The role of LULUCF in the Kyoto Protocol, in countries' mitigation efforts, and in post-2012 climate policy

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Outline:

1. **Land use, land-use change and forestry**
   (overview Kyoto Protocol and decisions by parties on activities)
2. **Harvested Wood Products**
3. **CDM AR**
4. **Reduced emissions from avoided deforestation**
5. **Outlook on post 2012**

REGERINGSKANSLIET

Land Use, Land-Use Change and Forestry in the Kyoto Protocol

Three different mandatory land use *changes* (art. 3.3):

- Deforestation
- Afforestation
- Reforestation

Four different voluntary land uses (art. 3.4):

- Forest Management
- Cropland Management
- Grazingland Management
- Revegetation

Land Use, Land-Use Change and Forestry (cont.)

Forest Management has some special features

- **Net change each year without subtraction of the a base year change (gross-net accounting), and**
- **national cap based on the lowest value of**

  15% of 1990 year stock change, or

  3% of total base year emission
- **Construction due to technical restrictions and timing of negotiations**
- **Some countries negotiated higher caps (Canada, Japan, Russia, USA, Australia)**
- **For many countries the cap reduces the incentive to increase net uptake in the Forest Management sink**

Land Use, Land-Use Change and Forestry (cont.)

How have different countries chosen to account activities under art. 3.4:

	FM	CLM	GLM	RV
UK	+	-	-	-
Sweden	+	-	-	-
Finland	-	-	-	-
Belgium	pending	-	-	-
France	+	-	-	-
Netherlands	-	-	-	-
Portugal	+	+	+	-
Germany	pending	pending	pending	pending
Irland	-	-	-	-
Denmark	(+)	(+)	(-)	(-)

Harvested Wood Products

- Rational: to introduce incentive to maintain carbon stock in wood products, thereby reducing emissions
- Reporting within the Convention reporting voluntary
- Accounting of HWP will not be included in national commitments until after 2012
- Alternative reporting methodologies included in IPCC 2006 Guidelines
- Common accounting principle still to be agreed, will affect the numerical value of future national commitments

Harvested Wood Products (cont.)

- Different approaches to account for national carbon stock:
  - Stock-change approach, the carbon credit and the liability stays with the importing country when products are exported
  - Production approach, the carbon credit and the liability to the exporting country with the product
  - Atmosphere flow approach, the carbon credit stays in the exporting country - the liability to the importing country with the product
- May cause different type of trade distortions,
  (e.g. the atmospheric flow approach favours exports from Annex1 country to a country without commitments as compared to exports to another Annex1 country)
- The issue of biofuel needs to be especially addressed in this context

Reduced Emissions from Deforestation in Developing countries (REDD)

- **This is a significant problem or possibility, depending on view**
- **Not included in KP, due to hot air discussions and technical difficulties in reporting (baseline, inter-annual variation)**
- **Strong interest from several non-Annex1 parties (Rainforest Alliance), others such as China and Brazil less keen**
- **Discussions aimed at 2013-**
- **Trading solution or not?**
- **Emission reductions directly linked to other commitments - linkages to other carbon markets?**

CDM AR – why is so little happening?
(Afforestation/Reforestation)

- Sinks credits not allowed in the ETS at this point
- Methodologies complicated and not accepted by the CDM executive board
- Temporary credits seemed as extremely complicated
- CERs are to be paid on delivery, upfront financing less probable
- Profitability difficult in competition with energy projects

Biofuel incentives affects Swedish forestry and forest industries

- Sweden is a strong proponent of the UNFCCC and the Kyoto-protocol
- Reducing emissions through fossil fuel taxes and incentives to convert to biofuel
- Forest industries negatively affected by higher costs for electricity and transports, and by competition in the raw supply market from bio- energy producers.
- But some positively affected by higher demand for energy production as a secondary products from harvesting activities and pulp production
- In the future policies addressing the carbon sink in forest may be introduced affecting forest industry raw supply