



SUBMISSION BY CYPRUS AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

This submission is supported by Albania, Bosnia-Herzegovina, Croatia and Serbia

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Subject: Submission on issues related to a more comprehensive accounting of anthropogenic emissions by sources and removals by sinks from LULUCF, including through a more inclusive activity-based approach or a land-based approach, as referred to in decision 2/CMP.7, paragraph 5.

1. Introduction

The EU welcomes this opportunity to submit its views on issues related to a more comprehensive accounting of anthropogenic emissions by sources and removals by sinks from land use, land use change and forestry (LULUCF), including through a more inclusive activity-based approach or a land-based approach, as referred to in decision 2/CMP.7, paragraph 5.

The LULUCF accounting rules for the second commitment period of the Kyoto Protocol were agreed in Durban (December, 2011) and the discussions on a more comprehensive accounting framework will not result in rules to be applied during the second commitment period of the Kyoto Protocol. Considering the need for stability on the rules being applied during a commitment period, it is the EU's view that a more comprehensive accounting framework is an issue that needs to be considered in the context of the negotiations of a future post-2020 framework. Options should be explored to ensure that the discussions in this work programme contribute to, and inform the ADP process, and should adequately be considered under the future post 2020 instrument to be developed under the ADP. The EU is of the view that Parties should engage in discussions as soon as possible, in order to ensure a timely valuable outcome to feed ADP negotiations.

The EU welcomes the establishment of this work programme, as we believe that the concept of a “more comprehensive accounting framework” should be clarified and further defined, to inform our discussions on a post 2020 climate change regime.

This EU submission contains some preliminary thoughts on principles that could guide a possible new accounting framework, and a non exhaustive list of options for the approaches to be further explored, with an initial listing of possible advantages and shortcomings, with the intention to feed and facilitate the debate on this topic that we anticipate will take place in the coming years. The EU provides these ideas with a view to initiate and stimulate the debate. They do not represent the EU's final position, which will be further developed in the future in light of coming discussions and further analysis on this topic.

2. General considerations

The EU is of the view that moving to a more comprehensive accounting framework, building upon what we have already achieved and learned under the Kyoto Protocol and the Convention, should have a positive effect on the environmental integrity of the future climate change regime, and on the contribution of this sector to mitigate climate change, allowing also to enhance biodiversity and sustainable development on land management. The different options should be carefully analysed before taking any decision on this regard.

A. **Lessons learned from the LULUCF process until now**

In the current framework, Annex I Parties have to report to the Convention emissions and removals associated with land uses and land use changes. In addition to this, Annex I Parties that are also Parties to the Kyoto Protocol, have to include, in their National Greenhouse Gas Inventories, the supplementary information requested by the Kyoto Protocol on LULUCF activities.

During the process up to now, Parties have learned a great deal, which should be considered when developing a new accounting framework that could be applicable in the future, i.e.:

- An approach based on eligible activities covers only part of the LULUCF sector, and mandatory activities include only a part of emissions/removals of a Party. This has been improved with forest management becoming mandatory for the second commitment period of the Kyoto Protocol, but there are still large areas of land (and its associated emissions and removals) that can be kept out of the accounting due to the provision that allows voluntary election of some activities. The availability of higher tier data and appropriate national methods for all activities, pools and gases may be a challenge and it needs to be considered while moving forward.
- The LULUCF sector has been treated in a different way with respect to other sectors. In the current accounting framework, different accounting rules apply for different activities. Furthermore, different provisions may apply to the same activity. This makes comparability across the sector difficult and the reporting and accounting system more complex.
- Although uniform treatment of all sectors sounds attractive, the specific characteristics and the relevance of non-anthropogenic emissions and removals of the LULUCF sector may require the maintenance of some special accounting provisions even in the future.
- Data availability including the detailed land use data needed for identifying the different land uses/activities and the uncertainties associated with the estimations of emissions and removals from the LULUCF sector are challenging. Further, the differences between Kyoto and Convention reporting force Parties to design and maintain two parallel reporting systems. It should be explored whether simpler reporting and further integration of accounting rules (i.e., gradually merging Convention and Kyoto reporting systems) could improve transparency in reporting and reduce the burden of both reporting and accounting;.

