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METHODOLOGICAL ISSUES

LAND USE, LAND-USE CHANGE AND FORESTRY: DEFINITIONS AND MODALITIES FOR INCLUDING AFFORESTATION AND REFORESTATION ACTIVITIES UNDER ARTICLE 12 OF THE KYOTO PROTOCOL

Views from Parties on issues related to modalities for the inclusion of afforestation and reforestation project activities under the clean development mechanism in the first commitment period

Submissions from Parties

Addendum

1. In addition to the 12 submissions included in document FCCC/SBSTA/2002/MISC.22, three further submissions have been received.
2. In accordance with the procedure for miscellaneous documents, these submissions are attached and are reproduced* in the language in which they were received and without formal editing.

* These submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

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PAPER NO. 1: MALAYSIA

The 16th Session of Subsidiary Body for Scientific and Technological Advice, in the draft terms of reference and agenda for work to develop Definitions and Modalities for including Afforestation and Reforestation activities under Article 12 of the Kyoto Protocol in the first commitment period (FCCC/SBSTA/2002/L.8, Annex, para 2(b)(i)), invited Parties to submit views on issues related to modalities for the two land use, land-use change and forestry project activities under the Clean Development Mechanism. Malaysia welcomes this opportunity to make a submission (in addition to the views made earlier in FCCC/SBSTA/2002/MISC.1/Add.2) and presents the following views as a way forward.

Malaysia is of the view that Decision 17/CP.7, Draft decision -/CMP.1 (Article 12) and Annex on modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol provide for sufficiently well-developed ground rules, addressing the many facets to be considered in the formulation and implementation of project activities under the Clean Development Mechanism. These documents are further being supported by the continuing good work of the CDM Executive Board and selected experts in their elaboration of more detailed modalities and procedures by project category. However, due to the peculiar nature of forestry project activities under the CDM in that carbon sequestration by trees is a reversible and temporary process and entails definitions and land use change (possibly precluding the opportunity cost for non-forest uses), there are a notable number of issues requiring further deliberation.

Issues

- Accounting regime: Due to the dynamic nature of activities in forestry projects and the vulnerability of forest ecosystems to natural and man-made disturbances, any decision on accounting modalities should adequately address the issue of non-permanence, provide consistency and transparency in the accounting of changes in carbon stocks and results should be comparable across projects and over time.
- Crediting period: Unlike CDM project activities in the energy or transport sectors, LULUCF project activities need to operate on a significantly longer time scale [than the present crediting period of a maximum of 10 years or a maximum of 7 years (renewable 2 times) duration] for carbon and investment benefits to be realized. Nevertheless, the setting of a crediting period not only needs to take into account the realization of real, measurable and long-term sequestration benefits and associated environmental and social benefits but also the changing development needs of host developing countries. A clear mechanism and sufficient flexibility are required in considering alternate land uses needed for development beyond a CDM project lifetime. Agreement on a time frame will also increase confidence among project participants in implementing such project activities.
- Baseline determination: Due to the potentially long project cycle of LULUCF projects and increased uncertainties, baselines should be based on strict and clear rules and conservative assumptions. Transparent rules are necessary to avoid perverse incentives such as deliberately pursuing business-as-usual development patterns that may be unsustainable (and baseline inflation) and to exclude “free riders” from taking advantage of financing (and benefiting from) for CDM project activities. Baselines should be project-specific and verifiable. To ensure credibility, allowance is needed for the regular review/ revision of baselines to take in policy, economic and environmental changes. Specification of an interval between updates of baselines will be necessary to ensure credibility of baselines. Additionally, guidance on leakage monitoring and mitigation measures will also be required. All A&R project activities should stimulate

spillover of greater GHG benefits and the adoption, local adaptation and diffusion of environmentally sound technologies beyond project boundaries.

