



HIGHLIGHTS FROM LULUCF WORKSHOP WEDNESDAY, 12 JULY 2000

Participants at the SBSTA workshop on land use, land-use change and forestry (LULUCF) met in morning and afternoon sessions to consider project-based activities and address general accounting, verification and reporting issues.

PROJECT-BASED ACTIVITIES

IPCC OVERVIEW: Presentations: IPCC Chair Bob Watson said the first question relating to project-based activities was whether or not to include sinks in the CDM and, if they are included, which ones to allow. Sandra Brown, IPCC Lead Author, provided information on, *inter alia*: development of baselines, which can be project-specific or generic, and fixed or regularly updated; approaches to accounting for and mitigation of leakage; permanence; and measuring, monitoring and verification of selected pools. Watson noted that these issues must also be addressed in energy projects, while observing that the question of permanence is considered more difficult for LULUCF projects.

Question-and-answer session: In the ensuing question-and-answer session, the EUROPEAN COMMISSION drew attention to the possibility of leakage having positive effects. In response to a question on leakage by the NETHERLANDS, Sandra Brown highlighted the development of "look-up tables" for leakages covering different types of tree species and based on market supply and demand. The US underscored the distinction between the cost and price of carbon, and said there may be opportunities to sell at a significant profit. Brown stressed the current lack of a price, since there is no market and the only information available is on investment costs.

In response to a question by the US on baselines, Brown said baselines in some existing projects are now being revisited to add field data. She noted that, with more projects, there will be added incentive and data to develop generic baselines. CENTRAL AFRICAN REPUBLIC queried what could be done to monitor small-scale projects in rural areas, and Brown said it was a question of encouraging cooperation at a local level, after which standard statistical sampling could be used. With regard to a possible minimum area size or carbon offset, she said several small projects could be bundled into larger ones.

FINLAND drew attention to the complexity of the underlying causes of deforestation, highlighting structural and socio-economic factors, and questioned how much a project approach would actually address the wider problem of deforestation. Watson

replied that, while it is important to identify the root cause and to change policy and institutional frameworks, projects could be of value and are the only feasible approach under the climate change framework.

In response to a comment by the UK on the possibility of using sectoral baselines, Watson said this could be a viable option, although it required careful consideration. AOSIS noted the potential benefits of projects for indigenous peoples.

PRESENTATIONS: Following the IPCC overview and question-and-answer session, participants heard presentations from representatives of Parties, NGOs and the business sector.

NGO and business presentations: Igino Emmer, Consultant, FACE Foundation, presented on the design and management of reforestation projects, outlining the Foundation's portfolio of reforestation projects to sequester CO₂. He emphasized the benefits of certification and verification of forest management projects and called for development of sound monitoring programmes.

Gareth Phillips, Société Générale de Surveillance (SGS), outlined early experiences with verification of land-based projects. Highlighting the importance of eligibility, he said SGS has developed its own carbon offset verification scheme, including acceptability, additionality, externalities, and capacity. He suggested that a number of potential JI/CDM projects exist, and said these will need to overcome challenges relating to, *inter alia*: eligibility criteria; accounting methodology; and defining rules/guidance on baselines. He recommended using average carbon capacity for calculating stock changes.

Ken MacDicken, Director of Research, Center for International Forestry Research, presented on the opportunities for rural livelihoods under CDM forestry projects. He highlighted the dual purposes of the CDM and outlined potential benefits and risk associated with these projects. He emphasized the importance of undertaking social impact assessments. He highlighted the need for, *inter alia*: incentives for multiple benefits; the inclusion of a broad range of LULUCF options under the CDM; a reduction in transaction costs; the approval of tonne-year accounting; and strengthening of local capacities. He concluded that livelihood issues are not a reason to exclude LULUCF from CDM and that rulemaking can increase the probability of positive impacts.

Bill Hare, Climate Policy Director, Greenpeace International, spoke on land-use change and forestry activities under the CDM. He opposed inclusion of these activities, stressing problems related to: climate change mitigation, as every tonne of CO₂ sequestered

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permits an additional tonne of emissions; the sustainable development criterion and its lack of positive impacts on social and equity issues and technological development; and a likely over-estimation of forest conservation and biodiversity protection due to leakage and a focus on inexpensive sequestration projects.

Party presentations: Sergio Jauregui, Advisor on LULUCF and Climate Change, Bolivian Vice Ministry of Environment, spoke on the Noel Kempff Mercado Climate Action Project in Bolivia. He highlighted the two components of emissions reduction: eliminating logging, and eliminating conversion of forest to agricultural land. He said the project addresses leakage by providing alternative economic opportunities for the affected communities. It also addresses the issue of permanence by: assimilating the area indefinitely into a national park; controlling fires; including local communities in park management; and discouraging migration by providing key infrastructure for the local population.

