

1 September 2005

ENGLISH ONLY

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

**SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE**

**Twenty-third session**

**Montreal, 28 November to 6 December 2005**

**Item 6 (a) of the provisional agenda**

**Methodological issues under the Kyoto Protocol**

**Criteria for cases of failure to submit information relating to estimates of greenhouse gas emissions by sources and removals by sinks from activities under Article 3, paragraphs 3 and 4, of the Kyoto Protocol**

**Proposals for criteria for cases of failure to submit information relating to estimates of greenhouse gas emissions by sources and removals by sinks from activities under Article 3, paragraphs 3 and 4, of the Kyoto Protocol**

**Submissions from Parties**

1. The Subsidiary Body for Scientific and Technological Advice (SBSTA), at its twenty-second session, decided to undertake, at its twenty-third session, work aimed at developing criteria for cases of failure to submit information relating to estimates of greenhouse gas emissions by sources and removals by sinks from activities under Article 3, paragraphs 3 and 4, of the Kyoto Protocol, similar to those described in paragraph 3 of the draft decision attached to decision 22/CP.7, with a view to recommending a decision on this matter for adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session (FCCC/SBSTA/2005/4, para. 40). The SBSTA invited Parties to submit to the secretariat, by 19 August 2005, proposals for these criteria and requested the secretariat to compile these submissions into a miscellaneous document.
2. The secretariat has received four such submissions. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced\* in the language in which they were received and without formal editing.

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\* These submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

**FCCC/SBSTA/2005/MISC.13**

GE.05-63060

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\* This submission is supported by Romania.

PAPER NO. 1: CANADA

**Criteria for failure to submit information relating to estimates of GHG emissions by sources and removals by sinks from activities under Article 3, paragraphs 3 and 4 of the Kyoto Protocol.**

**August 1<sup>st</sup>, 2005**

## **1. INTRODUCTION**

Decision 22/CP.7 requests the SBSTA to develop criteria for cases of failure to submit information relating to estimates of greenhouse gas emissions by sources and removals by sinks from activities under Article 3, paragraphs 3 and 4, of the Kyoto Protocol, with a view to recommending a decision on this matter. This submission is in response to the invitation by SBSTA at its 22<sup>nd</sup> session to Parties to submit by 19 August, 2005 proposals for such criteria. The following contains the Government of Canada's views on the underlying principles which should be kept in mind while developing the criteria and thresholds. As well it contains various options for criteria with some discussion of implications for setting thresholds. Canada has not made a decision on which of these options, or others, it prefers.

## **2. GENERAL PRINCIPLES FOR THE DEVELOPMENT OF CRITERIA**

In Canada's view, consistency with the Marrakech Accords is paramount to the development of criteria for Land Use, Land-Use Change and Forestry (LULUCF) activities under Articles 3.3 and 3.4. In that respect, we note that a number of provisions of the Accords are particularly relevant and, in our view, already contain the basis for both the architecture of the criteria and the consequences, if they are not met.

First of all, we note that the Annexes to the draft CMP decisions in 16, 17 and 18/CP.7 explicitly exclude a quality assessment related to LULUCF as an eligibility requirement for use of the Kyoto mechanisms. Second, according to paragraph 26 of the Annex to the draft CMP decision in 19/CP.7, the modalities for the accounting of assigned amount link the LULUCF thresholds to the issuance of removal units (RMUs). This means that if a Party's adjustment exceeds an agreed threshold, the Party cannot issue the RMUs associated with the corresponding activity. In Canada's view, this is the only penalty specified by the Marrakech Accords for exceeding a threshold related to LULUCF. Thirdly, Canada strongly believes that an overarching principle enshrined in the Marrakech Accords is that the issuance of RMUs (or cancellation of other units) for one individual activity under Article 3.3 or 3.4 is independent of issuance (or cancellation) for any of the other activities. This means that reporting problems with one Article 3.3 or 3.4 activity have no effect on the issuance of RMUs from other activities.

