

**China's Submission on the Issues  
Related to the Agenda Item on LULUCF under SBSTA**

In response to the call from SBSTA37 and SBSTA38 in its respective conclusions for submissions on views of **the issues** related to comprehensive accounting of anthropogenic emissions by sources and removals by sinks from land use, land use change and forestry (LULUCF), **the issues** related to modalities and procedures for alternative approaches to addressing the risk of non-permanence under the clean development mechanism (CDM), **the issues** related to modalities and procedures for possible additional LULUCF activities under the CDM and **the issues** related to modalities and procedures for applying the concept of additionality, China welcomes this opportunity and would like to submit the following views as preliminary inputs for stimulating further discussions on these issues.

**A. the 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**

1. At current stage, China suggests “a more comprehensive accounting approach” be understood as either a more inclusive activity-based approach or a land-based approach. It should be an inclusive approach that gives due consideration of different national circumstances, and fits into the existing national data collection system. The accounting of emissions or removals from direct human-induced activities and actions should be the general focus of the chosen approach, which should also explore the possibility to cover as many activities as possible including those of lands, pools and gases. On the other hand, if the land-based approach is to be taken, Parties should further consider whether or not to exclude the natural disturbances happened on managed land from accounting since the anthropogenic greenhouse gas emissions and removals by sinks are defined as all those occurring on “managed land” and the “managed land” is taken as a proxy for anthropogenic effects.

2. It is important for Parties to form a common understanding of the definition and a common recognition of the pros and cons of the chosen approach. It is also beneficial for Parties to share experiences and lessons in the application of accounting rules from the practice of the Kyoto Protocol, as defined in Decision 16/CMP1, and in the application of the IPCC guideline and guidance for reporting GHG under the Convention.

3. China thinks, in addition to the accounting principles as defined in Decision 16/CMP, the final approach on a more comprehensive accounting shall:

- a) Be as simple as possible;
- b) Incentivize the sustainable management of land use and forest resource in the changing landscape;
- c) Maximize the mitigation potential of LULUCF;
- d) Improve data collection and availability and methodologies;

- e) Maintain the consistency and comparability between the reporting under the Convention and the Kyoto Protocol, as well as the reporting and accounting between the first and second commitment periods of the Kyoto Protocol;
- f) Contribute to cost reduction in the accounting process;
- g) Enhancing the synergy of mitigation and adaptation in LULUCF;
- h) Avoid potential loopholes.

4. Considering the fact that this agenda item was mandated by the CMP7 in Durban, South Africa, all related issues under this agenda item should be addressed in the context of the Kyoto protocol. Any prejudgment or attempt to apply the “more comprehensive accounting” to other broader context, e.g. the on-going negotiations for 2020 onward, will only hamper the current discussion of relevant technical issues and thus shall be avoided. As the advisory body to the UNFCCC, SBSTA should follow the mandate from CMP7 and focus its discussion on relevant technical issues and eventually provide recommendations to the COP/CMP with firm and confident conclusions reached under such discussion.

**B. the issues related to modalities and procedures for alternative approaches to addressing the risk of non-permanence under the clean development mechanism (CDM), in accordance with decision 2/CMP.7, paragraph 7**

1. The current approach for addressing the risk of non-permanence under CDM is by issuing tCER or ICER, which China does not consider as a perfect solution since it has dramatically limited market demand on carbon credits from AR activities under the CDM. An effective approach shall increase the fungibility and value of credits generated from the eligible activities under the CDM.

2. The global voluntary carbon market has provided several existing approaches that may be considered as alternatives to address non-permanence issues under the CDM, including buffer, insurance, country guarantee, buffer backed by insurance, buffer backed by country guarantee, and insurance fund. China suggests that Parties can assess all these approaches in comparison with tCER and ICER, and allow those host countries involved with eligible LULUCF activities under the CDM to choose its own alternative approach based on its specific national circumstances.

3. China believes a fair approach should be established in non-permanence risk-sharing between Annex I parties and non-Annex I Parties. The current implementation of the CDM A/R project has put almost all responsibilities of reversal of carbon sequestered in CDM A/R project on developing countries, which should be corrected in a timely manner and avoided in the future.

4. To address the risk of non-permanence, China suggests that a basic risk rate could be used as a benchmark to assess the potential risk of non-permanence in identified eligible LULUCF projects under the CDM before the commencement of a project. Namely, if the potential risk in the presumed project exceeds the pre-calculated basic risk rate, the project should not be allowed to implement or a specific guarantee must be provided.

5. It is presumed that a well-designed project with effective participation of local people and risk assessment as well as a separate plan for risk prevention can

effectively reduce the risk of non-permanence. Therefore, as an important step in initiating an eligible LULUCF project, it is important to first identify presumed project area with lower risk of non-permanence. However, since force majeure has been integrated into the accounting rules of LULUCF activities in the second commitment period, the risk of non-permanence or unintentional loss of carbon caused by force majeure may be tackled separately by applying similar concept and methods of carbon equivalent forests as defined in Decision 2/CMP.7.

6. After a confident and reliable alternative approach is identified to address the risk of non-permanence, CERs generated from an eligible LULUCF project, such as CDM A/R, can be then regarded as permanent and fully fungible in the carbon market under the Kyoto Protocol.

7. It should be cautioned that an effective monitoring plan for the presumed project should be carefully designed and implemented throughout the project period, regardless of the alternative approaches to be taken. The insurance of carbon credit should be based on the final outcomes of the practical monitoring in the field.

#### **C. the issues related to modalities and procedures for possible additional LULUCF activities under the CDM**

China believes that it is important for eligible LULUCF activities under CDM in the second commitment period of the Kyoto Protocol to focus on afforestation and reforestation activities. Currently, the potentials of CDM A/R have not been fully realized, and the market demand on CERs in the second commitment period of the Kyoto Protocol is very limited due to weak emission reduction targets committed by Annex I parties. China is open to discussions on additional eligible LULUCF activities, such as forest management and revegetation under the CDM. In general, additional LULUCF activities under the CDM in the second commitment period of the Kyoto Protocol should follow the *Modalities and Procedures for Afforestation and Reforestation Project Activities under the Clean Development Mechanism in the First Commitment Period of the Kyoto Protocol* in Decision 5/CMP.1, except new alternative approaches to addressing the risk of non-permanence adopted.

#### **D. the issues related to modalities and procedures for applying the concept of additionality**

The concept of additionality has been addressed in the LULUCF accounting rules adopted, especially in rules adopted for guiding the implementation of the eligible LULUCF activities under the CDM and JI. Thus, China sees no necessity to discuss it again.