United Nations FCCC/SBSTA/2011/INF.15

Framework Convention on Climate Change

Distr.: General
27 October 2011

English only

Subsidiary Body for Scientific and Technological Advice
Thirty-fifth session
Durban, 28 November to 3 December 2011

Item 10(c) of the provisional agenda
Methodological issues under the Kyoto Protocol
Implications of the inclusion of reforestation of lands with forest in exhaustion as afforestation and reforestation clean development mechanism project activities

Synthesis of views on the implications of the inclusion of reforestation of lands with forest in exhaustion as afforestation and reforestation clean development mechanism project activities

Note by the secretariat

Summary

This document was prepared in response to the request of the Subsidiary Body for Scientific and Technological Advice contained in document FCCC/SBSTA/2010/13, paragraph 94. It presents a synthesis of the information and views relevant to the consideration of the possible inclusion of reforestation of lands with forest in exhaustion as afforestation and reforestation clean development mechanism project activities contained in eight submissions from Parties and two submissions from admitted organizations, which were prepared in response to the request contained in document FCCC/SBSTA/2010/13, paragraph 93. This document was prepared to support the consideration of the implications of the inclusion of reforestation of lands with forest in exhaustion as afforestation and reforestation clean development mechanism project activities following the conclusion contained in document FCCC/SBSTA/2010/13, paragraph 95.

Contents

I. Introduction

A. Mandate

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), by its decision 2/CMP.4, requested the Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board) to assess the implications of the possible inclusion of reforestation of lands with forest in exhaustion as afforestation and reforestation (A/R) CDM project activities, taking into account the technical, methodological and legal issues, and to report back to the CMP at its fifth session.

2. The Subsidiary Body for Scientific and Technological Advice (SBSTA), at its thirty-third session, invited Parties and admitted observer organizations to submit to the secretariat, by 28 March 2011, their views on the implications of the inclusion of reforestation of lands with forest in exhaustion as A/R CDM project activities. Further, the SBSTA requested the secretariat to prepare a synthesis report based on those views submitted by Parties and admitted observer organizations.[1]

B. Scope of the note

3. This note presents a synthesis of the information and views relevant to the consideration of the possible inclusion of reforestation of lands with forest in exhaustion as A/R CDM project activities contained in eight submissions from Parties and two submissions from admitted organizations.[2] It will be considered by the SBSTA at its thirty-fifth session.

II. Background and synthesis approach

4. The main chapters of this document cover three themes that appeared throughout the submissions: legal, methodological and policy implications. Each chapter is further divided into sections covering the scope of the chapter, a summary of the theme and the parts of the individual submissions that are pertinent to that theme. The issues covered in each chapter are summarized in chapter VI.

5. The secretariat received submissions from eight Parties: Algeria, Brazil, China, Ethiopia, Hungary on behalf of the European Union (EU) and its member States (as supported by Albania, Bosnia and Herzegovina, Croatia, Iceland, the former Yugoslav Republic of Macedonia, Montenegro and Serbia), India, Japan and Sri Lanka. Two admitted organizations submitted information to the secretariat: The Global Forest Coalition and Global Witness (on behalf of the Ecosystems Climate Alliance and CDM Watch). Henceforth in this document, where the term “organizations” is referred to, it refers specifically to these two organizations.

[1] FCCC/SBSTA/2010/13, paragraphs 93 and 94.

[2] <http://unfccc.int/parties_observers/ngo/submissions/items/3689.php>.

III. Legal implications of the inclusion of reforestation of lands with forest in exhaustion as afforestation and reforestation clean development mechanism project activities

A. Scope of the chapter and links with other chapters

6. This chapter focuses on the definition of forest in exhaustion. The chapters that follow are affected by Parties' and organizations' understanding, interpretation or possible proposals for a revision of the definition of forest in exhaustion as agreed by the Board (the definition is contained in annex I to the annual report of the Board to the CMP (FCCC/KP/CMP/2009/16)). All references to the definition of forest in exhaustion contained in all chapters of this document refer to the above-mentioned definition agreed by the Board.