- Removal of barriers: A&R project activities should either exceed the regulatory and policy requirement or improve compliance to these requirements. These projects should facilitate the removal of barriers such as investment, low market penetration, prevailing unsustainable practices and competitive disadvantage that often result in low interest in financing and implementing such LULUCF projects within the host country.
- Temporal validity of LULUCF-generated CERs and the issue of non-permanence. Malaysia supports proposals that call for CERs generated through sequestration project activities be temporary and having definite expiry dates as a practical and amenable solution to the non-permanence issue.
- Liability and the assessment of project risks: Due to the potential reversible nature of GHG benefits, accounting modalities stipulating measures or guidance to resolve the liability or payback of any loss of carbon credits are required. The pros and cons of requiring risk management procedures, credit reserves and/or insurance, whether measures could vary by project type/location and the length of time measures will need to be in place, will have to be weighed.
- Environmental and social impacts: Projects should include a diverse portfolio of activities aside from the planting of trees and the generation of carbon credits. Projects should provide for long term ecological and economic benefits (for example, fire, pest and disease management, biological diversity conservation, soil erosion control, watershed protection, raising incomes and employment opportunities for local communities, up-grading of R&D skills in natural resource management, policy development for sustainable land-use, etc) and preferably, spillover and benefits that are self-sustaining beyond project lifetime.
- Capacity building: In light of the fact that only a minimum number of carbon sequestration projects has taken place (and many of these no longer qualify as CDM project activities), there is much need for further capacity building, particularly for developing country counterparts, in understanding and assessing these issues (for example, determining and assessing baselines, controlling leakage, monitoring emissions, environmental and social assessment methodologies, etc.). The strengthening of technical capacity and institutions in host non-Annex I countries will safeguard the environmental integrity of projects as well as ensure that sustainable development benefits are harnessed from the implementation of A&R project activities under the CDM while avoiding negative leakage and other undesirable environmental and social impacts.

Malaysia views the above issues as requiring further discussions among Parties to the SBSTA. It is proposed that appropriate and detailed guidelines that address these issues be developed. Malaysia supports the time line to resolve these issues at SBSTA17 / COP8, paving the way for drafting of a negotiating text on modalities and for Parties to COP9 to adopt a draft decision on this agenda item. Malaysia will also support any request by the COP/SBSTA to the IPCC to carry out additional technical and good practice work with regards to issues identified in forthcoming discussions.

PAPER NO. 2: NORWAY

**DEFINITIONS AND MODALITIES FOR INCLUDING AFFORESTATION AND
REFORESTATION PROJECT ACTIVITIES UNDER ARTICLE 12
OF THE KYOTO PROTOCOL**

Decision 17/CP.7 affirms that land use, land-use change and forestry project activities are eligible under the clean development mechanism (CDM), but that eligibility of these activities are limited to afforestation and reforestation. Furthermore, for the first commitment period, the total of additions to a Party's assigned amount resulting from eligible land use, land-use change and forestry project activities under the CDM shall not exceed one per cent of base year emissions of that Party, times five. There is a need to develop definitions and modalities for afforestation and reforestation project activities under the CDM additional to the modalities and procedures established through the annex to decision 17/CP.7.

For Norway it is important to ensure that certified emission reductions are not issued unless the enhancement of anthropogenic removals by afforestation and reforestation project activities are real and measurable. It is also absolutely essential to avoid negative environmental impacts of such project activities, in particular on biodiversity. Norway will work towards these aims in the agreed process towards COP 9, where a decision on definitions and modalities for including afforestation and reforestation project activities under the CDM is to be adopted. The definitions and modalities must ensure that afforestation and reforestation project activities are environmentally and socially sound and that biodiversity is not threatened. How Norway will treat potential afforestation and reforestation CDM project activities will depend on the outcome of this process.

Article 12.2 of the Kyoto protocol states that "The purpose of the clean development mechanism shall be to assist Parties not included in Annex I in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments under Article 3". We would like to underline that the process of agreeing on definitions and modalities for including afforestation and reforestation under the CDM must build upon and not contradict relevant decisions under the two other Rio-conventions, namely the Convention on Biological Diversity and the Convention to Combat Desertification. These three conventions address the complex interactions amongst human and natural systems, and improved cooperation and coordination between environmental conventions is a priority aspect for Norway. The joint workshop, tentatively scheduled for November/December this year, is one event where these questions should be further elaborated.