Consistency with the reporting and accounting rules and requirements for LULUCF activities, such as those contained in the Annexes to the draft CMP decisions in 11/CP.7 and 19/CP.7, is also required. Parties may make different choices as per the Marrakech Accords regarding the inclusion and accounting of activities under Article 3, paragraphs 3 and 4. We believe that criteria and threshold should treat Parties equally, regardless of their choice on the potential election of activities under Article 3, paragraph 4, and regarding the periodicity of accounting. Parties that select annual accounting should not be put at a disadvantage over those that select commitment period accounting and vice versa.

Canada is also of the view that simplicity in both the design and the application of criteria is highly desirable in order to facilitate an efficient and transparent reporting, review and compliance process.

Following from the above principles, Canada believes that the same basic criterion or criteria, and the same threshold, should be selected for all activities under Articles 3.3 and 3.4.

Finally, while the architecture of the criteria for LULUCF will differ from that used for Annex A sources, contained in paragraph 3 of draft decision – CMP.1 (*Article 7*), Canada believes that strictness of the thresholds should be comparable to those applied for the Annex A sources.

### 3. OPTIONS FOR CRITERIA

Following the above principles and considerations, Canada believes that a criterion should be applied at the activity level (i.e. separately for each activity under Article 3.3 and 3.4) and should encompass all the gases and sub-components (carbon pools, sources and sinks) from an activity, according to the reporting in the Common Reporting Format for activities under Article 3.3 and 3.4. In addition, the criterion should be applied to *GHG estimates* (i.e. submitted and/or adjusted) and not to *RMUs*, given that the “test” is performed before the actual accounting and application of potential caps and other rules.

In order to assess the need for a criterion, it is a useful exercise to consider the various cases where reporting problems can arise and adjustments can be applied to GHG estimates for Article 3.3 and 3.4 activities. Table 1 contains a list of such potential problems that could be identified by an Expert Review Team. Cases 1 and 2 refer to situations where there is a complete absence of reporting on an activity. In cases 3 to 6, some sub-components of the reporting are missing (pool, source/gas) and in cases 7 to 10 the submitted estimates, though complete, are not consistent with the IPCC guidelines or good practice guidance. Cases 3 to 6 can also be combined in various ways with cases 7 to 10 (i.e. both incomplete and containing quality problems). For each case, the table shows Canada’s views on what the implications are for developing criteria and thresholds, and for RMU issuance and Assigned Amount Units (AAUs) accounting.

As indicated in Table 1, in Canada’s opinion there are only 3 situations where there is a need for a criterion to be applied before the issuance of RMUs. These are Cases 4 and 8 and the combination of the two. In all other cases, either no adjustment is warranted (i.e. because the submitted estimates are, in effect, already conservative in keeping with the conservativeness principle enshrined in the Technical guidance for adjustments) or there is no need for a criterion or threshold because the activity is a net source and AAUs are simply cancelled for the activity in question as a result of the adjustment (i.e. the Marrakech Accords have not specified any additional penalty).

Based on the above assessment, a simple criterion for failure would be as follows:

The total magnitude of adjustments for an activity exceeds the total submitted estimate for the activity by a threshold of X%.

In Canada’s opinion, there are two main ways to express the estimates for the activity as submitted (i.e. the denominator). Option 1 below uses the net submitted GHG estimate for the activity. This option assesses the impact of the adjustment on the quantity that enters the accounting. Option 2 below uses the sum of the absolute values of the sub-components of the submitted estimate for the activity. This option assesses the amount of the adjustment in

relation to the sum of all the components used in the estimate. Because these components involve changes in C pools and can be of different signs, the absolute values of the sub-components must be used.

#### Option 1

$$CR = \frac{|Net\ GHG\ Submitted - Net\ GHG\ Adjusted|}{|Net\ GHG\ Submitted|} \times 100 > X\% \quad (\text{Equation 1})$$

where

*CR* = calculated value of the ratio tested against the threshold

*Net GHG submitted* = total net GHG estimate for the activity in the year in question (all source/sink, pool) and;

*Net GHG adjusted* = total net GHG for the activity as adjusted by the Expert Review Team.

