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**Item 8 (b) of the provisional agenda**

**Methodological issues under the Kyoto Protocol**

**Implications of possible changes to the limit for small-scale afforestation and reforestation clean development mechanism project activities**

## **Implications of possible changes to the limit for small-scale afforestation and reforestation clean development mechanism project activities**

### **Submissions from Parties and accredited intergovernmental organizations**

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, by its decision 1/CMP.2, had requested Parties, intergovernmental organizations and non-governmental organizations to submit their views to the secretariat, by 23 February 2007, on the implications of possibly changing the limit established for small-scale afforestation and reforestation project activities, for consideration by the Subsidiary Body for Scientific and Technological Advice at its twenty-sixth session.
2. The secretariat has received eight such submissions. Seven of these are from Parties, including one which is a Party to the Convention and an observer State to the Kyoto Protocol, and one is from an intergovernmental organization. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced\* in the language in which they were received.

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\* These submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

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\* The secretariat has decided to include this submission because Parties may wish to be aware of the views of Parties to the Convention that are observer States to the Kyoto Protocol.

\*\* This submission is supported by Bosnia and Herzegovina, Croatia, Serbia and The former Yugoslav Republic of Macedonia.

PAPER NO. 1: AUSTRALIA

**Submission by Australia to the UNFCCC**

**23 February 2007**

**Further guidance relating to the CDM: changing the limits for small-scale afforestation  
and reforestation project activities**

**Submission by Australia to the UNFCCC**

**23 February 2007**

**Further guidance relating to the CDM: changing the limits for small-scale afforestation  
and reforestation project activities**

At its twelfth session, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, invited Parties to submit their views on the implications of changing the limit established for small-scale afforestation and reforestation clean development mechanism project activities. (FCCC/KP/CMP/2006/Add.1, para 27).

Activities that assist in increasing forest carbon stocks should be supported by both the Protocol and the Convention. Australia is of the view that the global community and Parties have the capacity, and should not be restricted in their actions, to enhance the capacity of the land sector to remove greenhouse gases from the atmosphere.

Australia is, therefore, supportive of any action that reduces the limitations placed upon afforestation and reforestation activities under the Protocol. Increasing the current 8 kilotonne limit for net anthropogenic greenhouse gas removals will allow more CDM projects to take place through the simplified small-scale registration procedures. It could also lead to greater uptake of afforestation and reforestation in developing countries and better utilisation of the CDM.

PAPER NO. 2: CHILE

**SUBMISSION BY CHILE**

Taking into account the views shared with Argentina, Bolivia, Costa Rica, Ecuador, Guatemala, Honduras, México, Panamá, Paraguay, Perú, República Dominicana and Uruguay in the VIII Seminario Latinoamericano sobre Proyectos Forestales y Reducción de Emisiones por Deforestación, held in Costa Rica and organized by the Costa Rican Government and supported by the French and the Swiss Government and the Rain Forest Coalition, Chile is pleased to present the following submission.

1.

**Subject:** Definition of small scale afforestation and reforestation project activities under the Clean Development Mechanism

**Preamble**

1. In its Decision 8 the COP/MOP1 decided to revise the definitions for small-scale clean development mechanism project activities. In the Decision 17/CP7 the Board is enabled to formulate recommendations in relation to Small Scale procedures and modalities. This was the paths which lead to the revision referred to above<sup>1</sup> and shall be *mutatis mutandis* the path for revision of definitions of the A/R project activities in the Small scale (Decision 17/CP7).

Formulation of the recommendation of the Board shall consider the arguments referred to above and previous requests regarding Small Scale project activities<sup>2</sup>.

2. Discussions during SBSTA 26 shall further consider the arguments and ideas regarding project pipelines referred to in the Annex 2 to the Seventh report of the SSC WG 07, as well as modalities and procedures which lead to para 28 of Decision 1/CMP2.

**Background**

Currently it has become increasingly evident that the limit imposed by decision 19/CP.9, of a removal of 8 Kton CO<sub>2</sub>e yr<sup>-1</sup> by small-scale A/R project activities in the CDM is insufficient and barely cost-efficient. For this reason, a group of countries proposed, at the Second Session of COP/MoP 2, in Nairobi, to increase this limit.

