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SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE

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Item 5 (a) of the provisional agenda

Methodological issues

Good practice guidance for land use, land-use change and forestry (LULUCF) activities under the Kyoto Protocol, harvested wood products and other issues relating to LULUCF

**Issues relating to land use, land-use change and forestry under
Article 6 of the Kyoto Protocol**

Note by the secretariat

Summary

The Subsidiary Body for Scientific and Technological Advice, at its twentieth session, decided to consider, at its twenty-first session, a draft decision entitled *Good practice guidance for land use, land-use change and forestry activities under Article 3, paragraphs 3 and 4, of the Kyoto Protocol*, with a view to recommending it for adoption by the Conference of the Parties at its tenth session. This note compiles information that may be relevant for this discussion, in particular, elements from draft decisions of the Conference of Parties serving as the meeting of the Parties to the Kyoto Protocol that relate to the issuance of removal units and of emission reduction units, and any transaction thereafter.

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I. Introduction

A. Mandate

1. The Conference of the Parties (COP), by its decision 13/CP.9, welcomed the report of the Intergovernmental Panel on Climate Change (IPCC) entitled *Good Practice Guidance for Land Use, Land-Use Change and Forestry* (LULUCF). It decided that Parties included in Annex I to the Convention (Annex I Parties) should use this report for preparing annual inventories under the Convention, due in 2005 and beyond, with an exception of any guidance relating to the preparation and reporting of greenhouse gas (GHG) inventories for LULUCF under the Kyoto Protocol until further consideration and a decision on this matter by the COP at its tenth session.

2. The Subsidiary Body for Scientific and Technological Advice (SBSTA), at its twentieth session, elaborated the tables of a common reporting format for the reporting of GHG inventories for LULUCF activities under Article 3, paragraphs 3 (Article 3.3) and 4 (Article 3.4), of the Kyoto Protocol. These tables were included in annex II to a draft decision entitled *Good practice guidance for land use, land-use change and forestry activities under Article 3, paragraphs 3 and 4, of the Kyoto Protocol* and are expected to be part of the supplementary information to the national GHG inventory of Annex I Parties.

B. Scope of the note

3. This note contains information relating to LULUCF projects under Article 6 of the Kyoto Protocol that may be relevant for the consideration of the issues referred to in paragraph 2 above, in particular, elements from draft decisions of the Conference of Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) that relate to the issuance of removal units (RMUs) and of emission reduction units (ERUs), and any transaction thereafter.

C. Possible action by the Subsidiary Body for Scientific and Technological Advice

4. The SBSTA may wish to take note of the information contained in this note and forward the draft decision on referred to in paragraph 2 above for adoption by the COP at its tenth session.

II. Issues relating to land use, land-use change and forestry under Article 6 of the Kyoto Protocol

A. Introduction

5. The provisions of Article 6 of the Kyoto Protocol, commonly referred to as joint implementation (JI), allow Annex I Parties to transfer or acquire ERUs resulting from projects that reduce emissions by sources or enhance removals by sinks of GHG in any sector of the economy. ERUs are issued by the Annex I Party that hosts a JI project, in accordance with specific provisions that aim at ensuring the environmental integrity of the Kyoto Protocol.

6. Provisions relating to the estimation, issuance, transfer, acquisition, cancellation and retirement of ERUs from LULUCF projects are contained in several draft decisions of the COP/MOP. Draft decision -/CMP.1 (*Article 6*), attached to decision 16/CP.7, contains guidelines for the implementation of Article 6, including provisions relating to the Article 6 supervisory committee, participation requirements, and the verification procedure under the Article 6 supervisory committee. Draft decision -/CMP.1 (*Land use, land-use change and forestry*), attached to decision 11/CP.7, contains modalities, rules and guidelines that apply to eligible activities under Article 3.3 and 3.4 of the Kyoto Protocol. Draft decision -/CMP.1 (*Modalities for the accounting of assigned amounts*), attached to decision 19/CP.7, contains provisions relevant to the issuance, transfer, acquisition, cancellation, retirement and carry-over of RMUs and ERUs. Finally, draft decisions -/CMP.1 (*Article 7*), attached to

decision 22/CP.7, and -/CMP.1 (*Article 8*), attached to decision 23/CP.7, contain provisions for reporting and review, respectively, of supplementary information under the Kyoto Protocol.

7. Provisions of Article 6 require LULUCF projects to conform to the definitions, accounting rules, modalities and guidelines under Article 3.3 and 3.4 of the Kyoto Protocol.¹ Thus, eligible activities under Article 6 may include afforestation, reforestation, forest management, cropland management, grazing land management and revegetation, and shall be subject to the provisions specified for these activities in the annex to draft decision -/CMP.1 (*Land use, land-use change and forestry*).

