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Item 3 (b) of the provisional agenda

Methodological issues

Small-scale afforestation and reforestation project activities
under the clean development mechanism

**Measures to facilitate the implementation of small-scale afforestation and
reforestation project activities under the clean development mechanism**

Submissions from Parties

1. The Conference of the Parties (COP), by its decision 19/CP.9, adopted modalities and procedures for afforestation and reforestation project activities under the clean development mechanism (CDM) in the first commitment period of the Kyoto Protocol. It requested the Subsidiary Body for Scientific and Technological Advice (SBSTA) to recommend a draft decision on simplified modalities and procedures for small-scale afforestation and reforestation project activities under the CDM and on measures to facilitate these project activities, for adoption by the COP at its tenth session. The COP invited Parties and accredited observers to submit to the secretariat, by 28 February 2004, their views on how to facilitate the implementation of small-scale afforestation and reforestation project activities under the CDM.
2. The secretariat has received 10 such submissions from Parties. In accordance with the procedure for miscellaneous documents, these submissions are reproduced* in the language in which they were received and without formal editing.
3. The secretariat has also received two submissions from intergovernmental organizations. It is the practice of the secretariat not to reproduce submissions from organizations in miscellaneous documents. These submissions can be found in document FCCC/WEB/2004/1, available on the UNFCCC web site at <<http://unfccc.int/resource/webdocs/2004/01.pdf>>.

* 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.

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PAPER NO. 1: ARGENTINA

Presentation of the Government of Argentina to the UNFCCC

The Government of Argentina accepts the invitation of the secretariat to submit views on:

- (a) "...simplified modalities and procedures for small-scale afforestation and reforestation project activities under the clean development mechanism..."¹, and
- (b) "...how to facilitate the implementation of small-scale afforestation and reforestation project activities under the clean development mechanism..."²

(b) On facilitated implementation

The Government of Argentina is of the opinion that the definition of "small-scale" afforestation or reforestation projects given in document FCCC/SBSTA/2003/L.17³, does not favour the widespread implementation of that kind of projects. The reason is that the size of a project is set by the amount of CO₂ equivalents (CO_{2eq}) yearly removed from the atmosphere (8 Kilotonnes). Such a fixed quantity does not inform on the actual area of a project, because the latter will depend on the growth and developmental characteristics of the tree species planted. For a fixed project area (which can be calculated as 8 Kilotonnes CO_{2eq} divided by the estimated amount of CO_{2eq} removed in a year) there would be years when the amount of CO_{2eq} removed by the project could be less than 8 Kilotonnes, or greater than that threshold, depending on the fluctuations of climatic variables and biotic factors affecting the trees.

The definition of "small-scale" projects referred to above penalizes any rate of CO_{2eq} removals larger than 8 Kilotonnes, because emissions reductions certificates will not be issued for surplus CO₂-removals. Small-holders would thus be deprived of benefiting from the potential capacity for carbon sequestration of a project. They also would have to bear an increased relative burden of the transaction costs on the economics of producing certificates.

Therefore, the Government of Argentina considers that a new definition of "small-scale" projects is needed in order to promote the implementation of those projects among the communities which would benefit most from them. The threshold for the size of a small-scale project should be established on the basis of some suitable socio-economic indicator (or indicators; e.g. small-holders' parcels smaller than X ha; small-holders' earnings less than some critical income; etc.), not as a process-rate measure, as it is the present one.

In addition, the Government of Argentina favours the use of standardized base-lines; the involvement of only one operational entity to perform validation, verification and certification tasks related to the project; the reduction of general transaction costs; and the foregoing of the measurement of emissions from leakage to facilitate the implementation of small-scale projects.

¹ Paragraph 3 of document FCCC/SBSTA/2003/L.27.

² Paragraph 4 of document FCCC/SBSTA/2003/L.27.

³ Paragraph 1 of the Annex to decision -/CP.9 (Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism). Incidentally, the course of action to follow when removals are equal to 8 Kilotonnes of CO₂ equivalents per year is undefined.