As a result, Decision 1/CMP.2, para 28 requested Parties, intergovernmental organizations and non-governmental organizations to submit to the secretariat, by 23 February 2007, “*their views on the implications of possibly changing the limit established for small-scale afforestation and reforestation clean development mechanism project activities under decision 6/CMP.1, for consideration by Subsidiary Body for Scientific and Technological Advice at its twenty-sixth session*”.

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<sup>1</sup> Decisión 7/CMP1, EB 23, Seventh meeting of Methodologies Panel

<sup>2</sup> CDM - EB 25 Agenda sub - item 3 (d)

This document is a group submission by the Parties listed above.

### **Justification**

Increasing the current limit of 8 Kton CO<sub>2</sub>e yr<sup>-1</sup> for small scale afforestation and reforestation project activities under the Clean Development Mechanism would address a concern expressed by many Parties. The threshold should be increased for the following reasons:

- a) A greater number of AR project activities would become viable and contribute to the ultimate objective of the UNFCCC by increasing the amount of CO<sub>2</sub>e removals.
- b) As more AR project activities become viable, more low-income communities and individuals will benefit from them, thus contributing to sustainable development in the host countries and the pursue of sustainable development goals agreed internationally, such as the Millennium Development Goals.
- c) Small scale emission reduction activities have significantly higher thresholds. Increasing the limit for AR-CDM project activities would correct this asymmetry.
- d) The marginal cost of removing one ton of CO<sub>2</sub>e from the atmosphere would decrease, allowing more low-income communities and individuals to participate in small scale project activities and making this type of activities more competitive.
- e) No small scale AR-CDM project activity has been registered so far, while several small scale project activities exist in other sectors. Thus, the 8 Kton CO<sub>2</sub>e yr<sup>-1</sup> threshold for small scale afforestation and reforestation project activities is clearly inappropriate.

By maintaining the current threshold of 8 Kton CO<sub>2</sub>e yr<sup>-1</sup>, small scale afforestation and reforestation project activities would continue to face the following barriers:

- 1) The expected economic benefits from small scale AR-CDM project activities would not be sufficient to persuade low-income communities and individuals to change land use.
- 2) The preparation of small scale AR-CDM project activities with low-income communities and individuals requires more time and financial resources due to increased requirements for capacity building and organization, making this type of activities less profitable.
- 3) A significant increase in the threshold for small scale AR-CDM project activities is urgently needed, if we want these project activities to occur, e.g. rising it from 8 to 32 Kton CO<sub>2</sub> e yr<sup>-1</sup> or similar figure. Therefore, CoP/MoP should ask the EB to consider this issue and make a technical recommendation for adoption in the next meeting.

**SUBMISSION BY COLOMBIA ON THE DEFINITION OF SMALL SCALE AFFORESTATION AND REFORESTATION ACTIVITIES UNDER THE CLEAN DEVELOPMENT MECHANISM (CDM)**

Bogotá, Colombia 22 February, 2007

**Background**

The lack of actual implementation of small-scale A&R project activities in the CDM has made evident that the upper limit of a maximum sequestration of 8 kton CO<sub>2</sub>e yr<sup>-1</sup> imposed by decision 19/CP.9, is too reduced to allow for the development of such projects, taking into account current transaction costs. Concerned by this situation, many Parties proposed, at the Second Session of COP/MoP 2, in Nairobi, to consider increasing this limit to a reasonable level.

As a result, Decision 1/CMP.2, paragraph 28 requested Parties, intergovernmental organizations and non-governmental organizations to submit to the secretariat, by 23 February 2007, *“their views on the implications of possibly changing the limit established for small-scale afforestation and reforestation clean development mechanism project activities under decision 6/CMP.1, for consideration by Subsidiary Body for Scientific and Technological Advice at its twenty-sixth session”*.

**Justification**

Taking into account that no small scale AR-CDM project activities have been registered so far, while several small scale project activities exist in other sectors, we consider that the 8 Kton CO<sub>2</sub>e yr<sup>-1</sup> threshold for small scale afforestation and reforestation project activities is clearly inappropriate.

By maintaining the current threshold of 8 Kton CO<sub>2</sub>e yr<sup>-1</sup>, small scale afforestation and reforestation project activities would continue to face economic barriers that impede their implementation by low income communities. Although simplified modalities and procedures have been useful, they have not yet succeeded in reducing transaction costs to the levels required to permit the implementation of small scale projects at their current CO<sub>2</sub> capture limit.