8. Net GHG removals resulting from LULUCF activities under Article 3.3 and elected activities under Article 3.4 are accounted for by issuing RMUs² for each individual activity. RMUs can be transferred, acquired, cancelled and retired but may not be carried over. LULUCF JI projects result in ERUs equivalent to the net anthropogenic removals by sinks achieved by these projects; these units are not newly generated by a project, but generated by converting RMUs³ previously issued by the host Party on the basis of its national GHG inventory, thus avoiding the possibility of double counting.

B. Participation and other requirements

9. In order for a Party to issue, transfer and acquire ERUs under JI, it must comply with the following requirements:⁴

- (a) It is a Party to the Kyoto Protocol
- (b) Its assigned amount pursuant to Article 3, paragraphs 7 and 8, has been calculated and recorded in accordance with decision -/CMP.1 (*Modalities for the accounting of assigned amounts*)
- (c) It has in place a national system for the estimation of anthropogenic emissions by sources and anthropogenic removals by sinks of all GHGs not controlled by the Montreal Protocol, in accordance with Article 5, paragraph 1, and the requirements in the guidelines decided thereunder
- (d) It has in place a national registry in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder
- (e) It has submitted annually the most recent required inventory, in accordance with Article 5, paragraph 2, and Article 7, paragraph 1, and the requirements in the guidelines decided thereunder, including the national inventory report and the common reporting format. For the first commitment period, the quality assessment needed for the purpose of determining eligibility to use the mechanisms shall be limited to the parts of the inventory pertaining to emissions of GHGs from sources/sector categories from Annex A to the Kyoto Protocol and the submission of the annual inventory on sinks
- (f) It submits the supplementary information on assigned amount in accordance with Article 7, paragraph 1, and the requirements in the guidelines decided thereunder and makes any additions to, and subtractions from, assigned amount pursuant to Article 3,

¹ Paragraph 4 of draft decision -/CMP.1 (*Article 6*).

² Paragraph 25 of the annex to draft decision -/CMP.1 (*Modalities for the accounting of assigned amounts*).

³ In accordance with paragraph 29 of the annex to draft decision -/CMP.1 (*Modalities for the accounting of assigned amounts*), ERUs are issued by converting assigned amount units (AAUs) and RMUs which were previously issued by the host Party of the project. Based on, inter alia, paragraph 4 of draft decision -/CMP.1 (*Mechanisms*), attached to decision 15/CP.7, and paragraph 15 (a) of the annex to draft decision -/CMP.1 (*Modalities for the accounting of assigned amounts*), this document reflects that ERUs from LULUCF JI projects shall be issued only by converting RMUs.

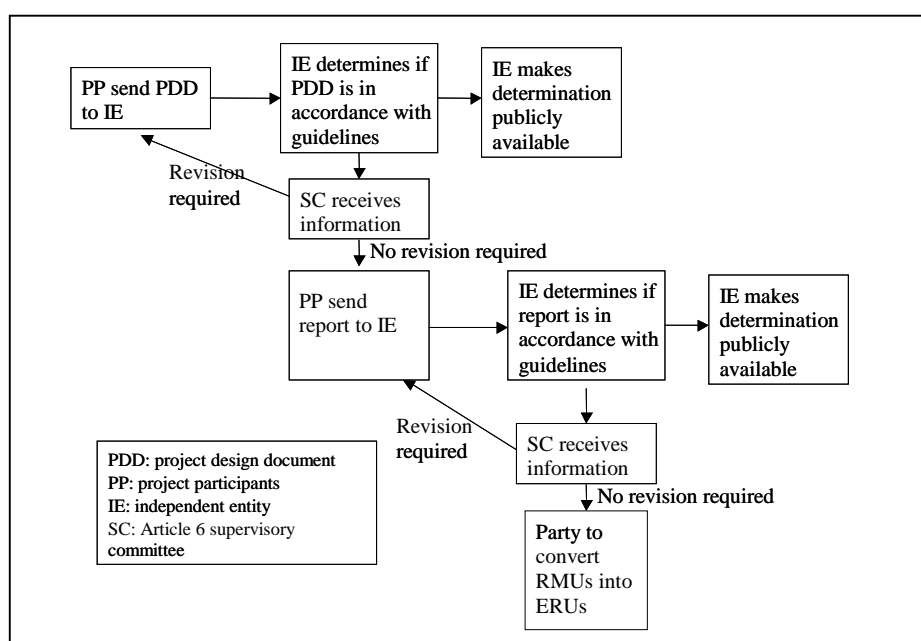
⁴ Paragraph 21 of the annex to draft decision -/CMP.1 (*Article 6*).

paragraphs 7 and 8, including for the activities under Article 3, paragraphs 3 and 4, in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder. Its assigned amount has been calculated in accordance with draft decision -/CMP.1 (*Modalities for the accounting of assigned amounts*).