The SBSTA at its sixteenth session requested Parties to provide submissions by 20 August 2002 with views on issues related to modalities for the inclusion of afforestation and reforestation project activities under Article 12 in the first commitment period. Norway welcomes this opportunity to provide views and proposals on this issue. Norway is particularly concerned about finding acceptable solutions to the issues of non-permanence (such as symmetric accounting crediting only net carbon sequestration, and ways to include the harvesting cycle in the accounting), baselines and leakage (using a conservative approach), uncertainties and environmental and socio-economic impacts of project activities. We will also use the opportunity to underline that the results of the process of agreeing definitions and modalities for the first commitment period should not have any bearing on subsequent commitment periods since both the scientific knowledge and on-the-ground experiences will improve during the coming years.

General

Decision 17/CP.7 and its attached draft decision establishes modalities and procedures for the CDM. These modalities and procedures should also be valid for afforestation and reforestation (A&R) project activities under the CDM. Decision 17/CP.7 calls for the development of additional definitions and modalities of particular relevance for A&R project activities.

Definitions

The draft decision -/CMP.1 on Land use, land-use change and forestry includes definitions and modalities related to land use, land use change and forestry under articles 3.3 and 3.4 of the Kyoto Protocol. It is Norway's view that the definitions of forest, afforestation and reforestation outlined in paragraph 1 (a), (b) and (c) of the annex to this draft decision should be valid for afforestation and reforestation project activities under the CDM. Definitions of afforestation and reforestation have been discussed thoroughly and agreed upon by Parties. The definition of forest is rather broad, and Parties are to choose a minimum area of land, a minimum tree crown cover and a minimum tree height at maturity within quite wide ranges. As for the CDM, we suggest that the non-Annex I Parties involved choose a minimum forest area, a minimum tree height at maturity as well as a minimum tree crown cover within the given ranges. This choice should be valid throughout the first commitment period for all A&R CDM project activities in the respective non-Annex I Parties.

Non-permanence

It will be critical to develop viable procedures to ensure the accounting of losses of carbon from afforestation and reforestation project activities due to non-permanence. Towards COP 9, it is therefore important to find acceptable solutions to this crucial issue, including modalities for monitoring to ensure the identification and accounting of losses of sequestered carbon.

One of the most important tasks in this regard is to ensure that, when issuing CERs from A&R projects under the CDM, both sequestration and losses are accounted for through symmetric accounting (as in the present IPCC Guidelines), where only net carbon gain is credited. Losses of carbon because of disturbances such as fire, storms, and pest-outbreak as well as harvesting should be accounted for in a transparent manner. It is important to address the development of soil carbon over time in relation to changes in land use brought about by A&R projects to enhance our understanding of this issue significantly.

To ensure that only net carbon sequestration is accounted for, the harvesting cycle should be included. To be correct, this may necessitate monitoring and accounting for a longer time period than for other CDM project activities. One possibility that allows for using somewhat shorter timeframes is to require an accounting approach that averages out the effects of the harvest cycle. The average storage method (as defined in the IPCC Special Report on LULUCF) is one such method. This is an accounting method for dynamic systems in which emissions and removals of greenhouse gases due to planting, harvesting and replanting operations are included. The method accounts for the carbon storage over the lifetime of the project and not only at the times chosen for accounting. The carbon storage would then need to be estimated in advance on a site- and species-specific basis, as growth rates and harvest cycle times vary quite considerably for different types of forests. Other methods and approaches should also be considered, including using longer project periods.

Baseline and leakage

Baseline methodologies:

Appendix C of the modalities and procedures for the CDM provides Terms of Reference for establishing guidelines on baselines and monitoring methodologies. The executive board, drawing on experts in accordance with the modalities and procedures for a CDM, shall develop and recommend to the COP/MOP, *inter alia*, general guidance on methodologies relating to baselines and monitoring consistent with the principles set out in those modalities and procedures. These guidelines should also include baseline and monitoring methodologies for afforestation and reforestation project activities.

