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Item 3 (a) of the provisional agenda

Methodological issues

Good practice guidance for land use, land-use change and forestry

(LULUCF) activities under the Kyoto Protocol, harvested wood products

and other issues relating to LULUCF

Issues relating to harvested wood products

Submissions from Parties

Addendum

1. In addition to the seven submissions contained in document FCCC/SBSTA/2004/MISC.9, one further submission has been received.
2. In accordance with the procedure for miscellaneous documents, this submission is attached and reproduced* in the language in which it was received and without formal editing.

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SUBMISSION FROM AUSTRALIA

Issues relating to harvested wood products

Australian submission
May 2004

1. INTRODUCTION

In accordance with FCCC/SBSTA/2003/L.21 paragraph 5, Australia submits the following views on issues relating to harvested wood products (HWP).

Australia acknowledges the work already undertaken by the secretariat and parties on HWP, including the views provided by parties in their March 2001 (FCCC/SBSTA/2001/MISC.1) and February 2003 (FCCC/SBSTA/2003/MISC.1, Add.1, Add.2) submissions and the technical paper prepared by the secretariat prior for the ninth session of the Conference of the Parties (FCCC/TP/2003/7).

Australia supports the development of more robust principles and methods for HWP, subject to the considerations set out in this Submission.

2. BACKGROUND AND CONTEXTUAL INFORMATION

Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories

The *Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories* have a two-step approach to the treatment of emissions from HWP. The *Revised 1996 IPCC Guidelines* state:

1. "For the initial calculations of CO₂ emissions from changes in forest and other woody biomass stocks, however, the recommended default assumption is that all carbon in biomass harvested is oxidized in the removal year"; and
2. "The proposed method recommends that storage of carbon in forest products be included in a national inventory only in the case where a country can document that existing stocks of long term forest products are in fact increasing." Reference Manual, page 5.17.

The above statements outline the extent of advice on the treatment of HWP in the current *Revised 1996 IPCC Guidelines*. These guidelines underpin the way that National Greenhouse Gas Inventories are compiled at present.

Australia, like many other parties, supports the further consideration of an accounting approach to guide the future treatment of emissions and removals from HWP. One shortcoming of the *Revised 1996 IPCC Guidelines* is that they do not provide guidance on how to account for HWP traded between countries. Australia also notes the inconsistency in point number two above; the accounting approach for HWP should apply whether stocks of HWP are increasing or decreasing.

To support the need for further policy discussion, Australia notes the mounting evidence that the HWP pool is increasing over time for many countries, i.e. a portion of the atmospheric CO₂ sequestered in trees continues to be held as a carbon stock over the life of the HWP pool. The IPCC assumption for initial calculations can overestimate emissions for countries which are net producers of forest products and underestimates emissions for those that are net consumers of forest products.

In short, the accounting approach presented in the IPCC 1996 guidelines does not equate with actual emissions of carbon dioxide and non-CO₂ gases (notably methane) to the atmosphere. Consequently, Australia considers that this approach is not viable for the future.

Accounting for HWP under the Kyoto Protocol

Like many parties, Australia believes HWP were effectively excluded from accounting for the first commitment period under the Kyoto Protocol because they were not identified as a carbon pool in the Land use, land-use change and forestry decision of the Marrakech Accords. Paragraph 21 of the Annex to the land use, land use change and forestry decision (Decision 11/CP.7, FCCC/CP/2001/13/Add.1, page 62) states that:

“Each party included in Annex I shall account for all changes in the following carbon pools: above-ground biomass, below-ground biomass, litter, dead wood and soil organic carbon.”

Consequently the outcomes of policy and technical considerations of HWP would apply outside of accounting arrangements for 2008-12 Kyoto targets of Annex 1 parties.

3. FORWARD PROCESS ON HWP

To date, discussion about the treatment of HWP has focused on technical methodologies with little consideration given to the principles and accounting approach within which these should be founded. Australia is of the view that discussion of a HWP accounting approach should be incorporated within a comprehensive consideration of the future land use, land-use change and forestry (LULUCF) accounting framework.

Dialogue on the future treatment of LULUCF

Two different accounting approaches to LULUCF activities currently exist under the UNFCCC and the Kyoto Protocol. The elaborations and new land categories included in the 2003 *IPCC Good Practice Guidance for land use, land-use change and forestry* could be seen as an attempt by authors to integrate these different approaches.

The length and complexity of the LULUCF Good Practice Guidance highlight the need for a more fundamental consideration of the approach for accounting and reporting emissions and removals from LULUCF. Further, there is general acceptance amongst parties of the need to simplify the accounting rules for LULUCF activities.

At SBSTA19, Australia proposed a dialogue on the treatment of LULUCF activities under any future international climate change framework. Australia argues that HWP should be considered as one component of this policy discussion on LULUCF activities. This dialogue should be bound by the articles of the UNFCCC, in particular Articles 4 and 12.

