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## Evolution of commitments under the UNFCCC: Involving newly industrialized economies and developing countries

Presented by European Business Council for a Sustainable Energy Future (ECOFYS)



Niklas Höhne, ECOFYS, discusses the report on future commitments under the UNFCCC.

Dian Phylipsen, ECOFYS, explained that her organization is a research and consulting company that develops projects such as the emission monitoring guidelines for the European Union emission trading system.

Niklas Höhne, ECOFYS, presented the report "Evolution of commitments under the UNFCCC: Involving newly industrialized economies and developing countries" and outlined sections of the report, including the need for the evolution of commitments, specific difficulties in agreeing on further commitments, equity considerations, elaboration and assessment of existing approaches, new approaches, and recommendations. He underscored that, in order to achieve the UNFCCC's ultimate objective of stabilizing greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system, further commitments will be needed. He said Annex I Parties need to reduce emissions substantially and non-Annex I Parties need to control emission growth. Höhne highlighted different elements of current approaches for future commitments, including: types of commitments, such as national emission targets and non-quantified targets; differentiation of country commitments; and determination of when and which countries participate in commitments. Noting that the report assesses 11 approaches, and explaining that each approach was assessed against a fixed set of ecological, political, and technical criteria, he discussed continuing the Kyoto Protocol, contraction and convergence, the global triptych approach, and the multi-stage approach. Höhne concluded that to achieve the Convention's objective under any approach, Annex I Parties will need to make significant emission reductions and non-Annex I Parties will need to be involved early-on in reducing emissions without curbing economic growth. He highlighted that there are options for future participation of developing countries, such as non-quantified commitments including targets relating to intensity standards, sustainable development policies and measures, and performance. Höhne outlined the report's recommendations for action, including the need for UNFCCC Parties to start an informal and international dialogue process, and Annex I Parties to build trust with developing countries by actively reducing emissions, becoming more involved in the Clean Development Mechanism (CDM), and making agreed funds available.

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The Earth Negotiations Bulletin (ENB) *on the side* is a special publication of the International Institute for Sustainable Development (IISD) in cooperation with the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat. This issue has been written by Fiona Koza <fiona@iisd.org>, Karen Alvarenga de Oliveira <karen@iisd.org> and Hugh Wilkins <hugh@iisd.org>. The Digital Editor is David Fernau <david@iisd.org> the photographers are David Fernau and Leila Mead <leila@iisd.org> and the online assistant is Diego Noguera <diego@iisd.org>. The Director of IISD Reporting Services is Langston James "Kimo" Goree VI <kimo@iisd.org>. Funding for publication of ENB *on the side* at UNFCCC SB-18 is provided by the UNFCCC Secretariat. The opinions expressed in ENB *on the side* are those of the authors and do not necessarily reflect the views of IISD and funders. Excerpts from ENB *on the side* may be used in non-commercial publications only and only with appropriate academic citation. For permission to use this material in commercial publications, contact the Director of IISD Reporting Services at <kimo@iisd.org>. Electronic versions of issues of ENB *on the side* from SB-18 can be found on the Linkages website at <http://www.iisd.ca/climate/sb18/enbots/>.

# Forests and the CDM: Perspectives from Africa and Latin America

Presented by the World Conservation Union (IUCN), the United Nations Environment Programme (UNEP) and the Food and Agriculture Organization (FAO)



Walter Oyhantçabal, Uruguay's Ministry of Agriculture, urges the review of national policies and forest programmes to improve the consideration of environmental services.

Wulf Killmann, FAO, noted that IUCN, UNEP and FAO have held workshops in Ecuador, Uruguay and Kenya on modalities for afforestation and reforestation under the CDM. He explained that the workshops have raised awareness of climate change issues among foresters.

Jens Mackensen, UNEP, stressed the importance of building developing countries' capacities on land use, land-use change and forestry (LULUCF) issues. He underscored the need for high-quality LULUCF projects that are environmentally sound and socially equitable, and to enhance the link between science and policy.