- Annual net emissions/removals are influenced by inter-annual variations in weather and natural disturbances (which often even counteract the results of policy interventions), leading to significant fluctuations in the annual GHG balance for some countries. Significant progress was made in Durban decision 2/CMP.7 in relation to natural disturbances accounting.
- Terrestrial carbon stocks may increase and decrease without direct human influence and, in particular, events or circumstances which are beyond the control of a Party may cause significant emissions within a single year. The links with emissions caused by natural disturbances, the impacts of inter-annual variations in weather, the impacts of climate change and the need to balance mitigation and adaptation action across the land use sector needs to be better considered.
- Net emissions/removals can be significant in all pools and gases, although the magnitude and rate may vary with pool and/or gas. Reporting and accounting should aim at full coverage of pools and gases and should aim to reflect the correct timing and location of when and where these emissions/removals take place. The accounting of harvested wood products and the addition of a new activity on drainage and rewetting of wetlands, as agreed in 2/CMP.7, were significant steps forward in this respect.
- Short commitment periods do not fit well with long rotation periods in forest management systems especially when age class structure of the forest is not balanced. Where age class structure is skewed, the use of historical base years or base periods artificially create “accounting winners and losers”, that don’t necessarily reflect changes in the quality of forest management. The use of projected reference levels provided a way forward that is worth exploring further.
- Reported annual data are often subject to substantial and frequent recalculations, which make more difficult to predict the impact of policies and measures implemented in the LULUCF sector on the national emissions profile.
- The sector has very significant mitigation potential in terms of reducing emissions, maintaining and enhancing sinks and carbon stocks through the reduction in degradation of agricultural soils as well as sustainable forest and land management, and the sustainable supply of wood material and bioenergy. The dynamics of biological systems provide better opportunities in medium to long term to realize this potential, although opportunities exist for significant emissions reductions already in the short term, in particular, through reduced deforestation. It is therefore essential to design an accounting system that provides incentives for long term climate benefits and avoids contradictory incentives, while at the same time, promoting adaptation measures aimed at increasing forest resilience (keeping in mind the increasing vulnerability of forests and other ecosystems to climate change) and stabilizing forest carbon stocks.
- The importance of agreeing on the LULUCF rules and their implications before Parties agree to commitments has been reiterated. Different accounting options for LULUCF may have a significant impact on Parties’ targets. This has been achieved for the second commitment period under the Kyoto Protocol and we should aim to repeat this for future climate agreements.

- National circumstances and the need to create fair accounting rules have resulted in the establishment of some exceptions to the general rules under the Kyoto Protocol in the past. The effects of national circumstances on the accounting approaches needs to be further explored, but special accounting rules should be avoided as much as possible.

B. Aspects to consider when developing a more comprehensive approach for accounting of anthropogenic emissions by sources and removals by sinks from LULUCF

The EU believes that any new approach to be adopted for the accounting of LULUCF emissions and removals in the future should:

- Ensure long-term environmental integrity
- Incentivise reduction of emissions and enhancement of removals
- Be inclusive, fair and take into account differences in national circumstances
- Be based on sound science
- Use consistent methodologies over time for the estimation and reporting of emissions and removals
- Exclude the mere presence of carbon stocks from accounting
- Contribute to the conservation of biodiversity and sustainable use of natural resources
- Ensure that reversal of any removal be accounted for at the appropriate point in time
- Exclude removals resulting from: (i) elevated carbon dioxide concentrations above their pre-industrial level; (ii) indirect nitrogen deposition; and (iii) the dynamic effects of age structure resulting from past activities and practices;
- Reduce the risk of leakage/displacement of emissions
- Promote long-term sustainable land use and system management and allow the implementation of incentive schemes for mitigation actions aimed to optimize the mitigation potential of this sector, while promoting adaptation measures.
- Aim at achieving the lowest possible level of complexity and the highest robustness of the system
- Ensure comparability, to the extent possible, over time and between Parties
- Avoid double counting of reductions of emissions or increases in removals.
- Account for all pools and gases (including HWP), where robust and accurate data and methodologies are available, and encourage Parties to continuously improve the reporting capacities and, where needed, moving to higher tier methodologies.

