

Reforestation Program Model for ERP

Full Description

Proposed Structure of this Public Private Partnership (PPP) Model

The project will be leveraging a **New-Finance-Bulk-Tariffs** model. An experienced forestry operator is provided a long-term lease by the government or state-owned entity to take over management of the forested area. The private sector entity will be financing operations and recovering its investments through the sale of the by-products of the afforestation activity (e.g. bamboo), as well as through the emission reduction credits (ERCs) generated and sold in the voluntary carbon markets.

Table 1: Model Attributes

| Dimension | Attribute | Description |
|-----------------|------------------|---|
| Business | <i>New</i> | This model assumes that the government or state-owned entity grantor will be authorizing a new long-term lease to the project company to take over the management of the forest area. |
| | <i>Existing</i> | |
| Construction | <i>Build</i> | The project involves the operational and monitoring services from the project company. |
| | <i>Refurbish</i> | |
| Private Funding | <i>Finance</i> | The project company will be charged with raising financing for the management of the forest area. |
| Service | <i>Bulk</i> | Revenues of the project company will be sourced from contracted bulk purchasers of the forest's by-products |
| | <i>User</i> | |
| Service | <i>Fees</i> | Revenues in this model will be driven by the tariffs paid to the project company for the by-products produced by the forest. |
| | <i>Tariffs</i> | |

Proposed risk allocation of the Public Private Partnership Model

| Risk allocation | Public | Private |
|----------------------------|--------|---------|
| Design | ● | ● |
| Build | | ● |
| Financing | | ● |
| Operations and maintenance | | ● |
| Demand/Revenue Upside | ● | ● |

Key features of PPP structure

- Private sector entity to design, build, finance, operate and maintain forest area via a long- term concession agreement with the ministry/ government or state-owned entity
- The private sector entity acts as the implementation partner, and is responsible for all activities related to the implementation, management, monitoring and reporting of the project over the project crediting period
- Ministry will work together with private sector entity to develop key elements of reforestation/afforestation project design with private sector entity to provide regular updates on project status
- Potential to include financiers in this PPP structure in exchange for a portion of the ERC revenues earned in this project

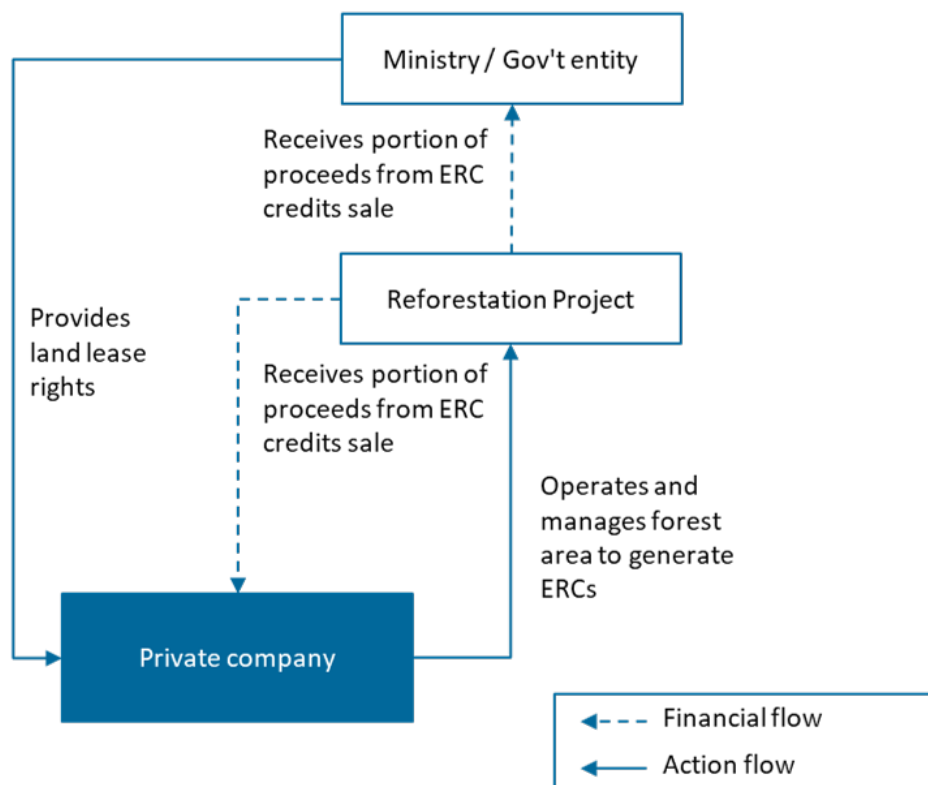
Key considerations/risks for proposed project