PAPER NO. 2: BOLIVIA

Submission by the Republic of Bolivia on Small-Scale Afforestation and Reforestation Projects:

Simplified Modalities and Procedures and Facilitation of their Implementation

*National Program on Climate Change, Focal Point
National Clean Development Office*

Parties to the Convention on Climate Change approved, at their 9th Conference of the Parties *COP 9) the Decision 19/CP.9 on modalities and procedures for afforestation and reforestation project activities under the CDM in the first commitment period of the Kyoto Protocol (KP). In that Decision, Parties and accredited observers to the UNFCCC were invited to submit their views on “simplified modalities, procedures and definitions for small-scale activities.” by 28th February 2004⁴. By Paragraph 4 of the same Decision, they were also invited to submit, by the same date, their views on “how to facilitate the implementation” of these activities. The present submission by the Republic of Bolivia addresses both issues in a consolidated document, with an initial section on definitions, which are necessary to adopt these simplified modalities and procedures. Supporting text is not formatted. Specific operational proposals are highlighted in bold, italics text.

3. *Measures and means to facilitate the implementation of A & R small – scale project activities in the CDM*

Paragraph 4 of Decision 19/CP.9 also asks Parties and accredited observers to submit views on “*how to facilitate*” the implementation of small –scale project activities under the CDM. These means could include any sort of assistance, from financial assistance to technical instruments that could lower transaction or operative costs for these small – scale project activities. Among these means, the following could be implemented in the remaining lead time to implement small – scale project activities in the first commitment period:

3.1. Financial assistance for pre-feasibility, feasibility and baseline studies

The major bottleneck for the greater part of project activities, intended to be proposed to the CDM has proven to be the existence of fresh financial resources to undertake the pre-feasibility or the feasibility study, especially the resources needed for field studies and the calculation of local factors for GHG emissions and/or removals. A Fund for the provision of these resources to low – income communities implementing project activities should be established, to provide the necessary funding to finalize these studies, including the monitoring plans and the monitoring protocols derived consequently. The Fund should operate expeditiously and provide funding upon presentation of a properly developed project idea, and the tenure, use or property rights appropriate for the project in question. Therefore, the correct placing of the Fund and the resources should be discussed carefully.

The window for the provision of these resources to small – scale projects should ideally be operated through multilateral agencies or a multilateral fund. Fresh and additional ODA should be allowed to be part of this fund, independently of the fact of other governments and agencies establishing parallel mechanisms for the same purpose.

⁴ See paragraph 3 of Decision 19/CP.9 on “modalities and procedures for afforestation and reforestation project activities under the Clean Development Mechanism in the first commitment period of the Kyoto Protocol.

Relevant international organizations and donor countries, in coordination with the UNFCCC, should provide financial and technical assistance resources to small-scale project promoters, at the lowest cost possible and through a transparent financial mechanism, for pre-feasibility feasibility and baseline studies of small-scale A&R project activities. This assistance will also consider the provision of computing equipments with fast-speed connections to Internet at a lower cost, for those countries and areas where this service is not currently available.

3.2. On – line engine for technical assistance in the formulation of small – scale A & R project activities

Sometimes, the knowledge needed for the formulation of CDM projects needs a hands-on, learning-by-doing training that allows would-be project participants to work the proposals while learning to calculate the different variables considered necessary to write a project design document. An On – line engine could be established where project designers could have a step-by-step practical guide for the formulation of small-scale projects, in which they could receive information about the type of information required, the calculations that have to be performed, and also store the project information as they progress in its formulation.

A valuable on-line service or service on request for areas where internet is not accessible would be the provision of standardized values for the average carbon uptake of certain tree species. Ideally, project proponents would only have to determine easy to monitor variables such as age, species, location and average diameter at breast height (dbh) of trees and revert to tables with default values to determine the carbon uptake of their plot.

Relevant international organizations and donor countries, in coordination with the UNFCCC, should establish an on-line engine for the technical step – by – step assistance in the formulation of small – scale A&R activities.

3.3. Technical assistance and provision of equipment for in – field monitoring of small – scale project activities

Project participants could be provided with GPS devices to mark the position of individual trees or patches of forest. This is an example of the technical means that could be provided to project participants, in a cost-effective way, in such a manner as to reduce the operative costs of the project. Other equipments for remote sensing or geospatial determination of variables could be devised. Project sponsors or a DOE could also provide on-site training for the use of these technical means, with very low cost.