- Take into account the possible links with policies and measures in other sectors, in particular the energy sector (i.e. biomass production and use) and the agriculture sector (i.e. crop and livestock production)
- Aim to reflect the actual effect of management on emissions and removals in the land-use sector and include a provision for proper consideration of emissions from natural disturbances
- Ensure cost effectiveness of reporting and accounting

With all the experience gained during years of reporting, and in some cases, accounting, the EU believes that an efficient and more integrated perspective for the LULUCF sector needs to be explored, taking into account the lessons learned and the aspects mentioned above, and taking into consideration technical, methodological, economic and political implications of any possible new accounting framework.

Any future process to deal with the LULUCF accounting in the future needs to be carefully planned, and where possible, be discussed in conjunction with the general negotiations on future climate regime.

3. Possible options on a more comprehensive accounting framework for anthropogenic emissions by sources and removals by sinks from the LULUCF sector

This list of options below is not exhaustive and is provided to stimulate discussions only. Additional options as well as possible advantages and shortcomings for these options presented could be identified later and will need to be considered. The EU is open to explore these, and will also carefully consider submissions and proposals by other Parties.

With respect to the options below, there is the need to highlight that:

- They reflect an understanding of the status of some issues that were discussed formally and informally during the negotiations leading to the Durban Decision, but don't necessarily reflect the EU's preferred options or positions.
- It was our understanding that most Parties do not consider unconstrained gross net accounting as a possible accounting option for the future and, therefore, it has not been included as an option in the submission. However, constrained gross-net (establishing a cap, discount, or other appropriate mechanism) could be explored as an option.
- The natural disturbances voluntary provision (as adopted in Durban or an improvement of it, if needed, with experience gained in the future) is considered as included in all approaches below.
- Harvested wood products are also included as a pool in all approaches considered (as adopted in Durban or an improvement of it, if needed, with experience gained in the future).

A. Activity based approach

Under this approach, more or all activities included under the current accounting system could be considered mandatory from 2020, provided that the existing challenges concerning quality and availability of data and reporting methodologies are solved. Approaches that could be examined further include:

- as adopted in Durban
- reference levels for all/some activities
- net/net for some activities
- gross net with caps/discount factors/other constraining mechanisms for some activities
- other (new) rules to differentiate anthropogenic emissions and removals

For these options it could be considered to merge lands under article 3.3. (afforestation, reforestation and possibly deforestation) and under article 3.4. (forest management), using a common accounting rule for the forests sector.

I. Potential advantages

- Accounting under an activity based approach would be a similar system to the current approach that would ensure compatibility and comparability between future and past systems.
- This approach could result in an increase in coverage of areas with respect to the current system, that would be translated into an increase in the coverage of emissions and removals
- Merging Art. 3.3. (afforestation, reforestation and possibly deforestation) and 3.4 forest management would remove the artificial division in the consideration of national forests and simplify reporting, accounting and mitigation policy development and it would simplify or remove some rules currently in place
- Addresses comparability (in the case of reference levels based on projections or representative historical period)

II. Potential shortcomings

- Under this approach, the reporting burden, compared with the current situation, is maintained or even increased, as supplementary information is needed to that information provided for the Convention reporting.

- Although coverage of emissions and removals might improve, it might still be incomplete, as it still would not cover the whole territory (therefore, not all anthropogenic emissions and removals from this sector).
- Not all Parties may have data available to report on more or even all individual activities.
- Methodological uncertainties can be significant, in particular for those activities with significant changes in soil carbon stocks.
- Artificial division between forest-related activities, if the differentiation is maintained.
- In the case of the use of reference levels, it could be challenging to define and establish those reference levels for more or all activities. Also, the development of an adequate review process could be challenging
- Merging 3.3 and 3.4 forest management may reduce the level of detail of information provided on emissions and removals associated to forest activities
- In the case of a cap/discount factor/other constraining mechanism, the use of politically negotiated numbers, can reduce incentives for enhancing removals and reducing emissions.

