



## **CAN Recommendations: Modalities for Including Afforestation and Deforestation under Article 12**

**COP 9, December 2003**

The Climate Action Network (CAN) continues to have fundamental concerns about the use of sinks under the Kyoto Protocol. This paper provides recommendations on the key issues in the COP 9 decision on CDM sinks. These options are necessary to move forward while safeguarding the environmental integrity of the Kyoto Protocol and maintaining consistency with the principles agreed to by Parties in Marrakech. CAN urges delegates not to forget the full mandate of the current task, which is to:

*...develop definitions and modalities for including afforestation and reforestation project activities under the clean development mechanism 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...with the aim of adopting a decision on these definitions and modalities at the ninth session of the Conference of the Parties. (Decision 17/CoP7/Article 10.b).*

The most critical issues to CAN are as follows<sup>1</sup>:

1. The need for a mandatory process to assess environmental and social impacts of sinks projects.
2. At a minimum, the project design document must include sufficient information on environmental and social impacts to allow meaningful public comment during Executive Board and host country approval processes. Thus, it is absolutely necessary that at least the – already watered down - “Appendix E” (Option 1) is agreed upon.
3. The environmental and social assessment process must effectively screen out large commercial plantations, which inherently pose great risks to biodiversity and local livelihoods.

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<sup>1</sup> (see as well CAN’s 2-page “Checklist for CDM sink negotiators at CoP-9”, available at [www.climatenetwork.org](http://www.climatenetwork.org))

4. The environmental and social assessment process must provide guidance for the development of projects with maximum biodiversity and social benefits, such as agroforestry and forest landscape restoration aligned with the CBD ecosystem approach.
5. The base year agreed at Marrakech for the reforestation definition must be maintained as December 31, 1989.
6. Of the options currently being put forward to address permanence, the temporary crediting (rCER) approach is the most effective as it requires ongoing monitoring and liability for any re-emission of credited sequestration. Proposals that allow these provisions to expire clearly undermine environmental integrity.
7. Addressing the non-permanence issue also requires incentives for long-term project design, such as a minimum project lifetime.
8. Baselines and additionality rules must truly reflect what would happen on the project site without CDM crediting. The text should identify factors uniquely relevant to LULUCF projects, including the need to avoid crediting natural regeneration.
9. Project assessment should assume complete leakage of project benefits if leakage can neither be estimated (and adjusted for) nor prevented by good project design.
10. Public participation at a minimum requires a 60 day comment period, and effective involvement of local stakeholders, communities and indigenous people.
11. Alien, invasive or genetically modified species must be excluded.

### **Socio-Economic and Environmental Criteria**

- Projects should be evaluated against consistent, minimum socio-economic and environmental criteria.
- At a minimum, the project design document must include sufficient information on these issues sufficient to allow meaningful public comment during Executive Board and host country approval processes.
- The already watered down “Appendix E” provides a minimal structure for complete information reporting.

Environmental and social impact assessments should be conducted for all projects in a consistent and transparent manner to ensure that they adhere to the previously agreed principles governing LULUCF and Article 12, namely that LULUCF activities...contribute to the conservation of biological diversity and sustainable use of natural resources” (17/CP.7) and “contribute to sustainable development” (Kyoto Protocol). These principles will be compromised if Parties fail to elaborate criteria and modalities to implement them. The Executive Board and operational entities must be mandated to evaluate biodiversity and sustainable use impacts, both positive and negative, of CDM projects.

The concerns of some Parties that the application of international standards and guidelines would conflict with national sovereignty should be taken seriously in the

design of appropriate modalities, but are not valid reasons to abandon formal modalities altogether. It is critical to note that there are many other cases where Parties have agreed to accept external environmental and socio-economic review criteria (e.g. the World Bank standards, and the CBD or CCD) regardless of national circumstances. Indeed, the Kyoto Protocol and FCCC themselves are internationally agreed and binding treaties that bridge national sovereignty and commit Parties to follow a set of commonly agreed methods and approaches in order to further the common good.