For afforestation and reforestation project activities there might be a need to decide what carbon pools to include in the baseline. The project participants should provide estimates of the carbon changes in relevant carbon pools within the project boundary. In this regard, it is important to include both below- and above-ground biomass, dead wood, litter, soil organic carbon. A conservative approach should be employed. It should be mandatory to include relevant carbon pools that are estimated to decrease because

of the proposed project activity, while inclusion of pools that increase in carbon content could be optional. Such a requirement would be equivalent to the provision in paragraph 21 in the draft decision -/CMP.1 on Land use, land-use change and forestry.

Leakage:

The potential for leakage from A&R-project activities that are eligible under the CDM is probably smaller than for e.g. forest conservation projects. However, this issue should still be considered when validating and registering a CDM project activity. Any relevant leakages should be monitored, reported and accounted for.

Uncertainties

It is essential to take into account uncertainty in the estimates of sequestered carbon. This should be done in a conservative manner. Uncertainty with regard to A&R-projects is not only relevant in connection with estimations of sequestered carbon, but also in relation to e.g. the development of baselines.

The IPCC recently started developing methodologies for estimating emissions and removals of greenhouse gases from land use, land-use change and forestry, including good practice guidance. This also includes estimations related to project activities under the CDM. Emissions and removals of greenhouse gases from A&R project activities should be calculated using the methodology developed by the IPCC, including the good practice guidance, so that uncertainties are reduced to the extent possible.

Environmental impacts

According to the modalities and procedures for the CDM, a validation requirement for a CDM project activity is that project participants have submitted to the designated operational entity documentation on the analysis of the environmental impacts of the project activity, including transboundary impacts and, if those impacts are considered significant by the project participant or the host Party, have undertaken an environmental impact assessment in accordance with procedures as required by the host Party. A&R projects could e.g. entail a change of land use and species composition in the project location. The modalities for A&R projects under the CDM could possibly provide further guidance with respect to the information to be included in the required documentation on the analysis of the environmental impacts of the project activity. Bearing in mind that the Convention on Biodiversity at its latest COP decided upon guidelines for incorporating biodiversity-related issues into environmental impact assessments and recommendations for the conduct of cultural, environmental and social impact assessments regarding developments proposed to take place on, or which are likely to have impact on, sacred sites and on land and waters traditionally occupied or used by indigenous and local communities (decision VI/7 and VI/10), Norway would like to as far as possible build on these decisions. In addition, possible ways of mitigating any negative effects of the project activity should be assessed.

Socio-economic impacts

According to the modalities and procedures for the CDM, validation of a project activity can only take place after comments by local stakeholders have been invited, a summary of comments received has been provided and a report has been received by the designated operational entity on how due account was taken of any comments. Such comments could cover both environmental and socio-economic impacts of the proposed project activity. Bearing in mind the obligations under the Convention on Biodiversity as well as the ILO 169 (Indigenous and Tribal Peoples Convention, 1989) particular attention should be expressed towards the rights of indigenous peoples when considering impacts and procedures for consultation processes.

Monitoring

According to the modalities and procedures for the CDM the monitoring plan for a CDM project activity shall provide for collection and archiving of all relevant data necessary for estimating greenhouse gas emissions, determination of baselines, identification of all potential sources of increased emissions outside the project boundary that are significant and attributable to the project activity during the

crediting period etc. The modalities for a monitoring plan may need to be adapted to the circumstances of land use, land-use change and forestry projects. Monitoring methodologies may need to be developed and approved on basis of the specific requirements of afforestation and reforestation project activities. Proper monitoring systems will be crucial tools in the verification process.