10. If a Party hosting a JI project meets these requirements, it may verify removals by sinks from JI projects as being additional to any that would otherwise occur. Upon such verification, it may issue the appropriate quantity of ERUs in accordance with the procedures specified in paragraph 16 below.⁵ In the context of the UNFCCC discussions, this procedure has been informally referred to as Track I.

11. If the Party does not meet these criteria, the verification of removals shall occur through the verification procedure under the Article 6 supervisory committee.⁶ The main task of this committee is to supervise the verification of ERUs generated by JI project activities by following the verification procedures contained in paragraphs 36–39 of the annex to draft decision -/CMP.1 (*Article 6*), summarized in figure 1. After this verification procedure has taken place, the host Party can follow the procedures outlined in paragraph 16 below. For the host Party to issue and transfer ERUs upon verification by the Article 6 supervisory committee, the requirements referred to in paragraph 9 (a), (b) and (c) above⁷ must be met. In the context of the UNFCCC discussions, this procedure has been informally referred to as Track II.

Figure 1: Summary of the verification procedure under the Article 6 supervisory committee



12. The provisions for JI projects require that, for both Track I and Track II, the host Party makes publicly available technical information on the project including on the criteria for setting baselines and on monitoring. In addition, project participants have to include in the project design document a monitoring plan that provides for, inter alia, the collection and archiving of data for estimating or

⁵ See paragraph 23 of the annex to draft decision -/CMP.1 (*Article 6*).

⁶ The verification procedure under the Article 6 supervisory committee is the determination by an independent entity of whether a project and the ensuing reductions of anthropogenic emissions by sources or enhancements of removals by sinks meet the relevant requirements of Article 6 and the guidelines contained in draft decision -/CMP.1 (*Article 6*).

⁷ See paragraph 24 of the annex to draft decision -/CMP.1 (*Article 6*).

measuring emissions and removals of GHG, for determining the baseline, for the periodic calculation of the reduction in anthropogenic emissions by sources and/or enhancements of removals by sinks, and for leakage effects.

C. Procedures for the issuance of emission reduction units

13. As stated in paragraph 8 above, ERUs from LULUCF JI projects are issued by converting RMUs previously issued. Thus, the issuance of ERUs could be divided into two independent steps; first, issuance of RMUs on the basis of the national GHG inventory, and second, the conversion of RMUs into ERUs.

1. Issuance of removal units

14. The guidelines for reporting under Article 7.1 of the Kyoto Protocol, contained in draft decision -/CMP (Article 7), require Parties to include in their national inventory information on emissions by sources and removals by sinks resulting from LULUCF activities under Article 3.3 and 3.4. Estimates shall cover emissions and removals from all geographical locations reported since the beginning of the commitment period or the onset of the activity, regardless of whether the location is subject to a JI project. These estimates are to be prepared in accordance with any good practice guidance adopted by the COP/MOP.

15. Following its submission, the inventory of an Annex I Party will be subject to established inventory review and compliance procedures, as follows:

- (a) An expert review team, comprising experts nominated by Parties, will perform a thorough technical review of the inventory in accordance with UNFCCC reporting guidelines and relevant good practice guidance. For LULUCF activities, this review will explicitly cover all requirements of the guidelines for reporting of supplementary information under Article 7.1 of the Kyoto Protocol that are relevant to LULUCF activities⁸
- (b) If the expert review team is not satisfied with the quality of the inventory, it may recommend the application of adjustments in accordance with Article 5.2 of the Kyoto Protocol. These adjustments are designed to ensure that estimates are conservative and that removals from LULUCF activities are not overestimated
- (c) Upon completion of the inventory review, the expert review team's report will be forwarded to the Compliance Committee. If the Compliance Committee decides that there is no problem with this inventory (for example, if there are no unresolved questions of implementation),⁹ the Party shall issue RMUs on the basis of its net removals resulting from each LULUCF activity.¹⁰ For this purposes, the Annex I Party shall direct its national registry to issue RMUs into a specific account within its registry.¹¹ If a LULUCF activity results in net GHG emissions, RMUs may not be issued for this activity and the Party shall cancel an equivalent amount of certified emission reductions (CERs), ERUs, assigned amount units (AAUs) or RMUs to compensate these net emissions¹²
- (d) Under Article 7.1, Annex I Parties are also required to report information on the quantity of RMUs issued. This information will also be reviewed by the expert review team in

⁸ This include section D of the annex to draft decision -/CMP.1 (Article 7).

⁹ Questions of implementation are defined in section C.1 of the Annex to draft decision -/CMP.1 (Article 8).

¹⁰ Paragraph 25 of the annex to draft decision -/CMP.1 (Modalities for the accounting of assigned amounts).

