

Submission by Chile to the Subsidiary Body for Scientific and Technological Advice (SBSTA) on Methodological issues under the Kyoto Protocol Land use, land-use change and forestry under Article 3 and 4, of the Kyoto Protocol and under the clean development mechanism (CDM)

September 2013

**Context**

1. Chile welcomes the opportunity to provide views in response to the paragraph 5, FCCC/SBSTA/2013/L.5 on specific alternative approaches to be included in the consideration of modalities and procedures for alternative approaches to addressing the risk of non-permanence under the CDM, with a view to forwarding draft decisions on this matter to CMP 9.

2. Considering the importance of the land sector in mitigating the climate change at global level, Chile considers extremely important to address the issue of non-permanence in relation to LULUCF activities, to ensure the relevance of the CDM mechanism, particularly for afforestation/reforestation activities, the only eligible land use activity under the CDM.

3. The temporary nature of tCER/ICER credits issued to afforestation/reforestation projects under the existing modalities and procedures; replacement risk associated with these temporary credits at the end of their expiry period; as well as lack of fungibility of the temporary credits with other CERs issued under the CDM have translated in very low prices for tCERs/ICERs and consequent poor demand for these credits, effectively removing the CDM incentive to implement afforestation/reforestation projects. The registration of very few afforestation and reforestation projects and even fewer projects that have undergone verification during the first commitment period of the Kyoto Protocol is a clear testimony to the adverse impact of temporary credits on the incentive to implement afforestation/reforestation projects under the CDM.

4. Considering that the CDM can continue playing an important role during the second commitment period, as a cost effective mitigation mechanism, promoting, at the same time, sustainable development in non- Annex I countries, Chile considers that SBSTA has to make an important effort to strengthen the LULUCF related projects under the CDM, and addressing the non-permanence issues is a priority at its 39<sup>th</sup> session, to remedy the adverse impact of temporary credits on CDM incentive and consequent limited uptake of afforestation/reforestation activities under CDM.

5. The revision to modalities and procedures of afforestation/reforestation projects by incorporating adequate mechanisms to address non-permanence risks associated with natural and anthropogenic events will enhance the acceptance of CERs in the market, improving the prices and CDM revenue to implement afforestation/reforestation projects, and consequently the interest of state and private sector to get involved in these projects.

## **Alternative approaches to address the risk of non-permanence**

6. As a general rule, the Parties may consider a set of alternative approaches for addressing the risk of non-permanence, such as buffer, insurance or country guarantee or a combination of them, according to their national circumstances and priorities. Chile particularly supports the idea of a buffer system backed by a guarantee provided by the country.

7. Chile, through its National Forests and Climate Change Strategy (NFCCS) is proposing to implement climate change mitigation actions involving a range of forestry activities, including afforestation, reforestation and forest management, and recovery of degraded forests, to generate and trade carbon credits.

8. As part of the NFCCS, in order to facilitate access to carbon markets, Chile has established a Platform for the Generation and Trading of Forest Carbon Credits (PBCCh for its name in Spanish), involving CDM, REDD+ and Improved Forest Management (IFM) activities, proposing the implementation of specific alternative approaches to addressing the risk of non-permanence.

9. The Platform considers using a “permanence buffer”, which requires that some portion of the credits of a project to be set aside in a buffer pool account to address non-permanence risks, as a requirement for issuance of permanent CERs. The proportion of buffer set aside may vary, according to the historical record of the area, in terms of natural or anthropogenic risks. The public institution, in this case, the Chilean forest service (CONAF for its name in Spanish) along with private land owners involved in the projects will have the responsibility to address the risks that may affect the permanence of the carbon. In the case of a reversal of sequestered carbon beyond the quantity set aside in a buffer pool due to natural or unintentional causes, the guarantee provided by the State organization will support the land owners to re-establish the forest.

## **Request for consideration of SBSTA 39**

Chile requests the SBSTA 39 to consider revising the section J, section K, and other relevant sections of the modalities and procedures of afforestation/reforestation project activities under the CDM to include a list of alternative approaches such as buffer, country guarantee, or combinations of multiple approaches to address the risk of non-permanence; and to recommend the revised modalities and procedures for approval of CMP.9 to facilitate afforestation/reforestation projects implemented in second commitment period to adopt alternative approaches to address the risk of non-permanence as per their suitability and specific circumstances.