Brett Orlando, IUCN, explained that IUCN is exploring ways to make sinks projects environmentally sound and socially equitable through, *inter alia*, building institutional capacities and legal frameworks to create enabling environments, and building support outside the environmental movement for "good" sinks projects.

Dieter Schoene, FAO, noted that forests both influence and are affected by climate change.

Madeleine Diouf, Senegal's Ministry of Environment and Natural Protection, highlighted the problems of deforestation and desertification in her country. She expressed hope that CDM sink projects would, *inter alia*, encourage agroforestry practices, create benefits for local communities and promote sustainable forest management. Diouf drew attention to the need for: simple modalities; training for foresters and other stakeholders; and new instruments to measure and monitor soil and biomass carbon.

Marilia Manjate, National UNFCCC Focal Point in Mozambique, said CDM afforestation and reforestation projects should expand forest areas, decrease deforestation, improve local communities' livelihoods, reduce vulnerability to floods and erosion, improve soil fertility, enhance carbon sequestration, build capacities, and support small-scale projects. She highlighted Mozambique's need for pilot projects on afforestation and reforestation, and capacity building on project baseline monitoring.

Marina Stadthagen, Nicaragua's Clean Development National Office (CDNO), explained that the CDNO has established procedures to ensure that CDM projects support sustainable development and comply with national environment and development regulations, strategies and plans. She recommended small-scale and community-based projects that use native species, identified the need for clear procedures and methodologies for small projects, and called for official development assistance for building local capacities.

Walter Oyhantçabal, Uruguay's Ministry of Agriculture, underlined the need for simple and effective rules for afforestation and reforestation CDM projects that are commensurate with those already elaborated for energy projects, but are adapted to afforestation and reforestation requirements. He called for strengthening developing countries' capacities to prepare projects, establish baselines, and assess and monitor long-term environmental and socioeconomic impacts.



Madeleine Diouf, Senegal's Ministry of Environment and Natural Protection, notes that extensive monoculture crops degrade land and put pressure on forests.

## More information:

<http://www.fao.org>  
<http://www.unep.org>  
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# Forestry CDM projects: Assessing baselines, additionality and leakage

Presented by the Organisation for Economic Co-operation and Development (OECD)

Jane Ellis, OECD, presented a summary of the paper "Forestry projects: lessons learned and implications for CDM modalities." She noted that CDM project developers have used two distinct interpretations of the definition of "additionality" that was adopted at the seventh Conference of the Parties to the UNFCCC. Ellis stressed that afforestation and reforestation activities are often distinct from other CDM projects because they are, *inter alia*, often implemented under "business as usual" conditions and can result in emissions as well as removals. She said definitions of "additionality" for CDM projects should: take into account differences between afforestation and reforestation projects and emission reduction projects; reduce free-riding; be innovative by using tools other than baseline tests; and be based on objectively verifiable information. In terms of approaches to baseline setting, Ellis said the definition of baselines should allow differences between afforestation and reforestation projects and emission reduction projects, and ensure that baselines do not result in credits for ineligible projects. She underlined that afforestation and reforestation projects must be designed carefully to reduce the various types of leakage, including those on different geographic scales.



Jane Ellis, OECD, outlines problems with the interpretations of the definition of "additionality" adopted at UNFCCC COP-7 in the context of afforestation and reforestation CDM projects.

Ian Noble, World Bank, described the Prototype Carbon Fund-supported "Plantar" project in Brazil, which focuses on sustainable fuelwood and charcoal production and substitution of coke in pig iron production. He described the project's sequestration components, biodiversity and land management certifiable benefits, and baselines. Noble reviewed several validation issues, including: eligibility of end of life plantation lands for certified emission reductions; leakage effects of the project on other Brazilian States; and the claiming of methane emission reductions from flaring methane in exhaust gases. He also described the project's emission reduction purchase agreement.

