

Submission by Nepal on behalf of the Least Developed Countries Group on the SBSTA agenda item relating to methodological issues under the Kyoto Protocol: Land Use, Land Use Change and Forestry under Article 3, paragraphs 3 and 4, of the Kyoto Protocol and under the Clean Development Mechanism

This submission is made by Nepal on behalf of the Least Developed Countries Group (LDC Group) in response to the SBSTA 38 conclusions in paragraphs 4 and 5 of FCCC/SBSTA/2013/L.5. The SBSTA invited Parties to submit views on:

- (a) possible additional Land Use, Land Use Change and Forestry (LULUCF) activities under the Clean Development Mechanism (CDM); and
- (b) alternative approaches to addressing the risk of non-permanence under the CDM

These issues are discussed below:

(a) Possible additional LULUCF activities under CDM

Context

So far the LDCs have had limited participation in the CDM for a variety of reasons. The limited eligibility to afforestation and reforestation (A/R) is one of the reasons for the limited uptake by LDCs. Limited modalities for addressing non-permanence is another reason for the limited uptake.

Additional LULUCF activities under the CDM may also assist LDCs achieve sustainable development goals.

The LDC Group believes that two additional LULUCF activities should be considered for the inclusion in the CDM: (i) Improved cropping, and (ii) Revegetation.

i. Improved cropping

Improved cropping is an approach that enhances biomass and soil carbon stocks in agricultural systems. Improved cropping practices which aim to enhance crop productivity, soil organic status, and enhanced resilience of cropping systems are also likely to reduce GHG emissions associated with the use of fossil fuel-based inputs such as fertilizers.

The IPCC Agriculture, Forestry and Other Land Use (AFOLU) 2006 Guidelines could provide guidance in developing methodologies for this activity.

ii. Revegetation

Revegetation includes planting of shrubs, grass or other non-woody vegetation on various types of lands including settlements/urban lands that do not meet the definition of afforestation and reforestation activities. These activities include measures that restore carbon stock of degraded (saline, sodic, and eroded) lands, settlements and other lands that do not meet the definition of afforestation and reforestation.

Revegetation can be a cost-effective option to restore severely degraded lands. Revegetation activities often have several co-benefits, such as improved biodiversity and restoration of ecological processes. IPCC AFOLU 2006 Guidelines can assist in developing methodologies for accounting for this activity;

Recommendation

Considering the multi-dimensional nature of climate change mitigation, adaptation, and development benefits from additional land use activities, the LDC Group requests the SBSTA to consider the two additional activities (“improved cropping” and “revegetation”) for inclusion under the CDM and recommend relevant modalities and procedures for approval by the CMP.9.

(b) Alternative approaches to addressing the risk of non-permanence under the CDM

Context

To address the risk of non-permanence in land use activities, the section K of the modalities and procedures of A/R projects implemented under the CDM provide for issuance of temporary credits (tCERs and ICERs), which expire at the end of their validity period. The temporary credits incur additional transaction costs in their renewal, and are less comprehensible for market participants. The multiple constraints of temporary credits have translated in their very low demand for afforestation and reforestation projects under the CDM during the first commitment period.

The SBSTA work programme on alternative approaches to addressing the risk of non-permanence under the CDM is an important opportunity to revise the existing modalities and procedures of A/R projects under the CDM by incorporating relevant alternative approaches to address the risk of non-permanence of mitigation activities implemented under the CDM.

The LDC Group proposes an additional methodology, buffer backed by country guarantee, for accounting for non-permanence of LULUCF under the CDM. It should be seen as an alternative option and not a replacement for the existing methodologies.

Buffer backed by country guarantee

This approach permits the use of buffer and government guarantee either by a host country or, in lieu of a host country guarantee, buyer (Annex I) country guarantee. The guarantee can be by a country (or their designated third party), which can assume liability for losses over and above the provisions of a buffer at project, programme or sub-national levels.

Buffer and country guarantee can address different aspects of non-permanence risk, thereby improving the overall effectiveness of combined approach. This approach also improves consistency in steps implemented by government and private entities. To be effective the provisions relating to buffer/buffer pools and country guarantee need to be complimentary and the legal and institutional arrangements of guarantees need to be updated on a periodic basis to make them effective.

Need for flexible choice among alternative approaches in the modalities and procedures

As risks of non-permanence can vary from country to country, the LDC Group views that modalities and procedures should allow for choice from a list of approved alternative approaches to project participants to facilitate their adoption suitable to specific circumstances.

Recommendation

Based on the above, the LDC Group recommends that SBSTA give due consideration to the buffer backed by guarantee approach as an alternative methodology for addressing the risk of non-permanence in LULUCF project activities under the CDM.