Clear and consistent environmental and socio-economic criteria can benefit all potential host countries. Without minimum standards, host countries that wish to apply progressive standards will be priced out of the CDM market. Past project experience in other areas illustrates that the lack of common and transparent social and environmental assessment guidelines can promote a race to the bottom for some investors seeking lower costs at the expense of good project design and implementation. The resulting negative impacts on the environment and local communities are unacceptable in the CDM, especially as they are potentially avoidable. Furthermore, environmental and social impact assessments will steer CDM investments toward projects such as agroforestry and forest landscape restoration that support the principle that LULUCF projects "...contribute to the conservation of biological diversity and the sustainable use of natural resources".

CAN appreciates and supports the efforts of many Parties that have proposed specific text in recognition of the need for an environmental and social assessment process for all CDM sinks projects in order that the integrity of the Protocol be maintained. Although these proposals do not contain modalities for the evaluation of projects, they provide important elaboration on the information that should be contained in project documents. Without consistency on the elements to report it will be much more difficult for host countries to approve and stakeholders to comment upon projects, as is explicitly called for in 11/CP.7.

### **Base Year**

- Leave the base year where it is: 1989.

The proposal for changing the reforestation base year from 1989 to 1999 should be rejected because it would reopen the definitions of reforestation agreed at Marrakech and could cause environmental problems. Some countries argue that a 1999 base year would create more opportunities for forest restoration activities and increase participation in the CDM by lesser developed countries (where data availability is claimed to be a problem). While CAN supports forest restoration and the use of good data, CAN is unconvinced that data availability is a limiting factor, and opposes moving the base year to 1999 because it could result in two serious environmental problems:

- Create perverse incentives to clear native forests, in order to make lands eligible for reforestation projects in future commitment periods.
- Open up large areas of recently deforested land to expansion of large, commercial plantations rather than to forest restoration.

### **Non-Permanence**

- Adopt the temporary crediting approach (rCER in L.13 text).
- Reject the iCER approach because it allows CERs to remain valid without ensuring that the associated sequestration remains in place.
- Reject the false compromise of allowing both options.

Three main principles should guide non-permanence modalities:

1. Mandatory, regular monitoring to verify the ongoing storage of credited sequestered carbon;
2. Clearly assigned liability for obtaining replacement “tons” in the event of any subsequent reversal, or in the event of failure to monitor for potential reversal; and
3. Strong incentives for long-term projects.

The rCER approach is superior when evaluated against the first two criteria. The rCERs received by a project are renewed for only as long as the sequestered carbon can be verified, making the rCER stream equal to the real length of the climate benefit of the sequestration. The automatic expiration of rCERs ensures that verification of ongoing storage occurs before CERs are renewed.

On the other hand, the iCER approach lets regular monitoring cease at a fixed time after the crediting period, removing all future liability and converting the iCERs into permanent CERs. Under the L.13 provisions the liability period could be as short as 10 years for some iCERs, and no more than 70 years. A timeframe of 10 to 70 years is in no way equivalent to permanent emission reductions. The insurance requirements that are an element of the iCER approach could be a useful complement to the temporary crediting approach. On their own they do not ensure that the carbon is properly accounted for in the event of the loss of stored carbon.

Regarding principle 3, no matter which accounting approach is chosen, there should be strong provisions for long-term projects such as a minimum project lifetime.

### **Additionality & Baselines**

- Projects that would happen anyway must be excluded.
- Retain the core principles of additionality and baselines in 17/CP.7, but (1) adapt the text to achieve comprehensive coverage of net removals and sources for all GHGs, and (2) add information relevant to additionality determination for forest projects.

There are a few important points to keep in mind when negotiating additionality and baselines.

1. The likely prospective land use and other key factors should be taken into account when establishing a baseline and justifying its selection.

2. The project activity must exceed institutional and regulatory requirements and common practice in the region.
3. CERs should not be issued for natural regeneration. Natural regeneration must be part of the baseline, and the definitions under additionality and baselines should NOT be limited to anthropogenic removals.
4. Baselines should cover the net of removals and sources, and include all GHGs, not just carbon. Anything less comprehensive would result in an incomplete assessment of project benefits.
5. Carbon pools must be assessed unless transparent and verifiable information is provided that the project activity does not lead to higher net emissions than under the baseline.