#### Option 2

$$CR = \frac{|Net\ GHG\ Submitted - Net\ GHG\ Adjusted|}{\sum_{i=1}^n |GHG\ Subcomponent\ i\ submitted|} \times 100 > X\% \quad (\text{Equation 2})$$

where

*i* = sub-component of the net GHG estimate (carbon pool, gas) for the activity, consistent with the CRF estimates, at the national level (i.e. see NIR Table 1: Summary Table). Typically the sub-components would be the 5 changes in C pools, N<sub>2</sub>O emissions from fertilization, CO<sub>2</sub> emissions from liming, and CH<sub>4</sub> and N<sub>2</sub>O emissions from biomass burning. Other sources of emissions could be included depending on the activity in question.

Table 2 presents some hypothetical examples comparing CR values for Options 1 and 2.

#### **4. IMPLICATIONS FOR THRESHOLDS**

From the examples in Table 2, it is possible to make the following observations:

- The ratio in Option 1 is likely to be larger than in Option 2 and more variable across cases, activities, and Parties than Option 2. With Option 1, the ratio is high in cases where the adjustment (numerator) is relatively large compared to the net sink estimate submitted by the Party (net GHG submitted in the denominator). In contrast, in Option 2 the ratio is smaller than in Option 1 because the denominator will be larger than in Option 1. The denominator is larger because the net GHG estimate is composed of various sub-components which can be of different signs (e.g. carbon stocks in the various pools can increase or decrease) – these components can cancel each other to some extent with Option 1 but not with Option 2;

- For activities with a small number of sub-components (e.g. example 5 in Table 2) or if most of the sub-components are of the same sign, the ratios obtained by Options 1 and 2 are not very different;

Therefore, it appears clearly that if Option 1 is chosen, a much larger threshold will have to be selected than if Option 2 is chosen.

## 5. APPLICABILITY OF CRITERIA

### 5.1 Annual accounting versus Commitment Period accounting

As was highlighted in section 2, Parties that choose annual accounting or commitment period accounting for a specific activity should be treated consistently.

*Annual accounting:*

For annual accounting, any adjustment applied to the year in question would be tested against the threshold before issuance (as proposed with Options 1 or 2).

*Commitment Period Accounting:*

For commitment period accounting, two options can be envisaged in our view.

#### Option A

Under this option (see Equation 3 below), the criterion CRs as calculated under either Option 1 or 2 above (Equations 1 or 2) would be averaged over those years of the CP where an adjustment was made. So, instead of testing a single year against the threshold as for annual accounting, the average CR would be tested.

$$AvgCR = \frac{\left( \sum_j CR_j \right)}{m} > X\% \quad \text{(Equation 3)}$$

where

$CR_j$  = the calculated criterion value for year  $j$  of the CP and/or base year in which the submitted activity estimate was adjusted.  $CR_j$  is calculated with either Equation 1 or 2 above; and;

$m$  = the number of years for which the activity estimates were adjusted.

#### Option B

Under Option B, each individual adjustment to a CP year estimate would be tested against the threshold (as under Option 1 or 2 above). If the calculated CR for a particular year of the CP exceeds the threshold, then the calculation of RMUs for the activity in question could not take into account the estimate for that year. Conversely, if the calculated CR for an adjusted year

stays below the threshold, the adjusted estimate for that year is included in the calculation of the RMUs for the activity.

In both Options A and B, the threshold would be the same as for annual accounting (options 1 or 2) because in Option A, the CR is “annualized” (averaged) and in Option B, individual years are tested.

## **5.2 Activities with net/net accounting**

For the elected activities of cropland management, grazing land management and revegetation under Article 3.4, Parties are not only required to submit estimates for each of the years of the commitment period but also an estimate for the base year for each activity for the purpose of applying the accounting rules. Therefore the estimate for the base year can potentially be adjusted. The following outlines how this could be applied under first, annual accounting and secondly, CP accounting.