B. General points

7. Annex I to the annual report of the Board to the CMP (FCCC/KP/CMP/2009/16) contains the following definition of forest in exhaustion as agreed by the Board:

> "'Forest in exhaustion' is an area of land that contained forest – established through planting, seeding and/or the human-induced promotion of natural seed sources – on 31 December 1989 and/or at the starting date of the project activity. If the land at the starting date of the project activity is forest then, in the absence of the project activity, it would be converted to non-forested land through final harvesting within [five] years of the proposed starting date of the project activity. If the land at the starting date of the project activity is non-forested land then, in the absence of the project activity, it is expected to remain as non-forested land."

8. The submissions from Parties and organizations suggest that clarification of and consensus on the definition of forest in exhaustion is required. Parties and organizations have proposed additional definitions, requested clarification of the definition, reiterated their understanding of the definition and acknowledged the potential conflict between the definitions of reforestation and forest in exhaustion.

C. Clarity of the definition of forest in exhaustion

9. Four Parties provided remarks related to the clarity of the definition of forest in exhaustion.

10. Brazil clarified its understanding of the definition by stating that within the scope of silviculture, the concept of 'replanting' or 'reform' refers to the establishment of new forests in areas previously covered with planted forests, which have reached the final harvesting process or 'exhaustion'. Differently from practices based on forest management or natural regeneration, the establishment of new forests in such exhausted areas requires anthropogenic intervention.

11. Brazil explained that, at regular intervals (rotations that vary according to the species at stake), the wood from production forests is harvested and a new period of growth of the same tree/forest begins. Such a new period of growth is based on the human-induced regeneration of the remaining sprouts on the remaining roots and stumps, which is commonly known as the 'resprouting' process. The number of rotations, enabled by human-induced resprouting practices, and the existence period of planted forests are a

function of the economic feasibility of wood production in a fixed portion of land, which, by definition, decreases and terminates over time. Hence, the decreasing productivity of the forest makes its maintenance in the same area unfeasible after the last rotation is conducted, or even before, depending on different species and circumstances.

12. According to Brazil, as such, one of the two alternatives below is expected to occur after the last rotation:

(a) The establishment of new forests for any purpose in the same area. In this case, new trees must be planted after the final harvest;

(b) The non-establishment of new forests in the same area. By definition, the old/exhausted production forests would be harvested to supply respective end-use, and, as such, one can conservatively conclude that the area at stake would be converted to other land uses, as per the most likely regional economic scenario.

13. Brazil stated that harvesting is an expected fact since the establishment of the respective production planted forest. However, it is important to note that the harvesting of planted forest in exhaustion does not hold an a priori relationship with the establishment of new forests in the same area, including through potential A/R CDM project activities. Thus, the possibility of using an area that contained planted forest in exhaustion for the purposes of establishing new forests shall not be restricted through eligibility criteria. Rather, it is a matter of baseline and additionality assessments, for which there are already clear and consistent rules.

14. Three Parties expressed concern over the clarity of the definition of forest in exhaustion.

15. Algeria stated that among technical issues, there remains the need to more clearly define this category. The definition is still imprecise.

16. China expressed its concern over the clarity of the definition of forest in exhaustion, stating that it is of the view that the ongoing discussion on forest in exhaustion is helpful for Parties to have a deep understanding of how forest contributes to climate change mitigation and what are the most effective ways for forest to achieve its mitigation potential. However, the controversy in the discussion on forest in exhaustion may be, to a great extent, caused by the premature definition of forest in exhaustion, which does not clearly differentiate degraded forested land from forest in exhaustion. Therefore, China thinks that the definition of forest in exhaustion should be further discussed and that consensus should be achieved under the SBSTA, before taking further action on whether or not to include forest in exhaustion in A/R CDM activities.

