Submission to SBSTA work program to explore more comprehensive accounting of anthropogenic emissions by sources and removals by sinks from land use, land-use change and forestry

September 2012

The Environmental Defense Fund (EDF), a 750,000-member non-profit, non-governmental, non-partisan, UNFCCC-accredited observer organization that has participated in the climate talks since their inception, respectfully presents its views on a work program to explore more comprehensive accounting of land use, land-use change and forestry (LULUCF). EDF has long held the view that reducing emissions and increasing removals from land use should be incentivized and accounted for in the same way as other sectors. Thus, our goal for a future climate accounting regime is that it should be as inclusive and complete as possible, while allowing for countries to manage the cost-effectiveness of their data collection, analysis, and administration efforts. Comprehensive accounting is key to providing the signals and incentives for all countries with land-based emissions to move to more sustainable land uses, with major benefits for the atmosphere and the environment more broadly.

Rules of accounting must accommodate all countries

The rules of accounting for LULUCF in the second commitment period of the Kyoto Protocol have revised very fundamental features from the first commitment period, and not all of these changes have improved the integrity of the accounting. For example, the provisions that allow countries to choose from a number of approaches in setting their own baselines for forest management (the "reference levels" approach) fall short of ensuring comparability among Parties in accounting for emissions from forests. Nevertheless, there appears to be wide agreement among the countries that these rules will only apply to the second commitment period, and so the work program in SBSTA provides an opportunity to work toward a better solution in the future. The launch of the work of the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP) creates the potential for countries to start from a "clean slate" in terms of land-use accounting, while learning from past successes and failures.

The current rules for LULUCF were meant to apply only to Annex I countries, and they clearly reflect a context with the characteristics below, among others:

- Established governmental programs for data collection, management, and analysis;
- Policies, programs, and capacities for landscape-scale resource management and law enforcement;
- Economic and land tenure conditions that contribute to relatively stable land-use;

- Historical conditions and management practices that create a net sink from the forest sector.

Looking ahead to a set of accounting rules that can apply to all countries, these initial conditions are not always present in non-Annex I countries. For example, many non-Annex I countries face one or more of the following challenges:

- Absent, incomplete, or segmented data collection, management, and analysis capacities;
- Weak policies for sustainable land-use and limited ability to enforce such policies;
- Unstable economic and land tenure conditions that contribute to dynamic land-use changes, at least in some areas;
- A history of anthropogenic activities that make the forest sector a net source of emissions, sometimes the most significant source in the country.

These factors make designing a set of accounting rules for the future Durban Platform agreement much more challenging. The rules must be flexible enough to accommodate the national circumstances of a wider set of countries (or jurisdictions), some of which are qualitatively different from Annex I countries in many ways. Yet these countries and jurisdictions have significant potential to mitigate emissions from their land-use activities, and an accounting system is necessary in order to quantify and reward mitigation on the basis of performance.

Greater comprehensiveness is necessary to support environmental integrity

One of the key failures of the accounting rules used in the first and second commitment period has been the ability of Parties to voluntarily elect the land-use activities for which they will account. This provision has allowed countries to avoid accounting for anthropogenic emissions and therefore fails to create rewards for mitigation through those activities. The result has been that the accounting does not reflect the climate impact of anthropogenic activities, and mitigation opportunities have been lost. Given the increasing imperative of climate change, the world cannot afford to miss these opportunities. Furthermore, the Kyoto Protocol represents the articulation of a system of rewards, penalties, and trading opportunities intended to incentivize mitigation in participating countries, but if this system is undermined by the voluntary nature of accounting for activities in a particular sector, then the system is not effective in reaching its goal. A future legal agreement created under the ADP should correct this failure.

The *2006 IPCC Guidelines for Greenhouse Gas Inventories (IPCC 2006)*[1] identified five key principles that the accounting system must maintain: transparency, accuracy, consistency, comparability, and completeness. The voluntary accounting rules in the first commitment period failed to meet these principles, setting a bad precedent. The absence of accounting for some activities has made the accounting inaccurate and incomplete; the election of new activities has created inconsistencies; and the ability of countries to account for different activities has undermined comparability.

---

[1] Available at http://www.ipcc-nggip.iges.or.jp/public/2006gl/index.html

Although the rules for the second commitment period appeared to make progress by making the accounting for forest management mandatory for Annex I countries, in fact there was little progress toward meeting the five principles because of new features included in the rules. The ability of Parties to choose their own baselines (the "reference levels" approach) violates the principle of comparability; the provisions for flexible land use accounting are likely to create problems with consistency; and the use of proprietary or country-specific models to generate reference levels can potentially create a lack of transparency and completeness, in turn making it difficult to assess overall accuracy.