In the same manner, software for calculations and measuring equipment could be developed to facilitate the calculations in the field, included in monitoring plans, and be transferred free of cost or at a nominal fee to project participants of project activities formally registered by the Executive Board.

Relevant international organizations and donor countries, in coordination with the UNFCCC, should develop the mechanisms to provide the communities and individuals implementing a small-scale A&R project activities with the geospatial and field equipment necessary to determine the variables for the calculation of carbon stocks, at a low cost

3.4. Provision of satellite and/or aerial imagery for the definition of baselines and the monitoring of small – scale project activities

One of the most expensive, but also most effective, instruments to define a baseline for small – scale LULUCF project activities, as well as for monitoring the overall coverage of forests on the project areas, is the use of satellite and/or aerial imagery. The resolution level of these images will have to be fine enough to clearly determine the forest cover in the area magnitude of the forest definition adopted for SSA&R which, as proposed before, could be smaller than for regular forestry projects under the CDM. This fine-tuning of the resolution of imagery is also expected to result in an increase of the costs of the use of this instrument by A&R projects.

Similar to the case of the on-line engine for technical assistance in the formulation of project activities, a comparable on-line engine could be established where project participants could download satellite and/or aerial imagery applicable to the areas in which they are implementing their project activities, for a low fee or no fee⁵. This could also substantially improve the cost – benefit ratio for the SSA&R project activities⁶.

Relevant international organizations and donor countries, in coordination with the UNFCCC, should provide the means and instruments for the utilization of satellite and/or aerial imagery by implementers of small-scale A&R projects at low cost or no cost, where applicable.

3.5. Regional training workshops for national experts and local communities in small – scale A & R project activities

Additionally, as in the case of the training of the expert review teams for the information, inventories and elements of national communications related to Kyoto Protocol compliance, the UNFCCC Secretariat could organize regular training programs for experts of the regions that are expected to present SSA&R project activities. Training could be either at the Secretariat headquarters, on-site, in a country of each region (e.g. Southeast Asia, Africa, Latin America or the SIDS), or even be transmitted on-line, via a webcast system.

This instrument will allow regional experts to be qualified in the key elements for drafting, formulating and monitoring SSA&R project activities. A standardized set of tests could be provided to make the evaluation and improvement of the training system. UNFCCC could also work with multilateral agencies like the FAO, ITTO, UNEP or IUCN as well as international NGO and regional centres to ensure the widespread dissemination of the training programs and materials.

In addition, it is important for the success of this type of projects, to train local communities and their principal actors, not only in the understanding and acceptance of these projects, but also on basic technical tasks such as measuring of samples, trees, and monitoring procedures. This would also ensure that these communities and individuals gain ownership of these projects, maximizing the benefits (climatic, environmental and social) and minimizing the drivers for leakage.

Relevant international organizations and donor countries, in coordination with the UNFCCC, should provide thorough training, at the adequate level, to local and regional experts, as well as to local communities involved in the implementation of projects.

⁵ Depending on the level of funding that such a mechanism could raise among interested donors, i.e. bi – lateral or multilateral agencies.

⁶ This would not avoid the necessity of field work to validate the data of the imagery, which is known as “ground truthing”, which would have to be performed by the project participants.

PAPER NO. 3: CANADA

SIMPLIFIED MODALITIES AND PROCEDURES AND HOW TO FACILITATE THE IMPLEMENTATION OF SMALL-SCALE AFFORESTATION AND REFORESTATION PROJECT ACTIVITIES UNDER THE CDM

28 February 2004

1. INTRODUCTION

The purpose of this submission is to elaborate Canada's views on simplified modalities and procedures for small-scale afforestation and reforestation (A&R) projects activities under the CDM, including how to facilitate the implementation of these project activities, as invited by paragraphs 3 and 4 of decision -/CP.9 (FCCC/SBSTA/2003/L.27).

Canada notes that the size and eligible developers of small-scale A&R projects defined in paragraph 1 (i) of the annex to decision -/CP.9⁷ (FCCC/SBSTA/2003/L.27) mean that these types of projects must be principally regarded as locally-initiated sustainable development projects. The CERs that these projects may earn in future will be insignificant to attainment of the quantified emission reduction obligation of Annex I Parties but the revenue associated with the CERs could be of significant economic value to local communities or individuals. However, such economic value will only be achieved in real terms if CER revenue exceeds the CDM-related cost of implementing a small-scale A&R project.