### *Annual Accounting:*

If both the base year and CP year estimates have been adjusted then, similar to averaging Option A above, the base year adjustment can be averaged with the CP year adjustment using Equation 3. If the average CR exceeds the threshold, the Party cannot issue the RMUs for that particular year. An alternative option is similar to Option B whereby the base year adjustment is tested independently and both the base year and the CP year CR have to remain below the threshold for RMUs to be issued.

### *CP Accounting:*

If Option A is chosen for CP accounting as outlined above, then any base year adjustment would be treated like a CP year adjustment and would be part of the calculation of the average CR as per Equation 3. If Option B is chosen for CP accounting, the base year adjustment would be tested independently. If it does exceed the threshold, no RMUs could be issued for the activity.

## **6. Conclusion**

In concluding, Canada favours criteria for LULUCF adjustments that are simple, equitable, transparent, and respectful of the provisions of the Marrakech Accords. The options presented in this submission are provided to stimulate discussion – Canada has not yet decided what approach it prefers.

Canada was pleased with the agreement by SBSTA at its 22<sup>nd</sup> session on a draft decision by the COP including the Technical Guidance on Methodologies for Adjustments under Article 5, paragraph 2 of the Kyoto Protocol. As the next step, we are looking forward to considering other Parties' views on criteria and thresholds and to working jointly to reach an agreement at the 23<sup>rd</sup> session of SBSTA which will complete the Kyoto rule book related to LULUCF.

**Table 1**

Identified Problem (on an activity basis)	Case No.	Description	Adjustment? <sup>1</sup> Yes/No	Need for Criteria?	Implications for RMUs or AAUs
No estimate: no reporting on an activity	1	<b>No reporting of a net sink.</b> No reporting at all on AR, D or elected FM which would be a net sink, <u>or</u> no reporting on elected CM GM or RV in the base year and/or commitment period (CP) when net/net accounting would result in a net sink.	No	No. No adjustment is applied. The Party is penalizing itself already.	Party cannot issue RMUs.
	2	<b>No reporting of a net source.</b> No reporting at all of AR, D or elected FM which would be a net source, <u>or</u> no reporting on elected CM, GM or RV in the base year and/or CP when net/net accounting would result in a net source.	Yes	No	Party cancels AAUs equivalent to adjusted net source.
Incomplete estimate: missing sub-components to the reporting of an activity	3	<b>Under-estimated net source.</b> Inclusion of missing sub-components to the reporting (e.g. pool, source / gas) in CP or base year would increase the net source.	Yes	No	Party cancels AAUs equivalent to adjusted net source.
	4	<b>Over-estimated net sink.</b> Inclusion of missing sub-components to the reporting (e.g. pool, source / gas) in CP or base year would reduce the net sink.	Yes	Yes. See text for proposed criterion.	Party issues RMUs equivalent to adjusted net sink if Party does not exceed threshold.
	5	<b>Under-estimated net sink.</b> Inclusion of missing sub-components to the reporting (pool, source gas) in CP or base year would increase the net sink.	No	No. No adjustment is applied. Party is already penalizing itself (it could have issued more RMUs).	Party issues RMUs equivalent to reported net sink.