Comparability is essential to support market and non-market finance in a cost-effective way

A future accounting system for LULUCF should uphold the five principles of good practice, particularly the principle of comparability. According to IPCC 2006, comparability of inventories is achieved when "The national greenhouse gas inventory is reported in a way that allows it to be compared with national greenhouse gas inventories for other countries." This standard is essential for accounting, as well as inventories, if countries are going to have the potential for trading. Countries should strive to achieve this standard, not only because it facilitates an evaluation of each country's efforts to mitigate climate change, but also because the ability to trade emissions units will lead to the most cost-effective path of mitigation. Maximizing the cost-effectiveness of mitigation, in turn, will allow countries to take on more ambitious efforts. When comparability is achieved in reporting and accounting, countries can more easily communicate their efforts in a way that allows everyone to assess the overall equity of the commitments – another principle that is essential to the ADP agreement. In fact, achieving comparability in reporting and accounting is essential for measuring performance for both market and non-market finance: even when emissions reductions are not traded, the ability to compare performance allows for evaluations of the cost-effectiveness of non-market finance.[2]

Our emphasis on comparability should not be misinterpreted as a call for all countries to account for their land sectors in the same way. Rather, we hold the view that countries should use the same *basis* for accounting. The accounting basis should have the following characteristics:

- All countries should use a common time period of at least 10 years for establishing a historical benchmark of emissions, with the possibility of omitting "extreme" years;
- Projections of future emissions used for establishing baselines or benchmarks should be continuous with historical levels and consistent with historical trends (within the ranges of uncertainties).
- Countries, with technical assistance, should agree to a common set of parameters for key driving factors -- such as timber and crop prices, population growth rates, carbon dioxide fertilization effects, and others -- and should agree to use expected ranges of values for these parameters whenever models are used to make projections of future emissions. These parameters and ranges of values should be periodically updated.

---

[2] Ghosh et al. 2012. Mobilizing the Private Sector: Quantity-Performance Instruments for Public Climate Funds. Oxford Energy and Environment Brief: The Oxford Institute for Energy Studies. Available at http://www.oxfordenergy.org/wpcms/wp-content/uploads/2012/08/Mobilizing-the-Private-Sector.pdf

- Information and procedures used for establishing baselines and benchmarks should be reviewed by expert review teams, and these teams should be empowered to make adjustments when a country's assumptions are unrealistic and/or outside the common ranges agreed by the countries.
- All countries should have the possibility of accessing mechanisms that improve the integrity of the accounting, such as provisions to account for harvested wood products, limited exemptions for emissions from natural disturbances, and reserve pools or buffer accounts to smooth out accounting over time. The conditions under which these mechanisms can be utilized should be common for all countries and agreed in advance of any accounting period.
- All countries should use the procedures from the latest IPCC good practice guidance to identify and account for key categories, manage uncertainties, and ensure consistency, transparency, and accuracy in their accounts.
- The accounting system should provide a foundation that can be used to clearly create incentives (and disincentives) for anthropogenic activities that remove (or emit) greenhouse gases. At the same time, it should differentiate non-anthropogenic emissions and, to the extent possible, provide a basis upon which to reward countries for taking action to minimize the risks of non-anthropogenic emissions, but should not directly penalize countries for these emissions when they occur.

Applying common but differentiated responsibilities and respective capabilities to future LULUCF accounting

New LULUCF accounting rules should reflect the principle of common but differentiated responsibilities and the need to account for differences in respective capabilities among the countries. Differences will continue to exist well into the future, even as all countries make progress toward accepting greater responsibility and improving their capabilities. Accordingly, the accounting system for the land sector in a future agreement (applicable to all countries) should be flexible enough to accommodate different categories of actions that would be tied to different types of market and non-market financing. However, the system should also create incentives for countries to take on more responsibilities and improve their capabilities.

The future agreement will likely include a more complex framework than the Kyoto Protocol for countries and jurisdictions to articulate the actions they will take to support the objective of the Convention. As noted elsewhere, a future agreement should include mechanisms that support the goal of all countries to increase their ambition[3], for which transparent accounting is an essential underpinning element.[4] In the context of LULUCF, the framework should reflect different levels of completeness and comprehensiveness, and each level should be matched with access to corresponding mechanisms that can support different kinds of actions and fill the gaps in existing capabilities. Countries and jurisdictions that take on more ambitious activities and develop more rigorous capabilities should have access to more mechanisms that help them

[3] EDF. 2012. Submission on options and ways for further increasing the level of ambition. Available at http://unfccc.int/resource/docs/2012/smsn/ngo/133.pdf

[4] EDF. 2012. Submission on various approaches, including opportunities to use markets. Available at http://unfccc.int/resource/docs/2012/smsn/ngo/231.pdf

manage uncertainties and allow greater flexibility, creating a stepwise set of incentives for greater action. At the same time, those countries with lower capabilities should receive sufficient support to improve their capabilities, enabling them to take on mitigation activities with confidence. This concept is illustrated in the table below, which suggests an example of how accounting activities could be matched with corresponding incentive mechanisms (Table 1).

For example, countries and jurisdictions that conduct comprehensive accounting of all land-use activities with a high degree of specificity (e.g. Tier 3), implement appropriate safeguards, policies, and information systems, and complete other requirements should have full ability to use emissions reductions from the land sector to meet economy-wide targets, and should also have access to trading and to mechanisms that can help them manage liabilities from emissions so that their accounts will be more predictable during subsequent time periods. This approach is fully consistent with environmental integrity because it would reward and penalize the country based on its anthropogenic contribution to atmospheric greenhouse gases.