17. Japan also requested improved clarity of the definition when it noted that there seems to be an inconsistency between paragraph 2 and paragraph 3 of annex I to the annual report of the Board to the CMP at its fifth session. It is mentioned in paragraph 2 that "'forest in exhaustion' is an area of land that contained forest…on 31 December 1989 and/or at the starting date of the project activity". However, paragraph 3 refers only to 31 December 1989 with regard to the eligibility criteria. According to Japan, such inconsistency will lead to confusion in clarifying whether forest in exhaustion is eligible for reforestation CDM activities.

18. The clarity of the definition of forest in exhaustion is also an issue for the organizations. Global Witness (on behalf of the Ecosystems Climate Alliance and CDM Watch) wrote that the definition has caused considerable confusion among Parties. The reason for the confusion being, perhaps, that the definition tries in a rather complicated way to describe two separate issues, namely (a) the types of land that potentially qualify for this type of CDM project (where the CDM project might be located) and (b) when that land qualifies as a forest in exhaustion (when the land is eligible for a CDM project of this type).

D. Revision of the definition of forest in exhaustion

19. Algeria proposed a revised definition: “terres forestières ou à vocation forestière se trouvant sur des sols appauvris et dont la disparition par abattage (ou autre cause de déboisement) ou par un changement d’affectation en une catégorie autre que terre forestières aggraverait la dégradation du sol” [forest land or land that in situ could potentially become forest, situated on depleted soils and subject to degradation (or another cause of deforestation), or a change of land use to a category other than forest land that would aggravate the soil degradation]. Algeria noted that the interest to classify these lands as A/R activities is to maintain both the canopy and the integrity of the soil.

E. Concerns related to the definition of reforestation

20. The EU noted that the proposed definition of forest in exhaustion violates the definition of reforestation as contained in the annex to decision 16/CMP.1, applicable also for the annex to decision 5/CMP.1.

21. India was more specific in its analysis of the definition of forest in exhaustion, stating that an analysis of the definition of forest in exhaustion brings out the inherent contradiction in the stipulation related to eligibility of land for reforestation. By definition, forest in exhaustion is an area of land containing forest on 31 December 1989. Hence, the activity of reforestation will be acceptable on both types of land – land that did not contain forest on 31 December 1989 and also land that did contain forest on 31 December 1989. The only difference being that the forest existing on the eligible land is intended to be forest in exhaustion (i.e. the forest of plantation or natural seeding origin), but ultimately moving towards non-forested land after final harvesting within five years of the beginning of the project activity.

22. Japan stated its concern about the possible inconsistency of the definition of forest in exhaustion with the definition of reforestation, stating that it is necessary that the interpretation of forest in exhaustion be consistent with the definition of reforestation; however, it is not clear whether project activities on the land which contained forest in exhaustion indicate “the direct human-induced conversion of non-forested land to forested land” as defined in paragraph 1(c) of the annex to decision 16/CMP.1.

IV. Methodological implications related to the inclusion of reforestation of lands with forest in exhaustion as afforestation and reforestation clean development mechanism project activities

A. Scope of the chapter and links with other chapters

23. This chapter focuses on methodological implications raised by Parties and organizations in their submissions. Parties may wish to resolve all legal implications (see chapter III above) before any methodological issues can be addressed.

B. General points

24. Additionality and the baseline are important concepts of the CDM that need to be assessed for all projects before they can be registered as CDM projects. Potential issues

concerning the demonstration of additionality and the definition of the baseline were noted by two Parties.

C. Additionality and the definition of the baseline

25. On the issue of additionality of forest in exhaustion, China stated that any activities newly proposed to be eligible under current A/R CDM rules should demonstrate their additionality.

26. Japan noted the potential methodological difficulty in defining the baseline, questioning whether it is possible to objectively prove that the land would be converted to non-forested land through final harvesting within five years of the proposed starting date of the project activity without negative impacts, and to demonstrate how the change in the emissions and reductions resulting from the project activity would occur.