PAPER NO. 3: RUSSIAN FEDERATION

Informal translation

SUBMISSION ON ISSUES RELATED TO MODALITIES FOR THE INCLUSION OF AFFORESTATION AND REFORESTATION PROJECT ACTIVITIES UNDER THE ARTICLE 12 OF THE KYOTO PROTOCOL IN THE FIRST COMMITMENT PERIOD

Russian Federation considers project activity among the key mechanisms of the Kyoto Protocol aiming at fulfilment commitments taken by UNFCCC Annex I Parties. The participation in projects is important both for Annex I and non-Annex I Parties. Founding on principles of equity and common but differential responsibilities (UNFCCC Articles 3 and 4; Kyoto Protocol Article 10), Russian Federation continually and consistently supports simultaneous start of implementation of all mechanisms of Kyoto Protocol. The latter requires development and endorsement of modalities for registration and utilisation of project results. We believe that the work on modalities for inclusion of afforestation and reforestation projects under Article 12 is a starting point of elaboration of a set of official rules and procedures for accounting and registration of results of activities under all three mechanisms of the Protocol that should provide a possibility to apply them in the First Commitment Period of Kyoto Protocol.

Russian Federation considers that definitions, rules and guidelines on project activities should be elaborated for inclusion of afforestation and reforestation project activities under Article 12 of Kyoto Protocol. List of definitions should include notions of: (1) project activities on afforestation and reforestation to be implemented under Article 12 of the Protocol; (2) project baseline; (3) non-permanence in project implementation; (4) project additionality status; (5) uncertainty of project results and approaches for its assessment; and (6) social-economic and environmental consequences of project implementation. The following specific features of project activities should be taken into consideration within the development of definition package: duration of the project, susceptibility and interrelationship with unexpected natural events; necessity to perform complete accounting for all project components including fate of harvested wood and the requirement for permanent monitoring of greenhouse gas emissions and removals over the areas of lands introduced in the system of reporting under Article 3.3 of the Protocol in accordance with provisions of Decision 11/CP.7.

The rules and guidelines on afforestation and reforestation project activities under Article 12 should comprise a set of methodological guidance and instructions on how to organise, register, implement, and control project activities along with review, accounting and common use of their results. The rules and guidelines should include financial and insurance implications as outlined in Article 3.14 of the Protocol and the measures to avoid or minimise negative impacts on biodiversity and human life, particularly traditional activities of indigenous people. They should be understandable and acceptable for all participants of project activities, whereas their compliance should become a mandatory and sufficient condition for recognition of project eligibility together with possibility of subsequent utilisation of its results by participating countries.

The elaboration of definitions, rules and guidelines should be consistent with earlier approved terms and definitions of activities in land-use, land-use change and forestry (Annex to Decision 11/CP.7). It should also take into consideration relevant Decisions 15/CP.7, 17/CP.7, 19/CP.7, 20/CP.7, 21/CP.7, 22/CP.7, and 23/CP.7, as well as provisions of UN Convention on Biological Diversity, Ramsar Convention, and other environmental Conventions of the United Nations. The work should be based on data, methodologies, and recommendations of the Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories, IPCC Special Report on Land Use, Land-Use Change and Forestry, and the experience of Good Practice Guidance for Land Use, Land-Use Change and Forestry that is under development now. The views of Parties provided in their earlier (document FCCC/SBSTA/2002/MISC.1) and current submissions provide an important contribution to this work that should be also taken into consideration within these activities.

SBSTA should be requested to elaborate and agree on definitions, rules, and guidelines. Then the set of definitions, rules, and guidelines should be submitted as an Annex to a COP Decision, that should be adopted by all UNFCCC Parties.

