AWG-KP 5 ROUNDTABLE

Australia's views on the definitions, modalities, rules and guidelines for the treatment of LULUCF in the Kyoto Protocol second commitment period

Mr Chair, Australia is pleased to be able to present its views on the definition, rules and modalities that will be used for the Kyoto Protocol second commitment period.

As I am sure you will recall, we set out a number of principles in Bangkok that we believe should guide our thinking on the treatment of LULUCF for post-2012 action. Recent discussions and internal thinking have allowed us to clarify our views further.

The Fourth Assessment Report outlined the mitigation potential of the LULUCF sector. It very clearly indicated that there is significant abatement potential from the LULUCF sector that is currently untapped. Australia believes that failure to maximise abatement has occurred as a direct result of the limitation of the current suite of rules on LULUCF. There are three fundamental reasons why this has occurred, including:

1. In and following agreement of the Kyoto Protocol, we sensibly designed an accounting system that matched our limited technical capacity to monitor and report emissions available at the time. Because of very high uncertainties in estimating emissions and removals, we were exceedingly cautious in how we accounted for emission reductions and removals from this sector, for both Annex B Parties and for developing countries through the CDM.
2. Secondly, we limited the capacity for Parties to gain benefit from activities in the sector by narrowing the scope of permitted activities that could earn benefit and by deliberately capping benefits that could be earned – both in activities described in Article 3.4 and in the CDM.
3. Finally, we dealt with the LULUCF sector differently dependent on circumstances. The rules that govern Annex B accounting, for example,

are inconsistent between Articles 3.3, 3.4 and 3.7, and these are different than rules on reforestation activities in the CDM. This disparity in approaches increased complexity and has acted as a break in maximising activity in this important sector.

Mr Chair, the rules that were developed at and following Kyoto made good sense for the time – they matched our knowledge and capacities. That said, it is fundamentally important that we ensure that the agreement for the post-2012 period is aimed at maximising the LULUCF sector's capacity to reduce emissions and to increase removals. The science is clear and the policy imperatives to take action in this sector are undisputable, as recognition of these factors, Australia contends that the LULUCF sector should be listed in Annex A of the Kyoto Protocol.

This historical consideration is useful, as it helps clarify essential underpinning elements that need to be addressed early on in our deliberations, including.

- We need to ensure that treatment of the sector is internally consistent;
- We need to make certain that rules on LULUCF comprehensively include activities from all Parties: Annex B Parties, other developed country Parties and developing country Parties. This requires us to consider at an early opportunity how we will work in conjunction with the AWG-LCA and with our colleagues considering the future of the mechanisms; and
- We need to retain our ambition to ensure emission reductions and removals are genuine – we need to move beyond crude emission estimations methods to more sophisticated approaches to monitoring and reporting emissions. Australia thinks that all Parties that have significant land sector emissions or potential for removals should employ spatially explicit Tier 3 approaches: without this level of specificity it will be difficult to have confidence in estimates of emission reductions. We recognise that this represents a significant challenge,

and Australia stands ready to assist countries with capacity building and technology transfer needed to reach this standard of estimation.

Mr Chair, we do have a fundamental threshold question about how we go forward that needs to be resolved soon, but which will require some detailed consideration. That is whether we maintain the structure of the current Kyoto Protocol rules, definitions and modalities on LULUCF or do we approach the issue in a genuinely new way, as has been proposed by some Parties, including – as we have just heard – by Canada.

The advantage of maintaining the Kyoto Protocol rules are that they are familiar to us all and that it provides a solid basis for further policy development. That said, we do know that the current rule structure has significant failings and that – if we choose to take this approach - we will need to undertake substantial work on a number of specific issues, including:

1. Ensuring consistency between Annex B and other Parties; this both relates to the link with the LCA which I mentioned previously, and ensuring that the CDM, JI and any future REDD mechanism uses the same rules, definitions and modalities as Annex B, recalling that this should be at a high standard.
2. Addressing the particular rules that act to hinder abatement activity – particularly the balance between risk and reward for countries to undertake activities described in 3.4 and the limits on the CDM. We also need to look to include wetland and peatland restoration within the elected activities under Article 3.4 and in mechanisms for developing countries to take action.
3. Ensure that we have necessary policy approaches to address the crucially important issues of inter-annual variability and natural disturbance and

4. We will need rules to incorporate harvested wood products and biofuels into accounting frameworks in a consistent way between Parties, and in a way that reflects what the atmosphere sees and not an attempt to artificially incentivise their use.

In considering whether to take on a new approach to LULUCF accounting, there is a burden of proof that will need to be met. Parties would need to be confident that such an approach delivered the capacity to both maximise activities in the LULUCF sector and to resolve at least some of the remaining methodological issues from our current rules.

Australia considers that some of the ideas proposed, including those from Canada, have merit. If we do decide to take a new approach, we will need to make this decision with all due speed. At this meeting we should agree a process to consider whether we wish to continue with the current rules or establish a new framework. Without reaching a decision on this fundamental question, discussion on the details of rules, definitions and modalities on the LULUCF sector will not be able to progress far.

So, Mr Chair, what do we need to do here in Bonn? We need to ensure that in 13 days when we walk out of the Maritim that we have at the very least agreed some principles and a work program that includes decision making points. While Australia appreciates the desire to resolve this issues over the coming few months – particularly as we agree with other Parties that targets cannot be determined until we understand the implications of the rules – resolving these issues will take significant negotiating time. We should recall that it took years after agreeing Kyoto for us to resolve rules relating to LULUCF. We will need to consider a full suite of processes – such as experts meetings and intercessional negotiating sessions – in order to ensure that LULUCF issues and methodologies can be finalised well before Copenhagen. Thank you.