27. For the organizations, the issue of additionality is very important. Global Witness (on behalf of the Ecosystems Climate Alliance and CDM Watch) considers the proposal to be little more than an attempt to provide subsidies to industrial tree plantations in circumstances that encourage bad management practices and the establishment of plantations in inappropriate locations.

V. Policy implications related to the inclusion of reforestation of lands with forest in exhaustion as afforestation and reforestation clean development mechanism project activities

A. Scope of the chapter and links with other chapters

28. Whereas chapters III and IV above discussed legal and methodological issues, respectively, related to forest in exhaustion raised by Parties and organizations in their submissions, in this chapter, the support for and concerns caused by the concept are discussed. These are more policy-related and ethical in nature than the previously discussed issues.

B. General points

29. The submissions from Parties and organizations introduced many policy implications related to the inclusion of the reforestation of lands with forest in exhaustion as A/R CDM project activities. These implications may be both sympathetic to (pro) and raise concerns about (con) forest in exhaustion. They include:

(a) The implications of the acceptance of the principle of forest in exhaustion;

(b) The potential for enhanced degradation as a result of forest in exhaustion;

(c) The potential for incentives for conversion of natural forest to plantations as a result of forest in exhaustion;

(d) The acceptability of continued forest degradation as a baseline.

30. Of these four issues, the latter two are of particular concern to the organizations. Both Parties and organizations noted that there is potential commonality between forest in

exhaustion and other forest-related activities under negotiation (REDD-plus[3]). This is especially so if lands that were forest on 31 December 1989 and that will potentially become non-forest without forest in exhaustion are included under the definition of forest in exhaustion. This may overlap with the rules for projects that avoid deforestation.

C. Acceptance of the principle (pro)

31. Brazil stated that current eligibility criteria prevent the use of lands that contained forest plantations in the past, which were harvested and converted to non-forested lands. Therefore, they restrict the use of the CDM to stimulate the establishment of new forest stocks on such non-forested lands through A/R practices. According to Brazil, these lands should be eligible, since the generation of new forest stocks on such sites would be a matter of additionality, not of eligibility.

32. China accepted the principle behind forest in exhaustion. It stated that any activity newly proposed to be eligible under current A/R CDM rules should be helpful in increasing forested land and encouraging sustainable forest management.

33. Ethiopia considers that this issue represents a great opportunity for Parties not included in Annex I to the Convention to enhance the development of potential A/R CDM projects. The eligibility of lands that contained planted forest in exhaustion increases the amount of eligible lands for A/R CDM projects, without compromising the environmental integrity of the Kyoto Protocol and its definitions. Ethiopia understands that the current rules unnecessarily prevent the use of lands that contained planted forests in the past, thus restricting mitigation opportunities in a key sectoral scope for developing countries, such as A/R.

34. Sri Lanka noted that it is very important to consider the inclusion of reforestation lands with forest in exhaustion for CDM projects, since it will help to increase the carbon storage capacity of existing forests. Especially countries like Sri Lanka, which have many forest in exhaustion, will have high potential to improve their forests, thereby contributing to reducing the global greenhouse gas emissions.

D. Inclusion of degraded land (pro)

35. Considering the concerns related to reforestation of lands with forest in exhaustion as A/R CDM project activities, India noted that if land containing forest in exhaustion is considered as eligible for a land use, land-use change and forestry (LULUCF) CDM reforestation activity, it will be logical to make all lands containing degraded forest also eligible for LULUCF CDM reforestation activities. In view of the aforesaid, according to India, it will be appropriate for A/R CDM activities to encompass not only the land of plantations (forest in exhaustion) but also degraded natural forest. India considers that land that contained natural secondary forest or degraded forest on 31 December 1989 should also be considered eligible for CDM reforestation activities in the first commitment period.

[3] Policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.

E. Potential for enhanced forest degradation (con)

36. China expressed its concern about the potential for enhanced forest degradation, stating that any activities newly proposed to be eligible under current A/R CDM rules should not incentivize conversion of natural forests to plantations.