- Extensive stakeholder engagement required to ensure buy-in from local/indigenous communities
- Need to ensure adequate technical local expertise in day-to-day execution and monitoring to prevent carbon leakage
- Co-benefits are accounted for to ensure that local/indigenous communities' economic and social wellbeing are taken for and to avoid disruptive lifestyle changes
- Partnering with a service provider for the project's marketing, sales and pricing is needed to identify potential offset buyers, negotiate contracts, and secure good target price per tonne to enable the financial viability of ERC generation
- Contracting a monitoring, verification and reporting (MRV) service provider with experience in conducting MRV and preparing the necessary documents for generating ERCs in a voluntary carbon market standard will reduce risk of registration and issuance delays or bottlenecks, and strengthen credibility of project's carbon integrity quality

Expected ERC end use

- End use can belong to project developer as part of additional revenue stream

Figure 1: Financing and Activity Flows for the Model



Case study: Bandai Hills Bamboo Reforestation Project, Ghana

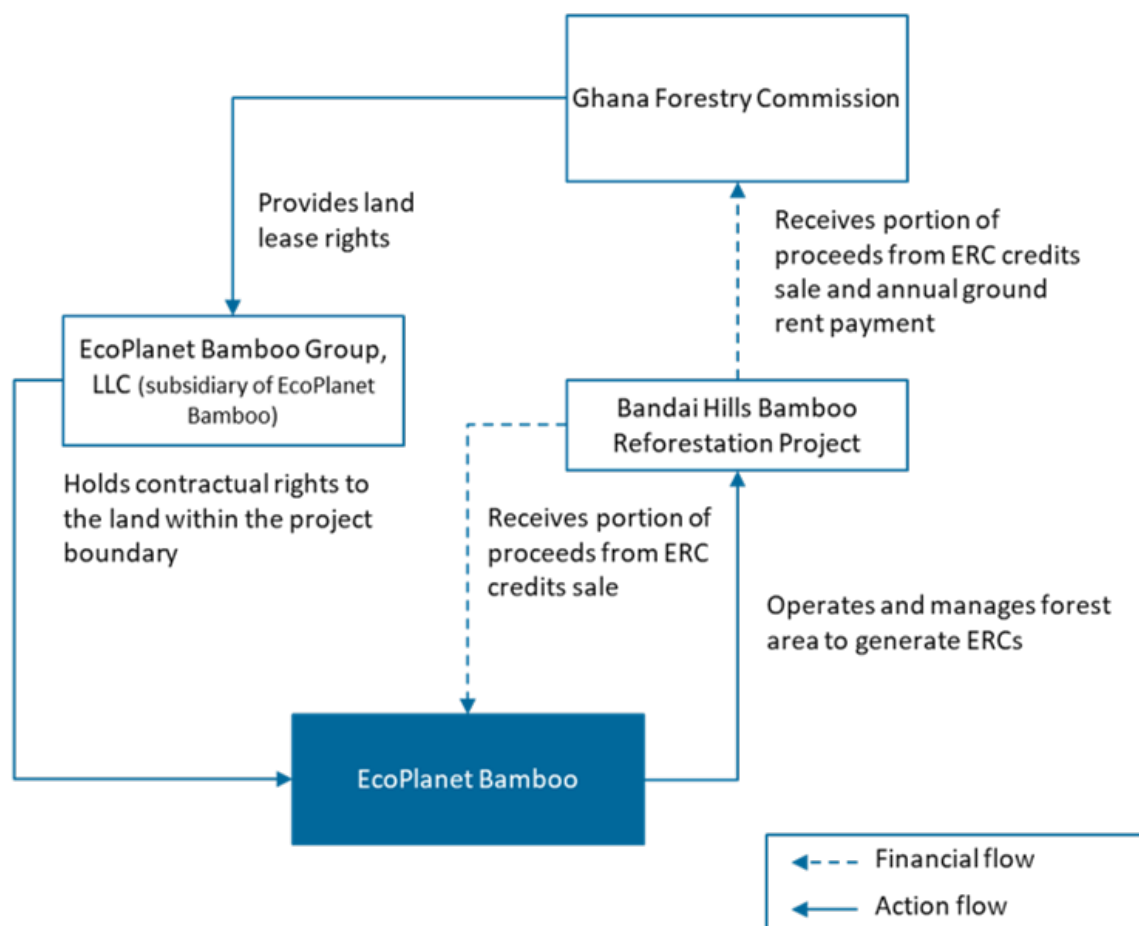
Project description

The Bandai Hills Bamboo Reforestation Project is a reforestation project that is restoring 7,818 hectares (ha) of degraded forest lands within the Ashanti Region of Ghana, West Africa. It is a carbon financed project that integrates the reforestation of 1.5 million (M) seedlings of sympodial bamboo with remnant standing trees, and areas set aside for biodiversity and conservation. The project area has suffered extreme historical deforestation and represents highly degraded lands that are prone to further loss of remaining tree cover in the absence of the reforestation activity.