Accordingly, Canada's view is that there should be three objectives for the development of simple and practical modalities and procedures for small-scale AR projects:

1. To greatly streamline the administrative and technical processes of project design and implementation;
2. To minimize to the greatest extent possible the upfront and ongoing project-related costs; and
3. To ensure locally-appropriate environmental integrity of projects.

To achieve these objectives, Canada's view is that Parties should both draw upon the applicable components of Annex II to Decision 21/CP.8 (Simplified modalities and procedures for small-scale CDM project activities) and adopt, *inter alia*, the following elements to ensure the greatest opportunity of implementation of small-scale A&R projects:

1. Reduced registration fees commensurate with the size of these projects;
2. Simplified baseline and monitoring methodologies;
3. Boundaries and leakage;
4. Simple, community-supported socio-economic and environmental assessments;
5. Validation and Verification; and

⁷ "Small-scale afforestation and reforestation project activities under the CDM" are those that are expected to result in net anthropogenic greenhouse gas removals by sinks of less than 8 kilotonnes of CO₂ per year and are developed or implemented by low-income communities and individuals as determined by the host Party."

6. Bundling.

Each of these elements is elaborated in more detail in the subsequent section.

3. FACILITATING THE IMPLEMENTATION OF SMALL-SCALE PROJECTS

In accordance with its obligations under Articles 4.1 (d) and (i), 4.5 and 6 of the UNFCCC, Canada welcomes the opportunity to contribute to facilitating the implementation of small-scale A&R projects. In considering the elements that could be incorporated into capacity building initiatives by which the implementation of small-scale A&R projects could be facilitated, Canada will be influenced by *inter alia* the experience of the Canadian International Development Agency and its Principles on Strengthening Aid Effectiveness, which are:

1. Local ownership, strategies that are developed by recipient countries, their governments and people, and must reflect their priorities, rather than the priorities of donors;
2. Improved donor co-ordination, with recipient countries bearing the main responsibility for coordinating their development cooperation with other countries and institutions;
3. Stronger partnerships through the development of compacts or formal agreements that would identify the responsibilities of developing countries and their external partners, as well as those shared by all;
4. Greater coherence in those ‘non-aid’ policies of industrialized countries that can have profound effects on the developing world, e.g. policies on trade, investment and technology transfer;
5. Good governance, which provides the broad setting for development. A number of studies, including the World Bank’s Assessing Aid (1998) and the Role and Effectiveness of Development Assistance (2002) provide compelling evidence that good governance and a sound policy environment are the most important determinants of aid-effectiveness and development progress;
6. Engaging civil society and those expected to benefit in participatory processes to establish clear, locally owned priorities for development cooperation; and
7. Focus on local capacity development to sustain investments once donor countries have concluded their efforts.

Canada recognizes that capacity building is a multifaceted process that builds on existing capacities developed within other areas and sectors and that strengthening capacity for policy development can address some of the capacity development needs, such as literacy and numeracy issues, for small-scale projects over the medium and longer term.

Thus, Canada proposes that Parties should consider initiatives that increase capacity to develop and implement small-scale A&R projects and decrease the complexity of project approval and registration, including:

1. Requesting the CDM Executive Board to develop, as was the case for small-scale energy projects, streamlined and simple methodologies for small-scale A&R projects based on the criteria described in Section 2 above, as well as a simplified project design document;
2. Request the UNFCCC Secretariat to utilize its membership in the Collaborative Partnership on Forests (CPF) to facilitate the exchange of technical information and solicit the provision of

expert forestry advice to small-scale A&R project developers on a cost-reduced or *pro bono* basis;

