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Exposé of serious problems with forest management accounting options

This document exposes the most serious problems with the forest management accounting options that are included in the most recent negotiating text.¹ If not properly resolved, these issues will undermine the integrity of the Copenhagen climate agreement and fail to create a fair accounting framework under which industrialized countries take responsibility for emissions from forest management activities, in particular forest harvesting and bioenergy production.

The ‘Forest’ definition allows forest degradation without accounting (Option A; A.

Definitions; 1(a) “Forest”

The current definition of ‘forest’ sets the bar for forest area, canopy closure and tree height so low that forests can be severely degraded, nearly deforested and even converted to plantations without any mandatory accounting of carbon stock changes. This loophole occurs because accounting for emissions from “forest management” is optional and only total deforestation requires accounting of the carbon losses.

The combined definitions of ‘forest,’ ‘deforestation,’ and ‘forest management’ together with voluntary accounting fail to capture all significant carbon fluxes from emissive and degrading activities within the forest sector.

The problems associated with this definition could be overcome for accounting purposes by using a finer subset of functional definitions such as those suggested by the FAO², and requiring accounting for conversion between categories, or through mandatory accounting of forest management.

Accounting loopholes allow industrialized countries to hide logging emissions (Option A; C. Article 3, paragraph 4; Accounting for forest management; Option 3 (reference levels)

Several Parties are pushing for an accounting framework that does not reflect actual emissions. The current text on reference levels would allow countries this flexibility:

¹ FCCC/KP/AWG/2009/10/Add.3/Rev.2. <http://unfccc.int/resource/docs/2009/awg9/eng/10a03r02.pdf>

² See Annex on Forest Definitions.

- Taking into account ‘age-class structure’ could mean changing the reference level to remove the emissions from cutting old forests;
- Taking into account ‘projected forest management activities’ means changing the reference level erase increased emissions from the books including through planned harvest increases;
- Taking into account ‘continuity with treatment of forest management in the first commitment period,’ could mean changing the reference level to get a similar level of credits as in the first commitment period, essentially ignoring rule changes;
- A band from the reference level to zero (paragraph *11 ter*) means countries can eradicate their forest sink with no penalty (the effect if all Annex 1 Parties were allowed to reduce their forest sink to zero: 2.4 billion tons of CO₂e in lost sequestration without any debits).^{3,4}

All of these proposals are designed to avoid debits for preconceived notions of “sustainable” forest management and seek to avoid disincentives for practices that are bad for the atmosphere.

The only acceptable way to create transparent accountability is to use a historic reference level. *Actual* changes in emissions must be the basis of accounting. Though some Parties have raised concerns that this approach would yield too many debits due to the nature of their forest sectors, these effects can be dealt with through, for example: 1) adjusting the national target (e.g. Japan); 2) effort sharing between countries (EU); 3) offsetting with afforestation credits (New Zealand)).

Given the risk of creating windfall credits and countries choosing a year to maximize credits, the process for setting a historic reference level would have to be transparent and consistent for all Parties.

Continued voluntary accounting of forest management means that Parties may only account for this activity if it will generate credits for the country. Accounting should be mandatory, as long as the rules have environmental integrity.

³ Using convention reporting data for all Annex 1 Parties from 1990 – 2006. 1990 was used as the default bar and 2002-2006 was used as a hypothetical commitment period.

⁴ This corresponds to roughly four percent of total emission allowances for the first commitment period

Emissions from bioenergy production may remain hidden

(Option B; B. Accounting rules for greenhouse gas emissions and removals; Option 2 addendum)

Because accounting for emissions from forest management is voluntary, a country not accounting for forest management can significantly exaggerate emission reductions in the energy sector from bioenergy use by not accounting for the impact on forest sinks and carbon stocks arising from harvesting, while at the same time counting the burning of biomass in the energy sector as ‘carbon neutral.’ These emission reductions would essentially be fraudulent and could create a perverse incentive for over-exploitation of forests with no benefit to the atmosphere and significant ecological cost.

This loophole will persist even with mandatory accounting for forest management if such accounting does not reflect actual changes in emissions as described above.

Some Parties have proposed a remedy for this ‘displacement of emissions’⁵: if forest management accounting is not mandatory and/or if emissions from forest management are not properly accounted for, a Party’s LULUCF credits/debits would be adjusted to reflect the increased emissions in the forest land base resulting from biomass harvest that generates an emission reduction in other sectors through fuel substitution.