¹¹ Paragraph 39 of the annex to draft decision -/CMP.1 (Modalities for the accounting of assigned amounts).

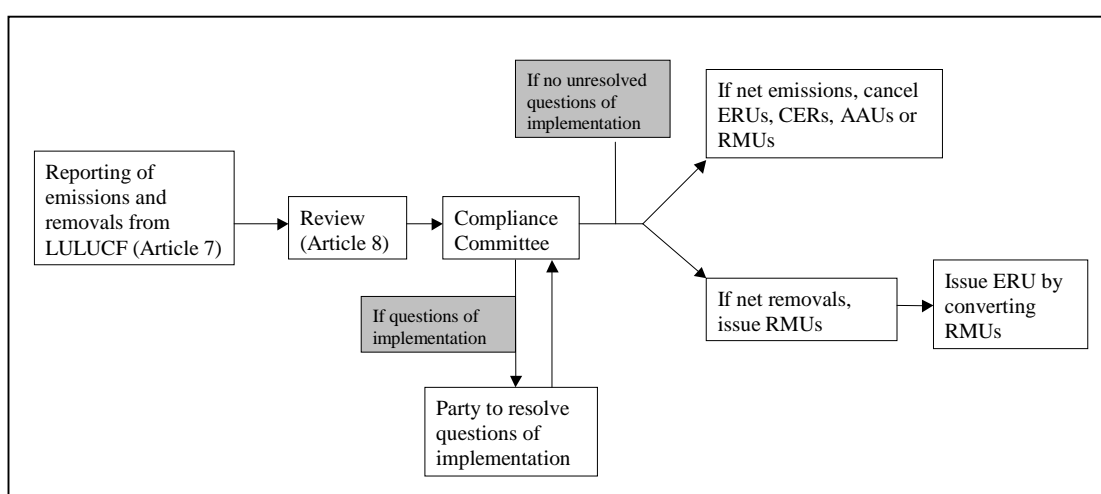
¹² Paragraph 32 of the annex to draft decision -/CMP.1 (Modalities for the accounting of assigned amounts).

order to ensure that the reported information matches that recorded by the independent transaction log (ITL).

2. Conversion of removal units into emission reduction units

16. The issuance of ERUs is a procedure conducted directly by Parties. After RMUs have been issued, the host Party shall convert the RMUs resulting from JI projects into ERUs¹³ (see figure 2). The host Party shall direct its national registry to convert RMUs into ERUs within an account of its national registry.¹⁴ If no discrepancies are identified through automated checks conducted by the ITL on the issuance (see paragraph 18 below), this issuance is completed once the converted RMUs are removed from the account and the corresponding ERUs are recorded in the same account. Each converted ERU shall have in its serial number a project identifier that allows the unit to be tracked to the project for which it was issued.

Figure 2: Issuance of ERUs from LULUCF projects under Article 6



17. ERUs resulting from LULUCF JI projects can be retired for fulfilling commitments under Article 3, acquired, transferred under Article 17, used in replacement of temporary CERs and long-term CERs¹⁵ and cancelled. If a Party wants to transfer an ERU, it should direct its national registry to transfer it to another registry. If no discrepancies are identified by the ITL, the transaction is completed when the ERU is removed from transferring account and recorded in the acquiring one.¹⁶

18. The validity of transactions, including the issuance, transfer and acquisition between registries, and the cancellation and retirement of ERUs and RMUs, will be verified by the ITL¹⁷ established by the secretariat. In order to ensure consistency between the issuance of RMUs and the conversion of RMUs into ERUs, the ITL will perform the following related checks:

- (a) The quantity of RMUs issued by a Party does not exceed the quantity allowed for each activity type
- (b) The Party meets the eligibility criteria for issuing and transferring ERUs

¹³ Paragraph 29 of the annex to draft decision -/CMP.1 (*Modalities for the accounting of assigned amounts*).

¹⁴ Paragraph 39 of the annex to draft decision -/CMP.1 (*Modalities for the accounting of assigned amounts*).

¹⁵ See section K of the annex to decision 19/CP.9.

¹⁶ Paragraph 40 of the annex to draft decision -/CMP.1 (*Modalities for the accounting of assigned amounts*).

¹⁷ Paragraph 38 of the annex to draft decision -/CMP.1 (*Modalities for the accounting of assigned amounts*).

- (c) ERUs as well as RMUs have a LULUCF activity code
- (d) ERUs have a valid track code
- (e) RMUs and ERUs converted from RMUs are not carried over
- (f) ERUs have a project identifier;
- (g) For projects that follow Track II, the quantity of RMUs converted to ERUs does not exceed that specified by the Article 6 supervisory committee
- (h) ERUs from LULUCF JI project activities are converted from RMUs.