Identified Problem (on an activity basis)	Case No.	Description	Adjustment? <sup>1</sup> Yes/No	Need for Criteria?	Implications for RMUs or AAUs
	6	<b>Over-estimated net source.</b> Inclusion of missing sub-components to the reporting (pool, source, gas) in CP or base year would decrease the net source.	No	No. No adjustment is applied. Party is already penalizing itself (it could have cancelled less AAUs).	Party cancels AAUs equivalent to reported net source.
Quality problem: complete estimate but quality problem such as errors in calculation or inconsistency with IPCC Good Practice Guidance in terms of methods, activity data etc.	7	<b>Under-estimated net source.</b> Quality problem with estimates for CP and/or base year, and adjustment would lead to a greater net source than reported by Party.	Yes	No	Party cancels AAUs equivalent to adjusted net source.
	8	<b>Over-estimated net sink.</b> Quality problem with estimates for CP and/or base year, and adjustment would lead to a smaller net sink than reported by Party.	Yes	Yes. See text for proposed criterion.	Party issues RMUs equivalent to adjusted net sink if Party does not exceed threshold.
	9	<b>Under-estimated net sink.</b> Quality problem with estimates for CP and/or base year, and adjustment would lead to a greater net sink than reported by Party.	No	No. No adjustments applied. Party is already penalizing itself it could have issued more RMUs)	Party issues RMUs equivalent to reported net sink.
	10	<b>Over-estimated net source.</b> Quality problem with estimates for CP and/or base year, and adjustment would lead to a smaller net source than reported by Party.	No	No. No adjustment is applied. Party is already penalizing itself (it could have cancelled less AAUs)	Party cancels AAUs equivalent to reported net source.

1 Adjustments are conservative and their applicability matches the chosen periodicity of accounting (annual or once at the end of CP).

Note: cases where an adjustment (whether for incompleteness or a quality problem) changes a reported sink for an activity to a source are not shown. Criteria are not needed for such cases because the only penalty the Marrakech Accords specify for exceeding a threshold is the inability to issue RMUs.

**Table 2**  
**Comparison of Option 1 and Option 2: Hypothetical numerical**

Pool/Source - CO <sub>2</sub> eq.	Example 1		Example 2		Example 3		Example 4		Example 5		Example 6	
	Submitted	Adjusted	Submitted	Adjusted	Submitted	Adjusted	Submitted	Adjusted	Submitted	Adjusted	Submitted	Adjusted
Above ground biomass	-200	-190	-15		-2		-400	-390	NE		NE	
Below ground biomass	-20		-5		-0.5		-200	-190	NE		NE	
Litter	30		-1		0.5		-50		NE		NE	
Dead Wood	50		1		-1		-50		NE		NE	
Soils	100		10	11	1		100	110	-20	-19	7	0
N <sub>2</sub> O fertilization	NA		NA		NA		NA		NE		NE	
CO <sub>2</sub> liming	NA		NA		NA		NA		2		1	
N <sub>2</sub> O drainage	NA		NA		NA		NA		NA		NA	
Burning CH <sub>4</sub>	6		0		0	0.7	0	15	NA		NA	
Burning N <sub>2</sub> O	1		0		0	0.3	0	5	NA		NA	
Net GHG Submitted	-33		-10		-2		-600		-18		8	
Net GHG Adjusted		-23		-9		-1		-550		-17		1
Sum of absolute values of components of submitted estimate	407		32		5		800		22		8	
<b>CR (Option 1) %</b>	<b>30.3</b>		<b>10.0</b>		<b>50.0</b>		<b>8.3</b>		<b>5.6</b>		<b>87.5</b>	
<b>CR (Option 2) %</b>	<b>2.5</b>		<b>3.1</b>		<b>20.0</b>		<b>6.3</b>		<b>4.5</b>		<b>87.5</b>	

NE- not reported, proven not to be a source

NA- not applicable

PAPER NO. 2: EGYPT

**At the request of Acting Deputy Executive Secretary, Mr. Richard Kinley on item 4:**  
Technical guidance on methodologies for adjustment under Article 5, paragraph 2 of the Kyoto Protocol;  
"Proposals from parties on the development of criteria for cases of the failure to submit information relating to estimates of GHG emissions ....."

In Egypt's view, failure to submit information relating to estimate GHG emissions from activities of LULUCF could be covered by using information provided from **artificial satellites imagery**. **Scientific group of experts** can carry on a study that doesn't require many resources but would result in considerable information that can be used to estimate the corresponding GHG emissions by sources and removal by sinks from activities under Article 3, Para 3 and 4 of the Kyoto Protocol.

