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METHODOLOGICAL ISSUES

LAND USE, LAND-USE CHANGE AND FORESTRY: DEFINITIONS AND MODALITIES FOR INCLUDING AFFORESTATION AND REFORESTATION ACTIVITIES UNDER ARTICLE 12 OF THE KYOTO PROTOCOL

Workshop on definitions and modalities for including afforestation and reforestation project activities under Article 12 of the Kyoto Protocol in the first commitment period

Note by the Chair of the SBSTA

Summary

The secretariat was requested to organize a workshop to facilitate an exchange of views on issues relating to modalities for including afforestation and reforestation project activities under the clean development mechanism (CDM) in the first commitment period. The workshop took place in Foz do Iguaçu, Brazil, from 12 to 14 February 2003.

Participants at the workshop exchanged views on non-permanence, baselines, additionality and leakage, socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems, and cross-cutting and additional issues. The SBSTA may wish to take note of the information contained in this report.

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I. INTRODUCTION

A. Mandate

1. The Conference of the Parties (COP), by its decisions 11/CP.7, paragraph 2 (e)¹ and 17/CP.7, paragraph 10 (b)², requested the Subsidiary Body for Scientific and Technological Advice (SBSTA) to develop definitions and modalities for including afforestation and reforestation project activities under the clean development mechanism (CDM) in the first commitment period, taking into account the issues of non-permanence, additionality, leakage, uncertainties and socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems, and being guided by the principles in the preamble to draft decision -/CMP.1 (*Land use, land-use change and forestry*) attached to decision 11/CP.7, with the aim of adopting a decision on these definitions and modalities at the ninth session of the COP, to be forwarded to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) at its first session. The COP, by its decision 17/CP.7, paragraph 11, further decided that this decision shall be in the form of an annex on modalities and procedures for afforestation and reforestation project activities for the CDM reflecting, mutatis mutandis, the annex to decision 17/CP.7 on modalities and procedures for the CDM (hereinafter referred as CDM modalities and procedures).

2. The SBSTA, at its sixteenth session, agreed on terms of reference³ and an agenda for the work referred to in paragraph 1, above. It requested the secretariat to organize a workshop to facilitate an exchange of views on issues relating to modalities for including afforestation and reforestation project activities under the CDM in the first commitment period. It also requested the secretariat, under the guidance of the Chair of the SBSTA, to prepare options papers on modalities for addressing non-permanence⁴, baselines, additionality and leakage⁵, and socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems⁶, based on submissions from Parties and inputs from Parties at the seventeenth session of the SBSTA

3. The SBSTA, at its sixteenth session, invited Parties to submit, by 15 March 2003, draft text for modalities for including afforestation and reforestation project activities under the CDM in the first commitment period. On the basis of these submissions, and under the guidance of the Chair of the SBSTA, the secretariat was requested to prepare a draft consolidated text for the annex on modalities and procedures for afforestation and reforestation project activities for the CDM in the first commitment period, for consideration of SBSTA at its eighteenth session.

B. Scope of the note

4. This document contains a description of the proceedings and a summary of the discussions during the workshop organized by the secretariat in response to the above mandate.

C. Possible action by the SBSTA

5. The SBSTA may wish to take note of the information contained in this report.

¹ Contained in document FCCC/CP/2001/13/Add.1.

² Contained in document FCCC/CP/2001/13/Add.2.

³ FCCC/SBSTA/2002/6, annex I.

⁴ FCCC/SBSTA/2003/5.

⁵ FCCC/SBSTA/2003/6.

⁶ FCCC/SBSTA/2003/7.

II. PROCEEDINGS

6. The UNFCCC workshop on definitions and modalities for including afforestation and reforestation project activities under CDM in the first commitment period was organized by the secretariat in Foz do Iguaçu, Brazil, from 12 to 14 February 2003. It was hosted by the Ministry of Science and Technology of Brazil, with financial support from the Governments of Canada, Finland, Japan, Sweden and the United Kingdom.
7. Fifty-eight representatives of Parties and organizations attended the workshop. Twenty-two representatives were nominated by Parties included in the Annex I to the Convention, including two Parties with economies in transition, and 27 by Parties not included in the Annex I. One representative of the CDM Executive Board, three representatives of intergovernmental organizations, and five representatives of non-governmental organizations also attended the workshop.
8. The workshop was opened by Ms. Thelma Krug (Brazil) and Mr. Karsten Sach (Germany), who co-chaired the workshop on behalf of the Chair of the SBSTA. Mr. José Domingos Gonzalez Miguez, representative of the Ministry of Science and Technology of Brazil, welcomed participants to Foz do Iguaçu on behalf of the Government of Brazil.
9. Ms. Krug presented the objectives of the workshop, which included an exchange of views on issues relating to modalities for including afforestation and reforestation project activities under the CDM in the first commitment period, identifying the main options available to address the issues, and assisting Parties in structuring forthcoming submissions on draft text for these modalities. She proposed to allocate time to discuss each issue as outlined in the work programme (see <http://unfccc.int/sessions/workshop/120203/documents/workprog.pdf>), and finalized her presentation by calling attention to the work ahead.
10. Three presentations were given by the secretariat on the options papers identified in paragraph 2 above: Mr. Claudio Forner on the options paper for addressing non-permanence, Ms. Maria Netto on the options paper for addressing baselines, additionality and leakage, and Mr. Heikki Granholm on the options paper for addressing socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems.
11. The co-chairs requested that selected participants assist in summarizing the discussions by giving a short presentation at the end of the workshop. Two participants were identified for each of the issues: Mr. Javier Blanco (Colombia) and Mr. Darren Goetze (Canada) for non-permanence; Mr. Cyril Loisel (France) and Mr. Ian Fry (Tuvalu) for baselines, additionality and leakage; and Ms. Jenny Wong (Malaysia) and Mr. Jim Penman (United Kingdom) for socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems. Ms. Krug provided a summary on the discussions relating to cross-cutting and Mr. Sach relating to additional issues.