Ken Andrasko, Office of Atmospheric Programs, US Environmental Protection Agency, outlined US views on project-based LULUCF activities. He noted the importance of LULUCF in the global carbon cycle, the fact that projects could be widely distributed internationally, and the potential for co-benefits that may be larger than the carbon benefit. He argued that the potential problems of additionality, leakage and permanence should be addressed through appropriate rules and project design.

Question-and-answer session: In the ensuing question-and-answer session, GERMANY asked whether the prospect of carbon credits for emissions avoidance - such as prevention of planned deforestation - could act as an incentive for deforestation activities. In response, Sergio Jauregui said this was not a problem in Bolivia, where deforestation is primarily due to socio-economic reasons, and where most people involved in deforestation would not be aware of the Kyoto Protocol or carbon credits. He said any attempts to manipulate the credit system would be identified at the accreditation stage.

In response to a question from SWITZERLAND on how compatible Greenpeace's opposition to LULUCF projects under the CDM is with the objectives of the Protocol, Bill Hare noted that LULUCF carbon credits would not be an appropriate means of achieving stable atmospheric concentrations of CO₂, given questions of permanence and additionality, and said that, based on current scientific knowledge, emissions reductions were a safer way to proceed. He also suggested that the Protocol was not necessarily the most suitable context for addressing in-depth forest management issues. Responding to comments on how best to move forward, Ken Andrasko said the US supported working in parallel on the key issues rather than addressing one after the other.

NIGERIA questioned whether developing countries would benefit from sinks projects under the CDM, and emphasized the need for social impact assessment of projects' long-term implications. Bill Hare suggested that Parties only consider renewable energy projects under the CDM.

MEXICO commented on the importance of co-benefits in sinks projects. Ken MacDicken agreed, suggesting harmonization of projects with co-benefit elements from the CBD and GEF programmes. AUSTRIA underscored the risks of increased forest losses due to perverse incentives. In response, Gareth Phillips said that clear guidelines are necessary to avoid potential deforestation arising from perverse incentives. Responding to a question from

SENEGAL on baselines in Bolivia, Sergio Jauregui said the baseline assumes that: logging companies continue to exploit and farmers continue slash and burn practices; parameters are dependent on the rate of logging of nearby forest concessions and historical land-use trends established by communities; and carbon monitoring relies on satellite data, data from nearby logging concessions, and permanent plots. AUSTRALIA queried the lack of carbon projects in degraded land areas in Africa. Ken MacDicken responded that restoring degraded savannah lands using sinks projects would require the transfer of sophisticated technology to resolve the problem of water constraints.

GENERAL ACCOUNTING, VERIFICATION AND REPORTING ISSUES

Workshop Co-Chair Thorgeirsson introduced this topic, noting that accounting, verification and reporting represent the backbone of LULUCF activities.

IPCC OVERVIEW: Ian Noble, IPCC Lead Author, noted that the Special Report had addressed issues of accounting, verification and reporting. He stated that the Revised 1996 Guidelines for National Greenhouse Gas Inventories were devised for the purposes of the FCCC rather than the Protocol, and said an elaboration will be needed. Co-Chair Thorgeirsson highlighted the importance of distinguishing between what broad decisions need to be taken by COP-6, and what issues can be dealt with at a later stage.

PRESENTATIONS: Thomas Häusler, Remote Sensing Expert from the Company for Applied Remote Sensing (GAF), presented on earth observation in the context of LULUCF applications. He highlighted, *inter alia*, the reliability and cost benefits of using remote sensing to provide data for forest inventories and to monitor afforestation, reforestation and deforestation at frequent intervals. He stressed the need for a standardized nomenclature and harmonized technical procedures. He noted, however, that remote sensing cannot be used to measure carbon stocks, and suggested the use of appropriate indicators.

Ian Carruthers, Australian Greenhouse Office, made a presentation outlining Australia's perspective on carbon accounting for LULUCF. He said land areas would enter into an accounting system for Article 3.3 and 3.4 once eligible LULUCF activities were established on that land. He suggested that, once the land area entered into the accounting framework, all changes in greenhouse gases and carbon stocks from all relevant pools should be included, and the land should remain within the system into future commitment periods. He expressed a preference for a narrow approach to the selection of activities and land-based accounting. He drew attention to Australia's work on developing a national carbon accounting system, which he said could be applicable to other countries.

THINGS TO LOOK FOR TODAY

GENERAL ACCOUNTING, VERIFICATION AND REPORTING ISSUES: Participants will resume consideration of this matter at 9:00 am.

KEY ISSUES: Once discussion of general accounting, verification and reporting issues has concluded, it is expected that a session will be held drawing together important issues that have emerged during this workshop. The Co-Chairs will then present their conclusions on the workshop, and are expected to close the meeting late afternoon.