Low quality LULUCF credits could undermine emission reductions by industrialized countries in other sectors *(Option A; C. Article 3, paragraph 4; Accounting for forest management, Option 1,2; caps/discount factors)*

LULUCF credits generated by an accounting system without environmental integrity can only undermine real action on climate change. Caps or discounts to limit the contribution of LULUCF to overall compliance would be an appropriate response to contain the problem of lousy forest management accounting rules. This would contain the problem, but it would not fix it. The application of a cap carries with it its own perversity that useless credits will be the first to be used and real mitigation action may not even be eligible for credit. It is therefore imperative that the serious problems with the current proposed rules be fixed to ensure environmental integrity.

Countries may be able to hide anthropogenic emissions by factoring out natural disturbances *(Option A; E. General; Natural disturbances)*

The current text preserves the possibility of removing emissions from all natural disturbances from the accounting of industrialized nations. Such broad application of this approach could significantly undermine the permanence of LULUCF credits because increased removals could be cancelled out by natural disturbances that are excluded from accounting.

⁵ http://unfccc.int/files/kyoto_protocol/application/pdf/papuanewguinealulucf071009.pdf

The difficulty of knowing whether fires were natural or caused by human activity also argues against such a broad application of factoring out. Finally, factoring out all emissions from natural disturbances removes any incentive for Parties to try to reduce or mitigate these emissions.

The current text also fails to include crucial safeguards:

- If countries engage in any management activity in an area after a natural disturbance (e.g. salvage logging), emissions from these activities must be accounted for; otherwise countries could hide logging emissions in these areas;
- Use of the highest quality, spatially explicit data and methodologies should be mandatory to allow factoring out of natural disturbances.
- Any credits received by Parties during the commitment period for removals within the land subject to factoring out should be promptly deducted from the countries assigned amount.⁶

If Parties proceed with factoring out natural disturbances, these and other safeguards must be included in an approach focused only on extraordinary events (force majeure) and Parties should also redouble their efforts to factor out natural effects that increase forest sinks and result in more credits.

Harvested wood products are a new credit industrialized nations haven't earned (*Option A; E. General; Harvested wood products*)

Industrialized countries want to account for carbon stored in wood products. Both of the remaining options for harvested wood product accounting contain some environmental safeguards but neither should be adopted until the major problems with the current accounting options for the sector are removed from the table, especially the ability for countries to create their own baselines to fit national circumstances and future plans for forest harvesting and bioenergy production. Accounting of carbon stored in exported wood remains especially problematic.

Finally, Annex 1 Parties should accept the proposal to treat wood from Non-Annex 1 Parties as a debit unless it can be demonstrated that this wood did not originate from either deforestation or forest degradation.

⁶ Consistent with the Marrakesh Accord Principle, ““That reversal of any removal due to land use, land-use change and forestry activities be accounted for at the appropriate point in time,” Decision 16CMP1, Para 1g).

Annex: Forest Definitions

The Food and Agriculture Organization of the United Nations (FAO) has suggested finer definitions of forests that would be useful in accounting for conversions from natural forests to degraded forest types.

For example:

- Primary Forest: “Forest/Other wooded land of native species, where there are no clearly visible indications of human activities and the ecological processes are not significantly disturbed.”⁷
- Modified Natural Forests: “Forest/Other wooded land of naturally regenerated native species where there are clearly visible indications of human activities.”⁸
- Plantations: “Forest/Other wooded land of introduced species and in some cases native species, established through planting or seeding mainly for production of wood or non wood goods.”⁹

Other variations on these definitions have been developed by FAO, including primary forests, other naturally regenerated forests, planted forests, etc.¹⁰

⁷ Food and Agriculture Organization of the United Nations. Terms and Definitions (Final Version). 2005. Global forest resources assessment update. http://www.fao.org/docrep/007/ae156e/AE156E03.htm#P554_25807

⁸ Ibid.

⁹ Ibid.

¹⁰ Food and Agriculture Organization of the United Nations. 2007. Global forest resources assessment: Specification of National Reporting Tables for FRA 2010. <http://www.fao.org/forestry/14119-1-0.pdf>