PAPER NO. 3: NEW ZEALAND

**New Zealand submission on adjustments under Article 5.2 of the Kyoto Protocol**

This submission is in response to the invitation from SBSTA for proposals from Parties on the development of criteria for cases of failure to submit information related to estimates of greenhouse gases by sources and removals by sinks from activities under Article 3, paragraphs 3 and 4, of the Kyoto Protocol (document FCCC/SBSTA/2005/L.3, paragraph 2 refers).

We note that this request has its origins in Decision 22/CP.7 which requests SBSTA to develop the above mentioned criteria similar to those described in paragraph 3 of the draft CMP decision on *Guidelines for the preparation of the information required under Article 7 of the Protocol*, after the work on good practice for land use, land-use change and forestry (LULUCF) [has been completed].

Further, New Zealand understands that the initial report required under Article 7.4 of the Kyoto Protocol to gain eligibility to use the mechanisms must contain complete greenhouse gas inventories (covering emissions by sources and removals by sinks) for all years from 1990, and that with the exception of failure to submit an inventory (which covers both emissions from sources and removals by sinks) for years of the commitment period, mechanisms eligibility requirements explicitly exclude LULUCF.

New Zealand's starting point for consideration of "thresholds" with respect to LULUCF information and the issuance of Removal Units (RMUs) is the agreed language for thresholds applying to Annex A source categories, and examining these thresholds conceptually in the context of an accounting framework for LULUCF activities that does not require annual accounting. Although accounting for Article 3.3 activities is compulsory and election of Article 3.4 activities is optional, we assume that once Article 3.4 activities are "elected", accounting for these activities becomes compulsory.

The technical guidance on methodologies for adjustments (annexed to the draft COP11 decision on issues relating to adjustments) makes it clear (paragraph 13(b)) that for activities for which a Party has chosen to use end of commitment period accounting, any adjustments should be considered and applied for any year or for any group of years only during the review for the final year of the commitment period. Hence the concept of cumulative adjustments exceeding a threshold could still apply when a Party is accounting only at the end of the commitment period.

Given that a Party can resubmit a new estimate where emissions and/or removals data was previously adjusted, we do not see any particular disadvantage for Parties that elect to use annual accounting rather than end of commitment period accounting. In practice, the Parties that are accounting annually may gain a benefit in that any potential problems are identified early in the commitment period potentially giving the Party several years to address and correct the problem.

New Zealand believes it is important to have a straightforward approach to thresholds for adjustments relating to Article 3.3 and 3.4 activities. Based on the wording and percentages in subparagraphs 3(b) to (d) of the draft CMP decision on *Guidelines for the preparation of the information required under Article 7 of the Protocol*, one approach to thresholds could be:

- (a) For any single activity under Article 3.3 or that a Party has elected to report under Article 3.4, failure to include an estimate for a single pool (reported in accordance with IPCC good practice guidance for LULUCF and relevant decisions of the COP/MOP), the absolute value of which exceeds 7% of the sum of the absolute values of all the pools for that activity;

- (b) In any year the sum of the absolute values of adjustments for all activities under Article 3.3 and elected activities under Article 3.4 exceeds 7% of the absolute values of the total emissions and removals for all activities;
- (c) At any time during the commitment period (or at the end of the commitment period) the sum of the absolute values of the percentages calculated according to subparagraph (b) above for all years of the commitment period for which the review has been conducted exceeds 20.

New Zealand looks forward to discussing the important issue of thresholds for adjustments relating to Article 3.3 and 3.4 activities with other Parties at SBSTA23, and working together to reach a practical solution for a decision that can be forwarded to COP/MOP1 for adoption.