3. Creation of a Secretariat-based inventory of various small-scale forestry options and their quantified carbon sequestration potential. This could ultimately be developed into a checklist whereby proponents could indicate applicable activities, report on area or number of trees, and a web-based tool would automatically quantify the carbon sequestration. This inventory could also serve as an outline of potential options for projects considering the best strategy for small-scale forestry projects;
4. Preparation of practical, illustrated, hardcopy how-to guides in various languages on implementing small-scale A&R projects to be available to communities or individuals interested in developing such projects;
5. Explore ways to strengthen host country institutional capacity, including increasing awareness in existing national climate change secretariats or focal points of small-scale project methodologies, and building capacity to track relevant small-scale forestry initiatives in order promote participation in the CDM;
6. Discuss avenues to support and/or enhance country or stakeholder-specific capacities to analyze and calculate carbon sequestration capacity and potential, including support to working-level exchanges so that project-level stakeholders could share information among themselves; and
7. Exploring ways for multilateral agencies such UNEP, UNDP, FAO, CIFOR and other relevant organizations to build capacity for small-scale projects through initiatives such as regional workshops. An example is the 1-3 March 2004 workshop organized by an FAO/IUCN/UNEP partnership in Lima, Peru on the development of modalities and procedures for small-scale forestry projects that was supported by Canada and other Annex I Parties.

PAPER NO. 4: CHINA

**Submission by China on how to facilitate the
implementation of small-scale afforestation and reforestation
project activities under the CDM**

In accordance with the request of FCCC/SBSTA/2003/L.27, China submits the following views on how to facilitate the implementation of small-scale afforestation and reforestation project activities under the Clean Development Mechanism. Further views and proposals may be elaborated.

Following measures may be considered to facilitate the implementation of small-scale A&R projects:

1. The investing parties shall provide all necessary assistance to host parties in the implementation of small-scale A&R project activities, including methodology support and support for operational entity application from developing countries;
2. CDM EB may set a lower share of proceeds for adaptation fund.
3. CDM EB may set a lower share of proceeds to cover administrative expenses and lower registration fees
4. CDM EB may develop some typical baseline and monitoring methodologies for application.

PAPER NO. 5: INDIA

Submission to the UNFCCC in response to Decision CP.9 Para 4

Facilitation of the Implementation of Small-Scale Afforestation and Reforestation Projects under the Clean Development Mechanism

Introduction

Forestry projects, due to the inherent limitations such as high uncertainty and risks involved as well as high transaction costs, may require simplified procedures to make them attractive to the investors. This could involve the following potential options:

- a) Simplified PDD, based on standardized and/or regional baselines and monitoring methodologies as will be provided in Appendix-B and default values for carbon stocks and changes (sequestration factor)
- b) Project activities may be bundled or portfolio bundled at the following stages in the project cycle; the project design document, validation, registration, monitoring, verification and certification. The size of each of the sub-project in the bundle should not exceed 8 kilotonnes of CO₂ per year
- c) Simplified project cycle, merging the steps in the project cycle (validation, monitoring, verification and certification, and issuance), for e.g., combining monitoring, verification and certification to fast-track approval process
- d) Validation, verification and certification by the same designated operational entity
- e) Accreditation to local specialized operational entities for SSC-CDM A&R projects
- f) The Executive Board may propose lower fee (to cover administrative expenses and registration fees) to make small-scale A&R projects more attractive to promoters as well as implementers
- g) Preparation of common regional and/or standardized baselines for different A&R project types, avoiding the need for developing baseline for individual projects
- h) Simplified monitoring mechanisms requiring on-site inspection and measurements in a few randomly selected project locations
- i) Awareness building activities regarding SSC-CDM; eligible activities and potential socio-economic benefits, particularly targeted at low-income and/or forest dependent communities
- j) Capacity building with respect to eligibility of A&R activities for SSC-CDM, simplified guidelines developed for SSC-CDM.
- k) Validation period be reduced from the current 45 day period to 30 days or so. Similarly registration time taken currently by the CDM EB after submission of project is 8 weeks. This should be reduced to 4 weeks for SSC-CDM.

PAPER NO. 6: INDONESIA

THE GOVERNMENT OF THE REPUBLIC OF INDONESIA
Views on simplified modalities and procedures for and how to facilitate the implementation of
small-scale afforestation and reforestation (A/R) project activities under the CDM
Due 28 February 2004

Introduction

Small Scale A/R CDM is targeted to benefit especially rural-people of host countries. In many developing countries, people in and surrounding forests have been practicing forest-based activities for centuries, and these long practices have resulted in indigenous knowledge which can be considered as an asset for successful A/R project activities. At the national level, in the case of Indonesia, the government has introduced a number of programmes to involve people in and surrounding forest in management and/or utilization of forest resources. In the context of CDM, there are two aspects which demand serious attention, firstly, rule and procedure that need to be followed and what forms of facilitation are needed and how facilitation should be carried out for the successful implementation of A/R CDM.