III. SUMMARY OF THE DISCUSSIONS

12. The exchange of views on issues related to modalities was based on the options papers identified in paragraph 2 above, and on the submissions by Parties contained in document FCCC/SBSTA/2002/MISC.22 and Add.1–4. Discussions were aimed at identifying, for each option, its feasibility, technical and legal issues, text to be drafted and/or amended, and further work.

A. Non-permanence

13. The co-chairs initiated discussions relating to non-permanence by referring to the questions identified in the options paper on modalities for addressing non-permanence. The exchange of views

was focused on the specific options for modalities compiled in this document, namely: insurance, buffers and credit reserves, temporary certified emission reductions (tCER), and temporary net credits. Possible approaches for accounting for changes in carbon stocks were also discussed.

14. Participants discussed in detail the proposal to establish an insurance scheme for CERs, including the nature of compensation in case of a loss, the accreditation of designated insurance companies and the timing of insurance. With regard to the proposal to issue tCERs, discussions focused on the nature of tCERs and how to handle their expiry and re-issuance as well as possible implications for registries. Buffers and credit reserves were seen as risk management tools rather than stand-alone options for addressing non-permanence. Some Parties expressed interest in having in the modalities a compound of options for addressing non-permanence from which project developers could choose.

15. Consideration of general requirements for addressing non-permanence covered viability, liability, risk management and lifetime of projects. Some participants stated that concerns relating to these requirements were addressed through the relevant options for modalities discussed during the first session (e.g. insurance, tCERs and temporary net credits), so there may not be a need for developing further modalities relating to these requirements; however, there was no consensus on this issue as other participants commented on the importance of including provisions for risk management and the definition of liability in the modalities.

B. Baselines, additionality and leakage

16. Discussions on baselines, additionality and leakage covered the issues and options outlined in the options paper for this topic.

17. Discussions on baselines focused on:

(a) The scope of the baseline, and in particular whether the baseline should cover only removals by sinks or emissions by sources as well as removals, and how to define the baseline in order to ensure that the eligibility of land use, land-use change, and forestry activities under the CDM is limited to afforestation and reforestation activities;

(b) The adequacy of the current CDM modalities and procedures for afforestation and reforestation project activities with regard to approaches for selecting baseline methodologies as well as calculation of baselines at validation and monitoring stages.

18. On additionality requirements, participants discussed whether the current requirements of the CDM modalities and procedures would, with minor modifications, be adequate, or whether there may be a need for additional requirements, such as considering institutional and regulatory requirements or commercial practice. Participants also exchanged views on how to consider leakage and uncertainties when calculating and verifying the quantity of greenhouse gases removed by the project activity.

19. Finally, participants exchanged views on whether current definitions of project boundary and leakage in the CDM modalities and procedures were applicable to afforestation and reforestation project activities. The main issues discussed were whether to consider leakage as only carbon stock losses and how to account for and monitor leakage.

C. Socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems

20. Discussions on socio-economic impacts focussed on the four approaches identified in the options paper. Matters considered included the option of a checklist of issues to be considered by a host country versus a checklist of criteria to be fulfilled, the application of country-specific socio-economic criteria,

consistency with other national and international commitments, the provision of multiple social and economic benefits, social assessments, and how the project design document could address socio-economic impacts.

21. On environmental impacts, participants considered a proposal for a biodiversity baseline, the relationship between afforestation and reforestation project activities and other instruments, how to address multiple environmental benefits, how detailed the assessment of environmental impacts should be, and how to apply the checklist on environmental impacts in different phases of the CDM project cycle.

22. Some participants noted that the existing CDM modalities and procedures did address issues relating to socio-economic and environmental impacts. However, other participants expressed their interest in introducing additional guidance in this regard. There were differing views on whether, and to what extent, the international community should specify the socio-economic and environmental issues that would need to be considered by the proponents of an afforestation and/or reforestation project activity.

D. Cross-cutting and other issues

23. The monitoring plan and the crediting period were considered to be cross-cutting issues. Discussions focused on the options laid out in the options paper for addressing baselines, additionality and leakage.

24. With regard to the monitoring plan, participants exchanged views on what should be included in it, how uncertainties should be treated, as well as whether, and if so how, to make specific reference to the IPCC good practice guidance.

25. With regard to the crediting period, the range of options discussed included:

- (a) Long crediting periods with a limited number of renewals;
- (b) Shorter periods with many renewals;
- (c) Fixed long period;
- (d) A fixed period corresponding to the first commitment period.

26. Participants also exchanged general views on additional issues, including the relationship between the options for addressing non-permanence and the options for addressing socio-economic and environmental impacts; the links between approaches for accounting for changes in carbon stocks and the monitoring plan; issues and elements to be considered in the project design document; and concerns relating to uncertainties. Finally, participants also exchanged views on whether small-scale afforestation and reforestation project activities would require special modalities.