Increasing the current limit of 8 Kton CO<sub>2</sub>e yr<sup>-1</sup> for small scale afforestation and reforestation project activities under the Clean Development Mechanism would address a concern expressed by many developing countries. This modification would also contribute to render small scale AR project activities viable for low income communities –such as many Colombian communities- and promote their sustainable development. In addition, it would increase the number of such activities, contributing to the ultimate objective of the UNFCCC by increasing the amount of CO<sub>2</sub>e removals. These were

clearly the objectives of Parties when they agreed on the importance of including small-scale A&R project activities. However, at the time when the decision on the upper limit to such projects was taken, little information on actual projects was available to support adopting a different figure (even though the literature existing at that time pointed out that projects would have to yield a minimum of 50,000 tCO<sub>2</sub>/year to become viable). We now are aware that, in order to achieve the original objective of small-scale projects, the maximum sequestration limit would have to be modified upwards.

Moreover, small scale emission reduction project activities in other sectors have significantly higher thresholds. Increasing the limit for AR-CDM project activities would correct this asymmetry.

Taking this into account, Colombia urges the COPMOP to ask, at its next session, the EB to consider this issue and make a technical recommendation for adoption at the COP/MOP4. We suggest an increase in the maximum threshold for small scale AR CDM projects of no less than 32 Kton CO<sub>2</sub>e/yr.

PAPER NO. 4: COSTA RICA ON BEHALF OF BOLIVIA, COSTA RICA, DOMINICAN REPUBLIC, GUATEMALA, HONDURAS, MEXICO, PARAGUAY AND PERU

**SUBMISSION BY COSTA RICA ON BEHALF OF BOLIVIA, DOMINICAN REPUBLIC, GUATEMALA, HONDURAS, MÉXICO, PARAGUAY AND PERÚ**

San José, Costa Rica 23 February, 2007

**Subject:** Definition of small scale afforestation and reforestation project activities under the Clean Development Mechanism

**Preamble**

1. In its Decision 7 the COP/MOP1 decided to revise the definitions for small-scale clean development mechanism project activities. In the Decision 17/CP7 the Board is enabled to formulate recommendations in relation to Small Scale procedures and modalities. This was the paths which lead to the revision referred to above<sup>3</sup> and shall be *mutatis mutandis* the path for revision of definitions of the A/R project activities in the Small scale (Decision 17/CP7).

Formulation of the recommendation of the Board shall consider the arguments referred to in the present document.

2. Discussions during SBSTA 26 shall further consider the arguments and ideas regarding project pipelines referred to in the Annex 2 to the Seventh report of the SSC WG 07, as well as modalities and procedures which paved the way to para 28 of Decision -/CMP2 (*Further guidance relating to the Clean development Mechanism*).

**Background**

Currently it has become increasingly evident that the limit imposed by decision 19/CP.9, of a removal of 8 Kton CO<sub>2</sub>e yr<sup>-1</sup> by small-scale A/R project activities in the CDM is insufficient and barely cost-efficient. For this reason, a group of countries proposed, at the Second Session of COP/MoP 2, in Nairobi, to increase this limit.

As a result, Decision 1/CMP.2, para 28 requested Parties, intergovernmental organizations and non-governmental organizations to submit to the secretariat, by 23 February 2007, "*their views on the implications of possibly changing the limit established for small-scale afforestation and reforestation clean development mechanism project activities under decision 6/CMP.1, for consideration by Subsidiary Body for Scientific and Technological Advice at its twenty-sixth session*".

This document is a group submission by the Parties listed above.

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<sup>3</sup> Decision 7/CMP1, EB 23 Report para 77, Seventh meeting of Methodologies Panel

## **Justification**

Increasing the current limit of 8 Kton CO<sub>2</sub>e yr<sup>-1</sup> for small scale afforestation and reforestation project activities under the Clean Development Mechanism would address a concern expressed by many Parties. The threshold should be increased for the following reasons:

1. A greater number of AR project activities would become viable and contribute to the ultimate objective of the UNFCCC by increasing the amount of CO<sub>2</sub>e removals.
2. As more AR project activities become viable, more low-income communities and individuals will benefit from them, thus contributing to sustainable development in the host countries and the pursue of sustainable development goals agreed internationally, such as the Millennium Development Goals.
3. Small scale emission reduction activities have significantly higher thresholds. Increasing the limit for AR-CDM project activities would correct this asymmetry.
4. The marginal cost of removing one ton of CO<sub>2</sub>e from the atmosphere would decrease, allowing more low-income communities and individuals to participate in small scale project activities and making this type of activities more competitive.
5. No small scale AR-CDM project activity has been registered so far, while several small scale project activities exist in other sectors. Thus, the 8 Kton CO<sub>2</sub>e yr<sup>-1</sup> threshold for small scale afforestation and reforestation project activities is clearly inappropriate.