37. Japan noted that, for example, in the case that forest in exhaustion means an area of land that contained forest on 31 December 1989 and/or the land at the starting date of the project activity is non-forested land, conversion of forest land to non-forest land before the starting date of the project activity could be accelerated.

38. Global Witness (on behalf of the Ecosystems Climate Alliance and CDM Watch) detailed its concern somewhat differently, stating that the current definition of forest under the Kyoto Protocol permits plantation companies to clear forests (either natural forests or plantations) to harvest timber without accounting for this as deforestation so long as there is an intention to re-establish trees. The definition of forest, therefore, allows for large-scale clearing of forest land without necessarily accounting for this as deforestation. Such a loophole in the accounting rules, however, undermines the objectives of both the Kyoto Protocol and the Convention. According to Global Witness, the scientific evidence is unequivocal that clearing natural forests and replacing them with tree plantations should be properly accounted for, since this activity causes significant loss in forest carbon stocks, releases carbon dioxide into the atmosphere and harms biodiversity. It later reiterates these statements by noting that, while the forest in exhaustion proposal addresses the issue of 'exhausted' industrial tree plantations, the proposed definition also extends to a much larger area of land, potentially including natural forests that were relatively 'healthy' forests on 1 January 1990 but have since become degraded (or 'exhausted') through continued logging. If lands with natural forests are eligible for this type of CDM reforestation project, then there is a financial incentive to continue logging until the forest becomes so degraded as to be designated a forest in exhaustion eligible for CDM credits for establishing a commercial monoculture plantation on the land. According to Global Witness, this process would subsidize the destruction of natural habitats and the loss of ecosystem services, and release carbon that would take decades to be sequestered by new growth.

F. Incentive for plantation forestry (con)

39. Forest in exhaustion providing an incentive for plantation forestry is a serious concern for the organizations. The Global Forest Coalition noted that the negative social and environmental impacts of monoculture tree plantations and the risk that, in the absence of a proper definition of forest, the inclusion of lands with forest in exhaustion as A/R activities under the CDM will provide a significant financial incentive for the establishment of such plantations.

40. Global Witness (on behalf of the Ecosystems Climate Alliance and CDM Watch) also expressed concern that the introduction of forest in exhaustion is hoped to result in an increased number of potential reforestation projects; however, it should be made clear that this proposal would primarily benefit large, existing plantations instead of small operations on agricultural land which the current CDM definitions were designed to encourage. Least developed countries will not benefit as they have few plantations. According to Global Witness, the forest in exhaustion proposal would create several perverse incentives that would undermine the original aim of A/R projects under the CDM to increase forest cover, such as discouraging efficient commercial practices in the timber industry and subsidizing industrial tree plantations in inappropriate locations.

G. Acceptability of continued forest degradation as a baseline (con)

41. Whether a baseline of continued forest degradation by forest companies should be considered acceptable was questioned by Global Witness (on behalf of the Ecosystems Climate Alliance and CDM Watch). It considers the proposal to be little more than an attempt to provide subsidies to industrial tree plantations in circumstances that encourage bad management practices and the establishment of plantations in inappropriate locations. Such subsidies would insulate the wood growing and processing industries from commercial pressures to improve their efficiency, reduce wastage, increase recycling and select more suitable sites for plantation establishment.

H. Relationship with other forest-related activities under negotiation

42. Japan expressed its concern about the overlap of the concept of forest in exhaustion with other forest activities, stating that it should be noted that the concept of forest in exhaustion could overlap with the concepts of forest management and deforestation. Taking into account the ongoing LULUCF activities in Parties included in Annex I to the Convention, forest in exhaustion should be carefully considered so as to avoid a negative influence on LULUCF activities and the existing review mechanism under Article 8 of the Kyoto Protocol. Japan recognizes that project activities on the lands with forest in exhaustion noted in the recommendation by the Board contained in annex I to document FCCC/KP/CMP/2009/16 are presumed to be implemented as reforestation CDM project activities in the first commitment period. However, it should be noted that the treatment of LULUCF project activities under the CDM after the first commitment period, including A/R activities and other forest-related issues, are being negotiated under the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol and the Ad Hoc Working Group on Long-term Cooperative Action under the Convention, and that some decisions related to forests have been adopted by the CMP. Japan believes that issues regarding forest in exhaustion should be carefully discussed in such a way as to avoid duplication of work.