Table 1. Illustration of matching access to mechanisms with characteristics of countries' land-use accounts

Characteristics of accounts	Examples of mechanisms available
➢ Predominance of Tier 3 accounting for land-use emissions and removals ➢ Targets and baselines for measuring economy-wide emissions relative to historical levels, including land use ➢ Coverage of all activities currently included in Articles 3.3 and 3.4 of the Kyoto Protocol ➢ Policies and measures in place to reduce emissions from natural disturbances ➢ Social and environmental safeguards and information systems	➢ Access to mechanisms for exempting emissions from natural disturbances ➢ Ability to account for delayed emissions from harvested wood products ➢ Reductions below historical levels in the land sector may contribute to meeting economy-wide targets ➢ Access to buffer or reserve mechanisms that can smooth accounting over time and provide certainty for meeting future targets ➢ Access to international emissions trading
▪ Predominance of Tier 2 accounting (or better) for land-use emissions and removals ▪ Targets and baselines for measuring land-use emissions relative to historical levels ▪ Coverage of activities currently included in Articles 3.3 of the Kyoto Protocol ▪ Policies and measures in place to reduce emissions from natural disturbances ▪ Social and environmental safeguards and information systems	▪ Access to mechanisms for exempting emissions from natural disturbances ▪ Access to public finance to avoid exceeding historical levels of emissions ▪ Access to public finance and technology transfer to improve monitoring and analysis capacity and enforcement of safeguards ▪ Access to private, performance-based finance for reductions below historical levels
o Predominance of Tier 1 accounting (or better) for land-use emissions and removals o No stated target or baseline to measure land-use emissions in relation to historical levels o Social and environmental safeguards and information systems	o Access to public finance to avoid exceeding historical levels of emissions o Access to public finance and technology transfer to improve monitoring and analysis capacity and enforcement of safeguards

In contrast, if a country selectively chooses to account for certain activities and uses accounting practices with a low degree of specificity (e.g. Tier 1), we cannot confidently assert that the accounts reflect the full quantitative impact of the country's activities. A country that exercises this choice, as a reflection of its national circumstances, opts for a different approach to manage its obligations and potential liabilities, and therefore has less of a need for international mechanisms to support flexibility. Instead, these countries should be supported in the development and implementation of further activities and capacities, so that they can undertake more complete accounting.

Importantly, countries that take on a commitment to reduce emissions from land use, for example through REDD+, could be granted access to certain kinds of trading mechanisms, under conditions that guarantee that social and environmental safeguards will be met and that credited reductions are real, additional, measurable, verifiable, and permanent.

The point of these examples is to illustrate that access to mechanisms that support accounting flexibility and deliver incentives must be carefully matched to a country's levels of comprehensiveness and responsibility, or the mechanisms risk undermining the environmental integrity of the accounting system and delivering perverse incentives.

Constructing a pathway to more comprehensive accounting

The need to accommodate all countries and the goal of encouraging greater levels of action among them suggests that a stepwise approach is necessary for land-use accounting, with each country determining what step is most appropriate for its national circumstances. Such a stepwise approach can be based within the existing principles of reporting; in particular, it could utilize the concept of completeness. Constructing complete data for the highest tiers and approaches in the accounting should be the goal of every country, but this takes time and resources. Many countries already have data that fulfills part of this goal, many have programs in place to collect further data, and many will continue to apply resources to this goal in the future. The structure of incentives created by the accounting system should open up the possibility of new incentives for countries that invest in completeness, while allowing flexibility for those who do not undertake these investments. Such an approach supports equity and could be facilitated by the appropriate application of existing guidance, including treatment of uncertainties and the use of conservativeness factors, but may require the development of new factors to account for the degree of completeness in coverage of activities. Where possible, efforts to harmonize analytical approaches and promote comparability among the countries should be recognized and facilitated by the accounting system, and expert review teams should take appropriate action when countries fail to make their accounts comparable to others' accounts.

Fortunately, existing decisions, rules, and guidance contain a number of useful elements to facilitate a stepwise approach – some of which have been underutilized in the past. These include the methods and application of key categories, the use of conservativeness factors, the review process by expert review teams, the application of provisions for natural disturbances, procedures to ensure consistency and quality of data, and provisions for dealing with uncertainties. In a future agreement, countries could construct a “ladder” of responsibilities and actions that would reflect the robustness and completeness of a country’s accounts. A corresponding set of conservativeness factors, access to mechanisms, and level of support could be designated for each “rung” of the ladder. Such a structure, if designed properly, would incentivize countries to develop greater capacities and have more certainty about fulfilling their responsibilities, while giving them the flexibility to manage these within their national circumstances. As such, a country could freely decide to move “up” the ladder at any point in time, moving the countries, collectively, toward greater ambition and greater comprehensiveness. This would allow each country’s efforts in the land sector to contribute to the goals of the Convention while upholding its principles.

We appreciate the opportunity to submit our views on these issues and we look forward to a rich discussion of them through the SBSTA work program.

Sincerely,

Dr. Jason Funk
Land Use and Climate Scientist
Environmental Defense Fund
jfunk@edf.org