By maintaining the current threshold of 8 Kton CO<sub>2</sub>e yr<sup>-1</sup>, small scale afforestation and reforestation project activities would continue to face the following barriers:

1. The expected economic benefits from small scale AR-CDM project activities would not be sufficient to persuade low-income communities and individuals to change land use.
2. The preparation of small scale AR-CDM project activities with low-income communities and individuals requires more time and financial resources due to increased requirements for capacity building and organization, making this type of activities less profitable.

## **Recommendations**

A significant increase in the threshold for small scale AR-CDM project activities is urgently needed, if we want these project activities to occur, e.g. rising it from 8 to 32 Kton CO<sub>2</sub> e yr<sup>-1</sup> or similar figure. Therefore, CoP/MoP should ask the EB to consider this issue and make a technical recommendation for adoption in the next meeting.

## **SUBMISSION BY GERMANY ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS MEMBER STATES**

**This submission is supported by Bosnia and Herzegovina, Serbia, Former  
Yugoslav Republic of Macedonia and Croatia**

**Berlin, 27 February 2007**

**Subject: Further guidance relating to the CDM  
Implications of possibly changing the limit established for small scale  
afforestation and reforestation clean development mechanism projects  
activities under decision 6/CMP.1**

### **1. Introduction**

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its second session, invited parties, intergovernmental organizations and non-governmental organizations to submit their views on the implications of possibly changing the limit established for small-scale afforestation and reforestation clean development mechanism project activities under decision 6/CMP.1.

The EU welcomes the possibility to submit views on the implications of possibly changing the limit established for small-scale afforestation and reforestation (AR) CDM project activities.

### **2. General Remarks**

The Annex to decision 5/CMP.1 (which comprises the “modalities and procedures for afforestation and reforestation project activities under the CDM”) defines small-scale AR project activities under the CDM as those “*that are expected to result in net anthropogenic greenhouse gas removals by sinks of less than 8 kilotons of CO<sub>2</sub> per year and are developed or implemented by low-income communities and individuals as determined by the host Party.*”

The EU believes that any review or change to the limit for the definition of small-scale AR project activities should be carefully assessed, taking into account possible linkages with and impacts on the overall modalities and procedures for AR project activities under the CDM and should be based on compelling reasons and relevant experiences in order to assure that the appropriate changes result in the expected effects.

The EU recognizes that barriers for implementation of small-scale AR CDM project activities exist. The current small-scale limit could be one of those barriers. However, there is not enough experience with AR CDM project activities from which to conclude that increasing the limit will positively affect the development of small-scale AR project activities. To date, not one small-scale AR project has been registered, and in general only very few AR CDM project activities have been initiated.

### 3. *Implications of possibly changing the limit*

#### *Legal aspects*

At COP/MOP 2, Parties agreed to change the definition of non-AR small-scale project activities from the definition in decision 17/CP.7. This change was based on an invitation to the Board to reconsider the definition, as contained in paragraph 3 of decision 3/CMP.1. Thus, the Marrakech Accords have already foreseen the reconsideration of the definition of non-AR small-scale project activities.

In contrast, in decision 5/CMP.1, paragraph 4, a change of the definition of small-scale AR project activities is only foreseen as part of the periodic review of the modalities and procedures. The first review shall be carried out no later than one year before the end of the first commitment period, based on recommendations by the Executive Board and by the SBI, drawing on technical advice from the SBSTA, as needed.

#### *Implications on mitigation of climate change*

An assessment of the implications of applying simplified methodologies to projects bigger than those accepted by decision 5/CMP.1 should take account of the potential implications for measurable emissions reductions, additionality and the other factors discussed below.