B. Land-based approach

This approach could be based on the information requirements under the Convention, information that Parties submit to the UNFCCC as part of their National Greenhouse Gas Inventories/National Communications, provided the quality of data and reporting methodologies are sufficient.

Under this approach, accounting would be based on the reporting tables submitted in response to reporting requirements under the Convention. There would be no additional reporting requirements except for the mandatory inclusion of the HWP pool and the voluntary exclusion of emissions from natural disturbances. Approaches that could be examined further include:

- base year or a base period
- reference levels for different land use categories
- net/net for some activities
- gross net with caps/discount factors/other constraining mechanisms for some activities
- other (new) rules to differentiate anthropogenic emissions and removals

There is the possibility to have different accounting rules for the different land use categories. There is also the possibility to explore which land use categories should be accounted for on a mandatory basis and which categories might remain electable (i.e., mandatory accounting for the forest related land use and land use change categories only, mandatory accounting for all land use categories, except categories or subcategories where experience with existing methodologies are less developed or there is a lack of data, e.g. wetlands, settlements and other lands; or mandatory accounting for all land use categories).

I. Potential advantages

- More or all LULUCF anthropogenic emissions and removals in a country would be covered provided that the existing challenges concerning quality and availability of data and reporting methodologies are addressed.
- Reporting burden decreases, as less supplementary information would be necessary to that requested by the Convention
- All managed forests in a Party would be considered together (the artificial division between articles 3.3. and 3.4. would disappear as well as specific rules adopted to address this division)
- Addresses comparability (in the case of reference levels based on projections or a representative historical period)
- This approach could facilitate the comparability of mitigation efforts and results

II. Potential shortcomings

- Methodological uncertainties can be significant, and there is a need for improving data accuracy for all land uses
- It is challenging to establish reference levels for all land use categories, and the development of review process could also be challenging.
- In the case of a base year/period, there would be arbitrary winners and losers linked to the high inter-annual fluctuations in the sector and the significance of the forest age class distribution.
- In the case of a cap/discount factor/other constraining mechanism, the use of politically negotiated numbers, can reduce incentives for enhancing removals and reducing emissions.

C. A combined approach

It could also be considered to allow for a stepwise approach to broaden the accounting framework of the LULUCF sector. With this combined approach, Parties could account on a mandatory basis for all land use categories and for all land use changes, except categories where experience with existing methodologies are less developed or there is a lack of data e.g. wetlands and settlements, and other activities not covered by the land uses considered mandatory could remain voluntary or would become mandatory over a period of time. Rules, modalities and methodologies should be elaborated to, i.e., ensure avoidance of double counting.

In this approach, there are a number of possible combinations and the possible advantages or shortcomings associated with this approach, taking into account the different accounting rules that could be applied to different land uses and different activities could be discovered by analysing the different options above.

Using a combination of land use categories and activities, environmental integrity could increase depending of the number of land use categories and activities that become mandatory.

4. Future work

The EU is willing to analyse and engage in discussions about possible a more comprehensive accounting framework for anthropogenic emissions and removals in the LULUCF sector.

The EU believes that this SBSTA work programme could inform the discussions we would need to have about mitigation under the ADP process on the post 2020 agreement. The EU has concerns that this work programme is under the Kyoto Protocol, and will report its results to the CMP, and non-Kyoto Protocol Parties can attend these discussions as observers only. The EU, in view of the broader importance of this issue, would like to find ways to ensure all Parties views are part of the discussion in order to ensure the comprehensiveness and inclusiveness needed for this important issue.

In addition to this, the EU thinks that, to allow the contribution of the outcome of this work programme to the future climate change regime, the discussions should be finalised before COP21/CMP11.