PAPER NO. 4: UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND  
ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS MEMBER STATES

**This submission is supported by Romania.**

London, 19 August 2005

**Subject: Technical guidance on methodologies for adjustments under Article 5, paragraph 2, of the Kyoto Protocol  
Proposals from Parties on the development of criteria for cases of failure to submit information relating to estimates of GHG emissions by sources and removals by sinks from activities under Article 3, paragraphs 3 and 4, of the Kyoto Protocol**

The United Kingdom, on behalf of the European Community and its Member States, welcomes this opportunity to submit, as requested by SBSTA 22, proposals on the development of criteria for cases of failure to submit information relating to estimates of greenhouse gas emissions by sources and removals by sinks from activities under Article 3, paragraphs 3 and 4, of the Kyoto Protocol.

Decision 22/CP.7 (Guidance under Article 7) (FCCC/CP/2001/13/Add.3) gives a mandate to develop criteria for cases of failure to submit information relating to estimates of GHG emissions by sources and removals by sinks from activities under Article 3.3 and (if elected) Article 3.4 of the Kyoto Protocol. This includes, inter alia, the reporting of emissions and removals, analogous to those described in paragraph 3 of the draft -CMP-decision under Article 7. The time scale for the work was set by the need for IPCC to complete its *good practice guidance* for LULUCF.

Parties agreed in Marrakech that the quality of the inventory with regard to 3.3 and 3.4 activities should not be considered as part of the eligibility assessment to participate in the use of Kyoto mechanisms. The criteria for cases of failure to submit information that need to be developed refer to the annual greenhouse gas inventory related to the issuance of RMUs, as specified in the guidance under Article 7.4 (FCCC/CP/2001/13/Add.2, p. 63, paragraph 26):

*Where a question of implementation is identified by an expert review team under Article 8 in relation to the calculation of the net removals of greenhouse gases from the activities of a Party under Article 3, paragraph 3 or 4, or where adjustments exceed thresholds to be decided according to paragraph 2 of decision 22/CP.7, the Party shall not issue the RMUs relating to the reported net removals of anthropogenic greenhouse gases for each activity under Article 3, paragraph 3, and for each elected activity under Article 3, paragraph 4, until the question of implementation is resolved.*

The EU notes that the activities addressed in the paragraph above comprise afforestation, reforestation and deforestation under Article 3, paragraph 3, of the Kyoto Protocol, and the elected activities forest management, cropland management, grazing land management and revegetation under Article 3, paragraph 4. For the reporting of supplementary information in the CRF tables (Annex II to Decision 15/CP.10), the activities afforestation and reforestation were grouped together as both activities are subject to the same provisions. Therefore these activities should also be considered jointly for the development of criteria for cases of failure.

The decision 22/CP.7 mandates the development of criteria similar to those described in paragraph 3 of the draft -CMP-decision under Article 7 (FCCC/CP/2001/13/Add.3, pp. 19 - 20) which include:

- The failure to submit an annual inventory (paragraph 3 a);
- The omission of significant sources (3b);
- The magnitude of adjustments to the annual inventory total (3c) and over the commitment period (3d); and
- Recurring problems in the same source (3e).

In the view of the EU, 3(a) includes Annex A sources, inventory estimates for LULUCF categories under the Convention and 3.3 and 3.4 activities; 3 (b) does not apply to the problem envisaged as it refers to emission sources which are not in this case relevant for the use of the criteria<sup>1</sup>. Recurring problems with adjustments would only occur for those Parties that opt to account annually and may imply difficulties due to the periodic data collection for LULUCF activities.

The EU believes that it is necessary to define criteria for the magnitude of the adjusted net removals of greenhouse gases for an individual activity in relation to the total amount of net removals from the respective activity for a particular reporting year. These criteria would be assessed for the individual years reported by Annex I Parties. For the activities with net-net accounting (cropland management, grazing land management and revegetation), the estimates for the base year would be included in the assessment. In terms of decision text, such a provision could be worded as following:

*Decides that a Party included in Annex I shall, for the purpose of issuing RMUs in accordance with paragraph 25 of the annex to decision 19/CP.7, fail to meet the methodological and reporting requirements relating to estimates of greenhouse gas emissions by sources and removals by sinks from activities under Article 3, paragraphs 3 and 4, of the Kyoto Protocol, if:*