#### *Implication on methodological aspects*

The current small-scale AR methodologies make a number of simplifications. For example:

- The leakage penalties due to shift of pre-project activities are currently limited to 15% of the actual net GHG removals by sinks. The idea behind this limitation is that the underlying projects are very small and are usually implemented in close cooperation with rural communities where leakage is likely to be small. It would need to be analyzed whether similar assumptions are still valid for larger projects.
- The monitoring provisions of small scale project activities are more limited, and the baseline is calculated ex-ante, in a simplified manner. If applied to larger projects, the implications on the uncertainty of the level of the net anthropogenic GHG removals by sinks would need to be analyzed.
- For large scale projects it is necessary to chose management activities, harvest cycles, and verifications such that a systematic coincidence of verification and peaks in carbon stocks is avoided (5/CMP.1, Annex §12(e)), whereas this is not required for small scale AR projects. It would need to be analyzed whether it is appropriate to apply a corresponding provision for small scale AR projects when changing the limit.

Implication on economic aspects

A key purpose of simplifying modalities and procedures for small-scale AR project activities was to make them economically more viable by reducing transaction costs to enable low-income communities to participate in small scale AR CDM projects. Such provisions include, inter alia, reduced registration fees and share of proceeds, a shorter period for the registration, the possibility to engage the same DOE to validate the project as well as to verify and certify net anthropogenic GHG removals by sinks for a specific project activity.

An increase of the limit would enable more AR projects to use small scale modalities and procedures and may help projects overcome some financial barriers and enhance their viability.

Implications on social and environmental aspects

A basic element of the idea of small-scale AR project activities is to ensure participation of low income communities and individuals as laid out in Annex to 6/CMP.1. The EU believes that an assessment needs to be made of what the effects of increasing the limit would be on this aim, and on the environmental benefits, e.g. the biodiversity.

Implications on the geographical distribution of projects

The EU notes that due consideration should be given to the effects of changing the limit on the geographical distribution of AR project activities under the CDM.

**4. Concluding remarks**

In conclusion, the EU believes that reviewing or revising modalities, procedures and definitions of CDM project activities periodically, as outlined in paragraph 4 of decision 5/CMP.1, with a careful assessment of possible implications and the expected effects, would

- save negotiation time,
- allow considering the issue in the context of all other proposed changes, and, most importantly,
- provide project developers and project participants with stable procedures, modalities and definitions.

Nevertheless, the EU is looking forward to discuss the implications of changing the limit of small scale AR CDM project activities at SBSTA 26.



PAPER NO. 6: JAPAN

**Implications of possibly changing the limit established for small-scale afforestation and reforestation clean development mechanism project activities (COP/MOP2 decision; Further guidance relating to the clean development mechanism, -/CMP.2, paragraphs 27)**

**Submission by the Government of Japan**

1. As for AR CDM, guidelines on modalities and procedures are established by the decision of COP9 in 2003 (19/CP.9). In the annex of the draft decision attached to this COP9 decision (presently 5/CMP.1), it is expected that small-scale AR CDM project activities (SS AR CDM) “are developed or implemented by low-income communities and individuals” (paragraph 1(i)).
2. And by 19/CP.19, Parties were invited to submit their views on simplified modalities and procedures for SS AR CDM (paragraph 3), the secretariat was requested to prepare a technical paper on simplified modalities and procedures for SS AR CDM (paragraph 5), and the SBSTA was requested to recommend a draft decision on simplified modalities and procedures for SS AR CDM (paragraph 6(a)). It should be noted that both modalities and procedures for SS AR CDM were referred to as “simplified”. Similarly, for emission reduction types of CDM, there is a reference of “simplified modalities and procedures” in 17/CP.7 (paragraph 6(c)).
3. Japan considers the above-mentioned points are of great importance, i.e. it is expected that SS AR CDM be developed or implemented by low-income communities and individuals, and reflecting this point their modalities and procedures be “simplified”. Afforestation / Reforestation CDM project activities could be carried out as long as a certain amount of land suitable for plantation is available. Through encouragement of participation of local communities and individuals under the framework of SS AR CDM, this could further greatly contribute to mitigation of global warming as well as sustainable development of this planet as a whole, i.e. sustainable forest management including mitigation of deforestation, conservation of land and environment, and the development of local area. Japan has made its submission in accordance with paragraph 3, 19/CP.9, where it has emphasized the importance of cooperation / collaboration with projects / programs for local people’s participation in designing or implementing SS AR CDM projects (FCCC/SBSTA/2004/MISC.3).
4. When discussing the 8 kilotonnes CO<sub>2</sub> / year limit of SS AR CDM and its change or no change, it is necessary to recognize the above-mentioned points. At the same time, the implication of possible change of the limit for the existing methodologies (for normal scale) and registered project activities should also be analyzed.