The key objective of such a dialogue should be consideration of how to simplify the accounting rules for LULUCF. A key outcome of the dialogue should be the identification of broad policy issues surrounding the treatment of LULUCF.

Review of Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories

The need for a policy dialogue on the treatment of LULUCF is highly relevant to the review of the *Revised 1996 IPCC Guidelines*, which the IPCC commenced in late April 2004. Australia believes that any revision to the guidelines of the IPCC should be guided by policy advice from SBSTA. Consequently, there is an urgent need for SBSTA to provide policy guidance to the IPCC on the structure and content of any revision for the LULUCF sector. Australia is of the view that SBSTA decisions should guide the development of the revised LULUCF methodologies, rather than technical development of methodological guidance pre-determining the development of any future international climate change framework (e.g. post 2012) for LULUCF.

Australia acknowledges that the policy dialogue should be planned so that it can contribute to early stages of the review of the guidelines. There is scope for the dialogue to deal with key issues in the short-term which can then be fed into the IPCC inventory guidelines review process.

In terms of HWP specifically, Australia believes the guidance provided in the *Revised 1996 IPCC Guidelines* should be revised. The current guidance does not provide information to parties on how to account for traded HWP, it suggests that parties should report for storage of carbon in HWP only if they are able to document that existing stocks are increasing, and it does not account for emissions/removals where and when they occur. The current review of the *Revised 1996 IPCC Guidelines* is a timely opportunity to address these inadequacies.

4. PRINCIPLES TO GUIDE DEVELOPMENT OF AN ACCOUNTING APPROACH FOR HWP IN NATIONAL GREENHOUSE GAS INVENTORIES

Australia believes the accounting framework on HWP should be guided by a limited number of core principles. These principles will enable the discussion to shift away from the implications of the various technical approaches for individual countries. Until there is agreement on broad principles to guide the development of an accounting approach to HWP, little progress will be achieved.

Australia considers the following core principles should underpin future accounting of harvested wood products.

Core principles to guide the development of the Harvested Wood Products accounting framework

1. The accounting approach should provide for simple methods that result in robust estimates.
2. Emissions and removals of CO₂ (and non-CO₂ gases) should be reported where and when they occur.

1. The accounting approach should provide for simple methods that result in robust estimates.

Comments:

- a. An accounting approach will need to be realistic in terms of data requirements and cost to implement. Any approach should allow that the level of effort in accounting of HWP should be guided by the key source/removal category in the national greenhouse gas inventory guidelines.
- b. The accounting approach should enable reporting of consistent, transparent, comparable, accurate and complete information by Parties.
- c. The approach proposed should be feasible for both Annex I and non-Annex I parties. The three Tier structure employed in the IPCC Inventory guidelines provides a basis for tailoring methodology choices to the particular capabilities of individual countries.
- d. Development of a wood products accounting approach should consider the benefits of using harmonized international wood product statistical categories.

2. Emissions and removals of CO₂ (and non-CO₂ gases) should be reported where and when they occur.

Comments:

- a. This is the basis for the accounting approach applied to, for example, the energy and industrial processes chapters of the *Revised 1996 IPCC Guidelines*.

- b. Double counting of a 'unit of emission' in more than one inventory sector should be avoided.
- c. The accounting approach should clearly separate the concepts of:
 - (i) emissions/removals of greenhouse gases to/from the atmosphere, and
 - (ii) the presence of a carbon stock in a forest/wood product pool or the transfer of a carbon stock between pools without an associated emission.
- d. The accounting approach should support the commitment of all Parties to provide national greenhouse gas inventories. It is noted that corporate entities have an interest in inventorying of greenhouse emissions and removals at the entity level. But accounting approaches for this latter purpose are not within the scope of the IPCC guidelines.
- e. The 1996 IPCC national greenhouse gas inventory guidelines attempted a simplification in the accounting framework and methodologies for harvested wood products, and in doing so experience has shown several consequential inconsistencies for greenhouse policies and actions by forest based industries. In a similar fashion, the 1996 IPCC inventory guidelines contain largely simplified accounting approaches for other products derived from other land based production systems. These other fields of inventory simplification include:
 - (i) only non-CO₂ emissions are accounted for when biomass is combusted as a fuel for (stationary and transport) energy production. The basis for this accounting practice is the assumption that the CO₂ emissions associated with combustion by biomass are offset by regrowing biomass. An assumption that may or may not be true.
 - (ii) emissions associated with the burning of agricultural crop products are also assumed to produce zero net emissions.

Policy and technical reviews of LULUCF general accounting arrangements should consider the principles and merits of accounting for emissions and removals of greenhouse gases associated with use of these product categories.

SBSTA workshop on harvested wood products

Australia welcomes the hosting of a SBSTA workshop on HWP issues by Norway in September. The workshop invitations should include relevant forestry and forest product industry representatives.