Российская Федерация

**ПРЕДЛОЖЕНИЯ ПО ПОРЯДКУ ВКЛЮЧЕНИЯ В ПЕРВОМ ПЕРИОДЕ
ВЫПОЛНЕНИЯ ОБЯЗАТЕЛЬСТВ КИОТСКОГО ПРОТОКОЛА ПРОЕКТНОЙ
ДЕЯТЕЛЬНОСТИ ПО ОБЛЕСЕНИЮ И ЛЕСОВОССТАНОВЛЕНИЮ,
ОСУЩЕСТВЛЯЕМОЙ ПО СТАТЬЕ 12**

Российская Федерация рассматривает проектную деятельность как один из ключевых механизмов Киотского протокола (КП), призванных обеспечить выполнение обязательств Сторонами Приложения I к Рамочной Конвенции ООН об изменении климата (РКИК). Участие в проектной деятельности важно для стран, включенных и не включенных в Приложение I к РКИК. Основываясь на принципах справедливости и общей, но дифференцированной ответственности (Ст. 3, РКИК и Ст. 10 КП), Россия неизменно и последовательно выступает за одновременное начало реализации всех механизмов КП. Для этого необходимо разработать и принять порядок учета результатов проектов. Мы рассматриваем порядок включения лесных проектов по Ст.12 КП как начало разработки комплекса официальных правил и процедур учета и регистрации результатов по всем трем механизмам Протокола, которые должны обеспечить возможность их применения в первом периоде выполнения обязательств Киотского протокола.

Российская Федерация считает, что для включения результатов проектной деятельности по облесению и лесовосстановлению в рамках статьи Ст. 12 КП необходимо разработать определения, правила и руководства по проектам. Перечень определений должен включать понятия:

- (1) проектной деятельности по облесению и лесовосстановлению, осуществляемой в рамках статьи Ст. 12 КП;
- (2) базовой линии проектов;
- (3) изменений последовательности их осуществления;
- (4) дополнительного назначения проектов;
- (5) неопределенности оценок их результатов;
- (6) социально-экономических и экологических последствий.

При разработке определений должны быть учтены особенности лесных проектов в части их временной протяженности, зависимости от непредвиденных воздействий окружающей среды, а также важность полного учета и оценки всех компонентов, включая судьбу заготовленной древесины и необходимость постоянного контроля эмиссии и поглощения парниковых газов на участках земель, включенных в систему учета в рамках Ст. 3.3 Протокола согласно решению 11/CP.7.

Правила и руководства по проектной деятельности по облесению и лесовосстановлению по статье Ст. 12 КП должны содержать комплект методических документов и инструкций по организации, регистрации, осуществлению и контролю проектов, а также проверке, учету и совместному использованию их результатов.

Разрабатываемые правила и руководства должны учитывать финансовые и страховые последствия, указанные в Ст. 3.14 Протокола, а также меры по исключению или сведению до минимума негативных воздействий на биологическое разнообразие естественных экосистем и жизнедеятельность коренных и малочисленных народов. Эти документы должны быть понятны и приемлемы для всех участников проектной деятельности, а их соблюдение – необходимым и достаточным для официального признания проекта и возможности последующего использования его результатов участвующими странами.

Разработка определений, правил и руководств должна основываться на принятых ранее понятиях видов деятельности в области землепользования, изменений в землепользовании и лесного хозяйства (решений 11/CP.7). Кроме того, должны быть учтены соответствующие положения решений 15/CP.7, 17/CP.7, 19/CP.7, 20/CP.7, 20/CP.7, 22/CP.7 и 23/CP.7, а также положения Конвенции ООН по сохранению биологического разнообразия, Рамсарской конвенции

и других конвенций ООН. В работе должны быть использованы материалы, методология и рекомендации Пересмотренных Руководящих принципов МГЭИК по национальным инвентаризациям парниковых газов, Специального доклада МГЭИК по землепользованию и лесному хозяйству, разрабатываемого в настоящее время Руководства по положительному опыту инвентаризаций парниковых газов при землепользовании, изменении землепользования и в лесном хозяйстве. Взгляды Сторон, выраженные в ранее поступивших (документ FCCC/SBSTA/2002/MISC.1) и нынешних предложениях являются важным вкладом в разработку определений правил и руководств, и они также должны быть учтены в этой деятельности.

Деятельность по разработке определений, правил и руководств должна выполняться ВОКНТА. По завершению, комплект определений, правил и руководств предлагается подготовить в виде Приложения к Решению Конференции Сторон, которое должно быть принято всеми Сторонами РКИК.