- a) The Party concerned has failed to submit information relating to estimates of greenhouse gas emissions by sources and removals by sinks from each activity under Article 3, paragraph 3, and each elected activity under Article 3, paragraph 4, in its annual inventory of anthropogenic emissions by sources and removals by sinks of greenhouse gases within six weeks of the submission date established by the Conference of the Parties; and/ or*
- b) The adjusted estimate for net removals of each activity under Article 3, paragraph 3, and for each elected activity under Article 3, paragraph 4 is **more than X % below the net removals estimated by the Party for the activity concerned** for an individual reporting year (including the base year for cropland management, grazing land management and revegetation).*

In the EU's view 'X' needs to be further elaborated keeping in mind that the criterion has to lead to an overall conservative result while at the same time taking into account the high uncertainty of the sector estimates.

#### **Factors relevant to the threshold value 'X'**

Due to high uncertainties related to the estimates for activities under Articles 3.3 and 3.4, any values chosen for 'X' in the above proposed decision text will be high compared to the percentages chosen for thresholds for Annex A activities. The conservativeness factors chosen in the technical guidance for methodologies for adjustments for activities under Articles 3.3 and 3.4 are the following:

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<sup>1</sup> The criteria are used to stop a Party from issuance of RMUs in case of net removals from an individual activity. Cancellations due to net emissions should occur for all adjusted estimates – independent of the size of the adjustments – and no criteria for cancellations should be applied.

<b>Article 3.3 or 3.4 activity</b>	<b>Main contributing parts of the estimation method</b>	<b>Conservativeness factors</b>
Afforestation/reforestation	CO <sub>2</sub> emission estimates for carbon stock changes in aboveground biomass	0.73 / 1.37
Afforestation/reforestation	CO <sub>2</sub> emission estimates for carbon stock changes in soils	0.73 / 1.37
Forest management	CO <sub>2</sub> emission estimates for carbon stock changes in aboveground biomass	0.73 / 1.37
Cropland management	CO <sub>2</sub> emission estimate for carbon stock changes in mineral soils	0.73 / 1.37
Cropland management	CO <sub>2</sub> emission estimate for carbon stock changes in organic soils	0.82 / 1.21
Grazing land management		0.73 / 1.37
Revegetation	CO <sub>2</sub> emission estimates for carbon stock changes in aboveground biomass	0.82 / 1.21
Revegetation	CO <sub>2</sub> emission estimates for carbon stock changes in soils	0.73 / 1.37

This means that the application of the conservativeness factor alone may increase/decrease the estimate by +37%/-27% for most activities. If one threshold (value for 'X') is chosen to cover all activities, it would need to be higher than the numbers indicated by the conservativeness factors in the table, for example in the range of 50-75%. Lower values for 'X' would result in a high probability that many adjusted estimates would be covered by the threshold due to methodological reasons.

#### **Other issues requiring clarification**

The EU believes that it is necessary to clarify the application of adjustments for estimates related to activities under Article 3, paragraph 3, and elected activities under Article 3, paragraph 4, related to the application of paragraphs 4, 10 and 11 of the annex to draft decision -/CMP.1 (Land use, land-use change and forestry) attached to 11/CP.7, which include specific accounting rules for these activities, and the provisions of Article 3, paragraph 7, of the Kyoto Protocol.

The situation is different from other sectors as the adjustments have additional effects on the accounting resulting from provisions of paragraphs 4, 10 and 11 of the annex to draft decision -/CMP.1 and adjustments can change whether these paragraphs are applicable to a Party. The EU believes that it would be useful to clarify, at the subsequent session of the SBSTA, that the accounting rules under paragraphs 4, 10 and 11 of the annex to draft decision -/CMP.1 and the provisions of Article 3, paragraph 7, of the Kyoto Protocol will be based on the adjusted estimates and not on the original estimates provided by the Party without taking into account the adjustments. The adjustments are seen as the values replacing a Party's estimate and therefore all consequences resulting from these estimates should be based on the adjusted values.

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