetland. Explain how it is degraded or threatened - i.e. the problem to be addressed.

c) Direct and underlying threats and causes of degradation

Explain the main direct threats to the wetland (e.g. conversion, reclamation, resource over-exploitation, upstream changes in hydrology, etc.), and the underlying reasons for these (e.g. climate change, land use pressures, economic pressures, etc.). Note that the threats can be both current and possible future threats. If the main threats are future threats, describe the nature of the threat and the evidence that the threat will indeed occur. A brief analysis of the groups responsible for these threats and pressures should be included.

d) **Overview of any previous or on-going restoration initiatives, in addition to the planned project**

Describe any currently ongoing or past restoration initiatives, why they possibly failed or were only partially successful, and indicate the group(s) who were/are responsible for carrying them out. Explain how this project will complement or add value to these initiatives, and how it will link with them.

2.4 WHAT - Expected project outcomes

For more information on what is expected by DFN to be eligible for financial support, please see the *DFN Pilot Standard*.

a) **Goals, objectives and projected outcomes of the project in the following areas.**

State the project goal, objectives and anticipated outcomes. Measurable targets for the delivery of project outcomes should be given wherever possible (e.g. area restored, number of people benefited, etc.):

- **Wetland aspects:** e.g. how will the project address wetland threats and what are the expected impacts on the provision of wetland goods and services;
 - Clear statement of how the project will address and overcome the direct and underlying, current and potential future threats and causes of degradation identified in the previous section.
 - Explain what the project intends to accomplish in terms of wetland restoration or conservation with a description of the expected biological outcomes at the ecosystem and species level.
 - Identify what other improvements in wetland ecosystem goods and services, in addition to carbon, the project aims to deliver. Describe how project activities are expected to result in at least the same quantity and quality of wetland goods and services, but ideally in enhanced delivery levels of ecosystem goods and services, and how these changes will be monitored.
- **Community aspects:** e.g. including the distribution of benefits between stakeholders and project proponents:
 - Explain how the project will engage interested and affected stakeholders. Describe the socio-economic benefits to be generated by the project, with a particular emphasis on how they will accrue to or be shared with local communities.
- **Carbon related aspects:** e.g. expected emission profiles in the baseline and the project case, quantities of carbon credits over

the lifetime of the project and choice of standard (how will marketable carbon be delivered);

- Explain how the project is expected to sequester carbon - e.g. through hydrological restoration and natural re-vegetation, planting of native species or preservation etc. - and how the project will measure and monitoring the carbon sequestered over time.
- Explain how the project activities will deliver marketable carbon; which standards are being pursued. Estimate the volume of carbon credits. Describe the pertinent legal framework - international, national and local - for the project with respect to carbon credits, and how these credits will be generated. Also provide the names of the relevant designated national authorities for wetlands and carbon, if any.

b) Major assumptions, risks and threats to achieving outcomes

Identify the key risks to achieving the expected outcomes, and any assumptions made in relation to the design of the project and its expected outcomes.

2.5 HOW - Project description

a) Project summary matrix

Summarise the project, goal, outcomes, outputs and activities in a simple matrix, which shows the relationship between these different project components:

Project goal:			
Objectives	Outcomes	Activities	Deliverable outputs
Objective 1 of the project	What outcomes are associated with this objective	Which activities are required to deliver on these outcomes	What physical outputs and deliverables the activities will generate
...

b) Technical description of project activities and outputs

Explain the activities which are to be undertaken under the project, what outputs they will deliver, and how these will contribute to the expected outcomes.

c) Methods and technologies to be used

Describe the methods and technologies to be used to achieve the project outcomes. Particular mention should be made of the methods to be used to measure and monitor carbon sequestration, to assess community benefits and impacts, and to monitor changes in overall wetland ecosystem health.

d) Project schedule and milestones

Propose a timeline for the development and implementation of the project activities. This should include to the extent possible, time-bound and measurable milestones with respect to the delivery of key project outputs.

e) Project team

Describe the project team - staff, consultants and advisors - and their role in delivering the expected outcomes. Note: do not overlap with section 1; only additional information, if necessary.

f) Community participation and benefits

Describe the ways in which the project will involve and benefit local communities, and the specific approaches which will be used to achieve this participation.

2.6 HOW MUCH - Project finance

a) Description of total project value

From its wetland, social-economic, ecological and carbon outcomes, the project will generate economic values for array of stakeholders. These should be described and, if possible, estimated. In particular, the envisaged quantity of carbon credits should be specified that will be generated by the activity and that can be used by Danone.

b) Estimate of total project cost

Present indicative budgets for the project. These should include a detailed budget for the inception phase which will be used to develop a full project proposal, and a summary budget estimate for subsequent full project implementation.

The budget for the inception phase should include detailed budgets for each activity. The summary budget for full project implementation should indicate the estimated budget for each of the following categories of expenditure: capital and equipment, other materials and inputs, transport and travel, staffing, surveys and research, local and international consultants, workshops and meetings, training and awareness, office running, monitoring and evaluation, 3rd party costs for validation, verification and certification work, other (specify).

c) Total DFN investment sought

Specify the funding to be sought from DFN.

d) Sources of co-financing

If any applications for sources of co-financing have been submitted, indicate for how much, with whom, and by when an answer is expected. If sources of co-financing have already been secured, indicate so (organisation, amount and purpose). If applications for co-financing have been declined in the past, indicate the organisation from which co-financing was requested and why the application was declined.

Note: Projects that have been granted ODA must demonstrate that this is not used to generate CDM carbon credits (use of ODA for this purpose is not permitted under the CDM).

e) Financial analysis

If available, provide a separate financial analysis of the project including the forecasted internal rates of return with and without the carbon credits.

3. Where to submit your project concept note

Please submit your wet carbon project concept note in confidence to:

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