PAPER NO. 7: WORLD BANK

Ref: Call for public input under the paragraph 27 of the Decision 8/CMP.2 with regard to the *possibility of changing the limit established for small-scale afforestation and reforestation clean development mechanism project activities under decision 6/CMP.1, for consideration by Subsidiary Body for Scientific and Technological Advice at its twenty-sixth session.*

Honorable Members of the CDM Executive Board,

In response to the call referred to above, and based on the World Bank's operational experience with AR-CDM project activities, we recommend:

- (1) Increasing the limit of the definition of small-scale AR-CDM project activities from 8 to 32 kilotonnes of CO<sub>2</sub>e per year.
- (2) Revising the reference period that should be used for assessing that the average annual net anthropogenic GHG removals by sinks are below the limit of 32 kilotonne of CO<sub>2</sub>e yr<sup>-1</sup>. The reference period shall be:
  - a. the crediting period noted in the PDD at the time of registration of the project (*ex ante*); and
  - b. the time period between the starting date of the crediting period and the date of each subsequent verification (*ex post*).

Considering the nature of biological sequestration, it is possible that the GHG removals by sinks could be smaller than the limit in the years of early verification periods and exceed 32 kt CO<sub>2</sub>e in some years of subsequent verification periods within a crediting period. The proposed revision that takes into account *ex ante* and *ex post* estimates for calculation of average annual net anthropogenic GHG removals by sinks is likely to result in the consistent accounting of GHG removals by sinks in the AR-CDM project activity.

- (3) Deleting the restriction of *low-income communities or individuals* as a criterion for undertaking small-scale AR-CDM project activities.

More detail is contained in Attachment 1.

The World Bank appreciates the consideration of the above recommendations.

## **Technical and socio-economic considerations supporting the recommendations**

- (1) **Increasing the limit of the definition of small-scale AR-CDM project activities from 8 to 32 kilotonnes of CO<sub>2</sub>e per year.**

### ***(a) Threshold area consideration***

Studies show that the maximum area that could be brought under a small-scale AR-CDM project activity with the current threshold of 8 kt CO<sub>2</sub>e yr<sup>-1</sup> could range from 300 ha under fast growing species to 1800 ha under slow growing species.

World Bank analysis of the projects implemented so far under the CDM indicates that an area in the range of 4,000 to 8,000 hectares is needed for establishing a viable AR-CDM project activity depending upon species and rotation length. Studies in the literature also support the findings of the World Bank analysis.

### ***(b) Transaction costs consideration***

The evidence from studies<sup>4</sup> shows that currently available simplified modalities and procedures for small-scale AR-CDM project activities do not significantly contribute to improving the viability of project activities under the existing sequestration threshold of 8 kt CO<sub>2</sub>e yr<sup>-1</sup>. The prevailing thin market for CERs from AR-CDM project activities coupled with the current low threshold limit does not provide scope for widespread adoption of small-scale AR-CDM project activities in the near future as transaction costs of undertaking these projects are significantly high in relation to the anticipated benefits from these projects.

### ***(c) Equal treatment with small-scale energy CDM project limits***

The CDM Executive Board at its 26<sup>th</sup> meeting recommended for an increase in the threshold limit for small-scale type-II energy project activities to 60 GWh yr<sup>-1</sup> and small scale type-III energy project activities from 15 kt CO<sub>2</sub>e yr<sup>-1</sup> to 60kt CO<sub>2</sub>e yr<sup>-1</sup>, i.e. a four-fold increase. The CDM Executive Board noted that it is appropriate to use a threshold based on emission reductions for defining small-scale project activities under type III. In recommending these revisions the Board took into account the need to make the equivalent treatment of the small-scale project activities. The paragraph 28 of the Decision 8/CMP.2 approved the CDM Executive Board's recommendation for increasing the threshold limits for small scale energy projects.

Considering the need to provide equal opportunities for project participants in different sector scopes under the CDM, it is appropriate to increase the limit of the small-scale AR-CDM

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<sup>4</sup> See for instance: *Locatelli, B. and Pedroni, L., 2006. Will Simplified Modalities And Procedures Make More Small-Scale Forestry Projects Viable Under The Clean Development Mechanism?, Mitigation and Adaptation Strategies for Global Change, 11(3): 621-643.*

projects by a proportion similar to small-scale energy projects and raise the threshold limit from 8 kt CO<sub>2</sub>e yr<sup>-1</sup> to 32 ktCO<sub>2</sub>e yr<sup>-1</sup>, i.e. a four-fold increase of GHG removals by sinks.