Tia Nelson, The Nature Conservancy, described LULUCF baseline approaches being used by her organization. She said general baseline approaches examine historical rates of afforestation and reforestation, predict likely locations of future deforestation and reforestation, and determine emissions from sequestration efforts. She outlined a baseline approach that is being used in a CDM project in Guaraqueçaba, Brazil. She said this approach is based on a geographic modeling system that predicts land-use change in relation to both afforestation and reforestation, and uses factors of distances to roads, distances to communities, distances to navigable waters, and distances to rivers to predict rates of change. She described the use of deforestation vulnerability maps relating to the project, and the drivers for reforestation, including soil type, proximity to agricultural activities, and elevation. Nelson also outlined ongoing baseline work on this project, including assessments of variations in terms of credibility, transparency, portability and cost effectiveness, and research on how baseline uncertainty might be quantified.



Tia Nelson, The Nature Conservancy, describes the baseline approach used in a CDM forestry project in southern Brazil.

Discussion: Participants discussed, *inter alia*, why distinct additionality tests are needed for afforestation and reforestation projects, the need to consider existing local practices, the potential for double counting carbon in pig iron, and community concerns and additionality issues regarding the Plantar project.

## More information:

<http://www.oecd.org/env/cc>  
<http://www.carbonfinance.org>  
<http://nature.org>

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# Greenhouse Gas Registries

Presented by the International Emissions Trading Association (IETA)



Anthony Hobley, Baker and McKenzie, notes that in the EU registry system any person or company will be able to open an account and hold allowances.

Anthony Hobley, Baker and McKenzie, highlighted a study on the EU Registry System that aims at providing the European Commission with input toward a draft regulation relating to a standardized and secured system of registries. The proposed EU legislation requires each Member State to establish a registry that promotes public accessibility and accurate accounting, holding, transfer and cancellation. Hobley highlighted the need to address legal issues relating to the link between Assigned Amount Units (AAU) and EU allowances (EUA) and questioned whether non-Kyoto Parties will be able to hold accounts.

Laurent Segalen, PriceWaterhouseCoopers, stressed that the EU's proposed legislation specifies functional and technical prerequisites. He noted that the functional specifications include: creating and allocating allowances; promoting domestic transfer; managing international and regional transfers; freezing transfers in the absence of a satisfactory report; and managing compliance operations and cancellations. He underscored the technical elements to be considered when designing registry legislation, such as information technology arrangements, technical architecture, communication standards and user management. He said the study proposes an interface with European Trading Logs and International Trading Logs and highlighted future links with Canadian and Japanese trading systems.

Martin Hession, UK Department for Environment, Food and Rural Affairs, spoke on the UK's experiences and perspectives on greenhouse gas registries. He noted that the UK Emission Trading System Registry, which is currently incompatible with the EU and UNFCCC systems, has approximately 15,000 registrations and 3,000 accounts. Hession suggested working cooperatively with others on the development of international registry systems, continuing to share expertise, considering selling or promoting joint ventures with the UK registry, and offering registry services to others.



Laurent Segalen, PriceWaterhouseCoopers, says the EU's registries will be integrated with the Kyoto Protocol's so that each national registry will be able to handle both Kyoto Protocol and EU allowances.

Toshi Nagata, Japan's Ministry of Economy, Trade and Industry (METI), outlined the development of the Japanese national registry system. He said the system, under the responsibility of METI and the Ministry of the Environment, started in November 2002 and had a budget of approximately US\$770,000 in the 2002 fiscal year. Nagata summarized the functions of the national registry including: account management relating to opening and closing of accounts; credit management relating to issuing and transferring credits; and information disclosure referring to data on the total amounts of credits and transactions registered. He stressed that reinforcement for the security and development of e-application functions are domestic challenges that need to be addressed by the system in the future, and that international challenges include expanding information disclosure according to the Marrakesh Accords and developing functions relating to international transactions.

## More information:

<http://www.ieta.org>

<http://www.defra.gov.uk/environment/climatechange/trading/index.htm>

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