### **Leakage & Project Boundary**

- Assume 100 percent leakage in the absence of a quantified leakage estimate.
- Positive leakage should not be taken into account, because its permanence cannot be verified over time.

A leakage analysis is a key part of the project assessment. Leakage has the potential to entirely offset the sequestration benefits of a project by causing increased emissions and reduced carbon sequestration outside the project boundaries. Therefore, leakage should be avoided or reduced through project design wherever possible, and any remaining leakage must be taken into account when certifying and issuing CERs. Neither of these steps can occur without an adequate leakage analysis. A 100 percent adjustment for leakage should occur in the absence of a quantified leakage assessment.

Positive leakage should not be included because the permanence of any CERs cannot be verified. By definition, positive leakage would occur outside the project boundary. However, monitoring and liability for any re-emission of carbon cannot be guaranteed for sequestration outside the project boundary.

Proposals to exclude shifted activities from the leakage definition should be rejected because they undermine the purpose of accounting for leakage.

### **Uncertainty**

Monitoring plans should aim to reduce the uncertainty in the project estimate to the extent possible. The project estimate should be adjusted according to the residual uncertainty, so as to certify and issue only CERs corresponding to a conservative estimate of the net removals (i.e., an underestimate of net project benefits).

### **Georeferenced Location**

Parties have to ensure that the exact georeferenced locations of the project boundaries are publicly available for all afforestation and reforestation projects.

### **Public Participation**

- Extend the comment period to 60 days.

The involvement of local stakeholders, communities and indigenous people is of vital importance. Sinks projects are especially likely to affect local communities, and to occur in areas where adequate public notice and comment are more difficult. The period to receive comments on validation reports should be extended from 30 days to a minimum of 60 days.

### **No Genetically Modified, or Invasive Alien Species**

Genetically modified or invasive alien species must strictly be excluded from afforestation and reforestation projects.

### **Agroforestry and landscape restoration projects instead of large commercial plantations**

CAN continues to have strong concerns on the potential use of large, commercial tree plantations in the CDM. These types of plantations have to be excluded from the CDM. They often are monocultures, use invasive and non-native species, and employ intensive and damaging practices. Large commercial plantations threaten biological diversity, watershed protection, and local sustainable livelihoods. From the perspective of climate benefits, large commercial plantations are likely to be non-additional, and are particularly prone to non-permanence (because, by definition, they are intended to be cut down, and because they are vulnerable to pest attacks, soil deterioration etc.) and leakage (because they sell products into fluid, commercial markets). Whether or not large commercial plantations are able to receive credits under the CDM rules is the best litmus test of adequacy of the modalities.

The CDM should promote projects with the maximum potential to deliver environmental and social goods and services. CAN believes that there are numerous projects types and approaches available to reduce risks and promote benefits, and that these should be prioritized by investors and Parties (Annex 1 and host country) alike. These include: projects on a landscape scale that integrate such co-benefits as fuelwood, fodder, timber, non-timber forest products, forest landscape restoration, agroforestry, watershed stabilization, and soil erosion control.

**→ Environmental NGOs have consistently opposed destructive land use and forest management practices, and will certainly oppose them if they occur as a result of CDM implementation. The integrity and public perception of the CDM will be badly damaged if incentives to reduce GHG emissions are turned into a subsidy for these socially and environmentally destructive practices.**

## **WHO IS “CAN”?**

The Climate Action Network (CAN) is a global network of about 300 Non- Governmental Organizations (NGOs) working to promote government and individual action to limit human-induced climate change to ecologically sustainable levels. CAN members work to achieve this goal through the coordination of information exchange and NGO strategy on international, regional and national climate issues. CAN has seven regional offices which co-ordinate these efforts in Africa, Central and Eastern Europe, Europe, Latin America, North America, South Asia, and Southeast Asia. Diverse environmental organizations from around the globe, ranging from large international groups such as World Wildlife Fund (WWF), Greenpeace, Friends of the Earth, to small local groups in developing countries such as Terre Vivante in Mauritania and the Green Coalition in the Philippines, work collaboratively within CAN.

### **For more information about CAN, please visit**

[www.climatenetwork.org](http://www.climatenetwork.org), and  
[www.climnet.org](http://www.climnet.org).

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