- (2) **Revising the reference period that should be used for assessing that average annual net anthropogenic GHG removals by sinks are below the limit of 32kt CO<sub>2</sub>e yr<sup>-1</sup>.**

The proposed reference periods for the calculation of average annual net anthropogenic GHG removals by sinks are likely to result in consistent *ex ante* and *ex post* estimates of the size of an AR-CDM project activity. The current regulation implies that fewer credits would be issued for small-scale AR-CDM project activities than anticipated in the PDD, which is unnecessarily restrictive.

- (3) **Deleting the restriction of low-income communities or individuals as a criterion for undertaking small-scale AR-CDM project activities.**

The removal of the low-income criterion from the definition of small-scale AR-CDM project activities increases the potential participation in emission reduction efforts by non-poor communities and individuals, which does not only benefit the climate but also provides opportunities for additional rural employment and income for poor communities and individuals.

The rationale of small-scale modalities and procedures for small-scale AR-CDM project activities was not to exclude the poor from the possibility of undertaking AR-CDM project activities. However, the current eligibility criteria for small-scale AR-CDM project activities excludes the non-poor, who are expected to provide employment and income generating opportunities for the poor by undertaking the small scale AR activities. Such a scenario of excluding the participation of the non-poor in the implementation of small scale AR projects was also not the rationale of the modalities and procedures for this category of projects. As the non-poor communities and individuals are not excluded from small-scale energy CDM project activities, there is no justification for continuing an unequal treatment for small scale AR-CDM project activities in this context.

AR-CDM project activities need to demonstrate that they contribute to sustainable development, and the provision of benefits to the low-income communities is one of the criteria of sustainable development. Limiting small-scale AR-CDM project activities to low-income communities and individuals unnecessarily restricts the replicability and adoption of projects because these communities often are either land less or have small land holdings that are needed to support their food requirements and thereby precludes from placing lands under AR projects.

Low-income communities and individuals are most likely beneficiaries of AR-CDM project activities because of the labor-intensive nature of these activities. Allowing the participation of non-poor in small-scale AR-CDM project activities would provide additional scope for improving the land-based rural employment opportunities and cost-effective supplies of renewable biomass energy and other forest products. Therefore, we recommend the removal of restriction of AR-CDM activities to low-income communities so that these projects could be implemented by all communities and individuals so that true potential of these projects could be realized.

## **SUBMISSIONS OF VIEWS OR INFORMATION FROM PARTIES – (ZAMBIA)**

### **8. FURTHER GUIDANCE RELATING TO THE CDM: VIEWS ON THE IMPLICATIONS OF CHANGING THE LIMIT ESTABLISHED FOR SMALL SCALE AFFORESTATION AND REFORESTATION CDM PROJECTS**

The implications of changing the limit established for small scale Afforestation and Reforestation (A&R) Clean Development Mechanism (CDM) from the current ceiling of one percent (1%) of the fivefold amount of the party's 1990 base year are several. This would ensure that low income communities directly benefit from CDM projects, especially if CDM projects under forestry go beyond A&R to include sustainable forest management and forest conservation. This would result in the added benefit of improved biodiversity conservation and improve the geographical distribution of CDM projects especially in Sub-Saharan African countries, which have immense tropical forest resources.

The change in the limit set should also relate to the definition of the reforestation under CDM. The current restriction to reforestation occurring in lands that did not have forests by 31<sup>st</sup> December 1989 eliminates important land areas that have been degraded since then. It also makes it difficult for most developing countries that up to now do not have satisfactory land use plans.

However, care must be taken that the change in limit established for A & R CDM projects does not deviate attention from the primary and historical responsibility of industrialized countries to decrease domestic emissions or reduce the significance

of technology and financial transfers to the developing countries in assisting them to adapt to adverse effects of climate change. The other implication that should be borne in mind in changing the limit on A&R CDM projects is the possibility of flooding the carbon market with “sink credits” thereby depressing the price of carbon which would constitute a disincentive to the market.

In conclusion, a change in the limit established on A & R CDM projects is necessary and desirable but need to be done in a careful and cautious manner in order not to distort the carbon market and send wrong signals to the players in the market.

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