

AWG-KP 5.2 Round Table  
2<sup>nd</sup> Panel: Land use, land-use change and forestry (LULUCF)  
Bonn, 2 June 2008

STATEMENT BY CANADA

Canada will start with some general perspectives on how to address the treatment of LULUCF after 2012, then focus on some specific ideas about the treatment and, finally, comment on the process going forward.

General Perspectives

In its Fourth Assessment Report the IPCC reported that there is significant economic mitigation potential from the forest and agriculture sectors globally. Roughly 20 to 30% of it is in developed countries. Unfortunately, experience shows that the current LULUCF rules provide little incentive to land managers to achieve the full mitigation potential associated with land management, a situation that is inconsistent with the obligation to promote sustainable management under Articles 4.1 (d) of the Convention.

Clearly, we need to review the existing LULUCF rules with the aim of revising the treatment in a way that will enhance the sector's contribution to meeting the objective of the Convention, post-2012.

Properly revised LULUCF rules will help contribute to meeting the full mitigation potential of Annex I Parties, and will have implications for the structure and magnitude of eventual commitments or actions Annex I Parties are able to undertake.

The treatment of LULUCF should be robust, broadly applicable, simple as possible, and allow the use of current LULUCF measuring and monitoring systems.

Revised rules will need to apply to all developed countries. As well, there will need to be consideration of the consistency of the rules applied to developed countries as compared to those rules applied in developing countries, for example through a mechanism to reduce emissions from deforestation in developing countries (REDD), or rules related to a broader range of LULUCF projects in an enhanced CDM.

Our key goal in an agreement on treatment of LULUCF after 2012 is to enhance the effectiveness of means within the LULUCF sector to achieve mitigation objectives. As Canada stated in its presentation to the Ad Hoc Working Group Workshop in Bangkok, this can be achieved by ensuring that the agreement aims to achieve three objectives. These are

1. An improved incentive structure for sustainable land management.

2. A more accurate reflection of what happens to LULUCF carbon, for example the carbon in harvested wood products.
3. Ensuring that the accounting for LULUCF focuses on anthropogenic emissions and removals.

This last objective has particular relevance for Canada. For us, a key issue is the impact of natural disturbances, such as fire and insect infestations on forest carbon, which can far outweigh the impacts of forest management.

As a result, and as shown in Canada's annual greenhouse gas inventory, the pattern of the carbon stock changes in our managed forest is extremely variable and has been highly correlated with the area of forest that burns each year, an influence that is unpredictable and uncontrollable. Thus Canada's managed forest has shifted from being a large source to a large sink from year to year depending on the amount of wildfires that occur.

In addition, we predict that in the near future our managed forest will almost certainly be a large source for many years because of fires, a mountain pine beetle infestation in western Canada that currently affects 13 million hectares, and an emerging spruce budworm infestation in eastern Canada. The mountain pine beetle infestation has been triggered by climate change, while the spruce budworm infestation is a natural cyclic phenomenon in our eastern boreal forest. Some of these natural disturbances are integral to forest ecosystems, including the boreal forest.

So for Canada, it is fundamental that Parties consider how to revise the treatment of forest management to focus on emissions and removals actually associated with direct human activity and management.

#### Specific Ideas

Revising the treatment of forest management to focus on emissions and removals resulting from direct human activity requires addressing the issue of factoring-out – that is, factoring out the emissions and removals that result from natural and indirect human effects and the legacy of the age class structure, including natural inter-annual variability, and natural disturbances like fire, insects, drought and windstorms that result in emissions.

Addressing this issue will ensure the accounting provides proper incentives. In doing so, it will substantially increase the effectiveness of LULUCF rules in helping to meet mitigation objectives.

There are a range of potential approaches for improving the treatment of forest management. Canada is analyzing options but we do not yet have a preferred approach.

One approach would involve the use of *forward-looking baselines*. This could work as follows:

- First, before the commitment period begins a Party would establish a *business-as-usual baseline* for its managed forests in the commitment period. This would need to take into account its normal management including planned harvesting, forest regeneration and so on. It would also need to reflect projected natural disturbance rates based on recent history or insect outbreak cycles. The baseline would then reflect the expected future sinks and sources in the managed forest.
- At the end of the commitment period the actual natural disturbance patterns would be known. This would then be used to implement an *ex-post revision* to the baseline, meaning that the baseline would be revised to reflect the actual natural disturbances. The business-as-usual management practices included in the baseline would not be revised.
- Finally, the actual carbon stock changes that occurred in the commitment period would be compared to the revised baseline. The difference would result in credits or debits for the Party. Credits would result if management was changed to increase sequestration or reduce emissions. Debits would result if management was changed to reduce sequestration or increase emissions.

There are some significant attractions of such an approach. It focuses the accounting directly on human management. And it provides clear incentives to reduce emissions and increase removals.

There is no doubt that this approach has complexities and so it will need in-depth discussion. However, the basic concept of baselines is familiar to all of us from the CDM, although that is in a project context, and more recently from discussions on a mechanism to reduce emissions from deforestation in developing countries. For some countries the basic concept may also be familiar because of domestic policies – that is the case in Canada where our domestic offset system now being developed will allow forest management projects.

And the development of forward looking projections using models is common practice in forest management policy and planning, so the basic tools for the calculations of baselines should already exist.

Canada believes there are likely other approaches to forest management accounting that merit discussion. One example is the use of *discount factors* that would differ by country and be different for sinks and sources. They would differ because the set of influences that can cause natural or indirect emissions is different than the set of influences that can cause natural or indirect removals. Such an approach provides better incentives than the current Kyoto approach to forest management accounting.

Improved treatment of harvested wood products is another important issue that discussions will need to address. It is now well understood that the approach taken in the first commitment period—assuming that the carbon in harvested wood products is emitted at the point of harvest—is highly inaccurate.

Parties already have a good sense of what some of the harvested wood products accounting options are. The IPCC methodological guidance for estimation of harvested wood products under alternative approaches is a sound technical basis for discussions in the AWG. It may be useful to start our discussions on harvested wood products by focussing on the key issues and objectives for harvested wood products accounting, before debating which accounting approach should be used.

#### Process Going Forward

It is critical that rules for the treatment of LULUCF are agreed before targets or commitments are agreed. This will allow Parties to make commitments with full understanding of the potential of their LULUCF sector to contribute.

We will need to allow considerable time for in-depth discussion of the range of issues and options for the treatment of LULUCF, including the ones talked about during this Round Table. In-depth discussion can start here in Bonn, and continue in Ghana.

Parties agreed in Bali that, at the first part of its sixth session, in Ghana, the AWG would adopt conclusions on means available to Annex I Parties, including LULUCF. We hope that conclusions on LULUCF in Ghana will define the specific issues and options that need to be addressed at subsequent sessions to arrive at agreement as well as a path forward to address them.

Thank-you.