43. Global Witness (on behalf of the Ecosystems Climate Alliance and CDM Watch) noted that the forest in exhaustion proposal also risks undermining the recently established REDD-plus mechanism by incentivizing the establishment of plantations under the CDM rather than the restoration of natural forest ecosystems under REDD-plus. It later reiterates this view, stating that, further, the agreement reached at the United Nations Climate Change Conference in Cancun, Mexico, to establish a REDD-plus mechanism addresses many of Brazil's original concerns, making the forest in exhaustion proposal redundant. Forest in exhaustion incentivizes the establishment of plantations under the CDM instead of the restoration of the land to natural forest under REDD-plus. The agreed REDD-plus mechanism provides for financial support to restore degraded forest land back to natural forest. It also includes a safeguard against the conversion of natural forests to plantations or other land uses. The forest in exhaustion proposal risks undermining the REDD-plus mechanism. Specifically, a useful safeguard to distinguish between reforestation projects under the CDM and restoration of forests under REDD-plus was the cut-off date of 31 December 1989/1 January 1990. Land that was forested on 1 January 1990 is currently ineligible for a CDM reforestation project, but would be entitled to seek funding under REDD-plus to regenerate that land back to natural forest. The forest in exhaustion proposal removes this cut-off date and instead subsidizes profit-making plantations on degraded natural forest that would be better addressed under a REDD-plus regeneration project. According to Global Witness, from an environmental and a carbon storage and sequestration perspective, regeneration would be much more valuable.

VI. Summary/synthesis

44. Eight Parties and two admitted organizations submitted their views on forest in exhaustion. The concept of forest in exhaustion is accepted by some Parties (Brazil, China, Ethiopia, India and Sri Lanka). However, there are still concerns about the clarity of the definition. Some Parties (Algeria, China and Japan) requested further clarification of the definition. One Party (Algeria) proposed a revised definition and another Party (Brazil) reiterated its understanding of the concept. Even so, some Parties (EU, India and Japan) noted that forest in exhaustion, as proposed, is in conflict with the definition of reforestation. A consensus agreement on the definition of forest in exhaustion needs to be reached before methodological issues can be addressed.

45. Two methodological issues were identified in the submissions. The baseline may be difficult to substantiate (Japan) and additionality is clearly required to preserve the environmental integrity of credits generated by forest in exhaustion (China).

46. Parties consider that an acceptable definition of forest in exhaustion, the identification of a baseline, and methods for the demonstration of additionality should take into account the policy implications of allowing reforestation of lands with forest in exhaustion as A/R CDM project activities. On this front, the organizations are opposed to any new activity that may:

(a) Have the potential to enhance forest degradation;

(b) Provide an incentive for plantation forestry.

47. For organizations, those two points are paramount. They are very concerned that the introduction of forest in exhaustion may have far-reaching social and environmental impacts, owing primarily to the increase in plantation area. The organizations also questioned whether a baseline of ‘exhaustion’ caused by poor forest management practices (over-exploitation) should be acceptable.

48. Finally, Japan and Global Witness (on behalf of the Ecosystems Climate Alliance and CDM Watch) expressed their concern about the possible overlap of reforestation of lands with forest in exhaustion and the proposal for REDD-plus currently under negotiation within the UNFCCC. In fact, Global Witness pointed out that if REDD-plus is accepted then the concept of reforestation of lands with forest in exhaustion may be redundant.