Targeted results

Expected annual ERCs generated from the program will be 188,926 tonnes.

Figure 2: Structure of Case Study PPP



EcoPlanet Bamboo, the project proponent, operates a PPP with the Government of Ghana, via the Ghana Forestry Commission. The project proponent, EcoPlanet Bamboo, through its subsidiary, EcoPlanet Bamboo Group, LLC holds the contractual right to the land within the project boundary, the bamboo to be planted, and associated greenhouse gas (GHG) emission removals. Within the terms of the Land Lease Agreement, EcoPlanet Bamboo holds the legal right to control and operate program activities, as well as to all and any GHG emission removals generated by the project during the crediting period. The Ghana Forestry Commission are involved and consulted at all stages of its design and implementation of the project and benefits from an annual Ground Rent payment.

Summary of the model financials

The project’s Net Present Value (NPV) without ERC in- and outflows – only considering non-ERC inflows through other revenue streams or cost savings enabled by the project – is negative at - \$3.95M¹³. With ERC cashflows, the project will have a positive NPV of \$1.61M, which demonstrates the need for such nature-based removal projects to generate ERCs, as non-ERC cashflows alone is not financially viable.

Table 2: Summary of sources of inflows and outflows and key assumptions

| Value component | Assumptions | Sources |
|-----------------|-------------|---------|
|-----------------|-------------|---------|

| | | |
|-----------------------------|--|--|
| ERC revenues or inflows | <ul style="list-style-type: none"> • Four issuances across the project's 20-year crediting period, at year 5, 10, 15 and 20 • \$14.16 per tonne today for 789,287 estimated tonnes of ERCs likely generated in the first issuance • 10% price increase to \$15.58 per tonne, \$25.09 per tonne and \$40.40 per tonne for each subsequent issuance of 789,287 estimated tonnes of ERCs | Average Verified Carbon Standard (VCS) price of forestry (removal) project in Africa from Allied Offsets database (2022) |
| Non-ERC revenues or inflows | <ul style="list-style-type: none"> • \$12,500 per ha of bamboo clumps sold, across four bamboo harvests of 500ha, 1000ha, 1000ha, 500ha, each with an estimated harvest cycle of 6 years from the time of planting | Estimated revenue of bamboo clumps per hectare in Ghana by Akoto et al. (2020) |
| Investment cost | <ul style="list-style-type: none"> • \$650 per ha for bamboo agroforestry development as upfront costs, for land, material inputs, tools and equipment | Breakdown of bamboo agroforestry development cashflows in Ghana by Akoto et al. (2020) |
| Project implementation | <ul style="list-style-type: none"> • \$5000 per ha for bamboo agroforestry development across project's 20-year crediting period, for labour and transport | Breakdown of bamboo agroforestry development cashflows in Ghana by Akoto et al. (2020) |
| ERC generation | <ul style="list-style-type: none"> • \$10,000 for the project's registration and first issuance • \$15,000 for each verification process across four issuance cycles • 0.105c per tonne for subsequent three issuances | VCS Program Fees |

Table 3: Net cashflows summary (in USD)

| Components | Sum of initial outlays | Sum of in- or outflows from crediting period | Total cashflow |
|------------------|------------------------|--|----------------|
| ERC Component | | | |
| Revenues/Inflows | 0 | 75,157,113 | 75,157,113 |
| Costs/Outflows | -10,000 | -391,501 | -401,501 |
| Net value | -10,000 | 74,765,612 | 74,755,612 |

| Primary/Non-ERC Component | | | |
|---------------------------|------------|--------------|-------------|
| Revenues/Inflows | 0 | 37,500,000 | 37,500,000 |
| Costs/Outflows | -5,070,000 | -39,000,000 | -44,070,000 |
| Net value | -5,070,000 | -1,500,000 | -6,570,000 |
| Net Present Values | | | |
| NPV | | \$1,614,095 | |
| NPV (ERC Component) | | \$5,565,182 | |
| NPV (Non-ERC Component) | | -\$3,951,087 | |

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