In response to the invitation prescribed in FCCC/SBSTA/2003/L.27, Draft decision-/CP.9, paragraph 3 and paragraph 4, the Government of Indonesia submits a view on issues related to Small Scale A/R CDM covering the following aspects:

1. Possible categories and types of Small Scale A/R CDM,
2. Simplified modalities and procedures for A/R CDM,
3. How to facilitate the implementation of Small Scale A/R CDM.

How to facilitate the implementation of Small Scale A/R CDM

A. Periodical review of the modalities and procedures

In large scale A/R CDM, periodical review is made and the first review shall be carried out not later than one year before the end of the first commitment. Periodical review should also be applied in Small Scale A/R-CDM. The review should include : (1) whether or not existing simplified modalities and procedures make facilitate the implementation of Small Scale A/R-CDM, and if it does not facilitate, review should include (2) how to best facilitate the implementation of Small Scale A/R-CDM by revising modalities and procedures for Small Scale A/R-CDM.

B. Enhance synergy with other relevant projects/programs for local people participation

For designing and/or implementing Small Scale A/R-CDM projects, there should be cooperation/collaboration with existing or new projects/programs for local people's participation, including projects/programs by international organization, governmental bilateral cooperation, or NGOs. International programmes (multilateral and bilateral) is needed especially for capacity building for host country, cooperation with NGOs is needed especially for assistance to organize local people's communities, or assistance to build cooperative societies whose members are local people.

C. Develop system to facilitate the flow of private finance

It might be very difficult for low-income community and individuals to have initiative to develop small-scale A/R CDM without outside supports, in particular financial support. In general, payment for carbon will be made after delivery of carbon credit, in particular for investors who are only interested to obtain carbon credit. Therefore, funding mechanism at local level to support such

initiative need to be developed. System to facilitate the flow of private finance, including NGO's funds, should also be built.

Jakarta, 27 February 2004

PAPER NO. 7: IRELAND ON BEHALF OF THE EUROPEAN COMMUNITY AND
ITS MEMBER STATES AND SUPPORTED BY THE FOLLOWING
ACCEDING STATES: ESTONIA, LATVIA, SLOVAKIA AND
SLOVENIA

**SUBMISSION BY IRELAND ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS
MEMBER STATES.**

**THIS SUBMISSION IS ALSO SUPPORTED BY THE FOLLOWING ACCEDING STATES:
ESTONIA, LATVIA, SLOVAKIA & SLOVENIA.**

Dublin, February 2004

**Subject: Views on how to facilitate the implementation of small scale afforestation and
reforestation projects as requested in FCCC/SBSTA/2003 L.27**

Background

Small scale afforestation and reforestation (A/R) projects under the Clean Development Mechanism (CDM) are aimed at low-income communities and individuals in developing countries. In order to facilitate their involvement and the implementation of small-scale A/R projects the EU has outlined (in its submission on modalities and procedures for small scale A/R projects) a number of simplified modalities and procedures which will reduce transaction costs and thereby facilitate access to the mechanism. Recent work by the UNFF on the financing of SFM is also relevant to the financing of small scale projects. Allied to cost and financing issues is the need for access to information and capacity building in facilitating projects.

Cost and financing issues, information/capacity building/organisation

The EU believes that registration and administrative fees for small scale A/R projects under the CDM should be set at a lower level than full scale projects. The EU recommends that the Executive Board should relate the registration fee to the level of removals using the principle adopted for small scale energy projects.

In its submission on modalities and procedures the EU has proposed that bundling of individual small scale projects (up to the 8 k t CO₂/year limit) should be permitted. This would significantly lower transaction costs. Furthermore, as also outlined in the submission, the ability to use one Designated Operational Entity for validation, verification and certification should reduce costs significantly.

In order to reduce costs, the EU believes it would be useful to have a contact point in each host country who could facilitate bundling with other similar projects (up to the 8 k t CO₂/year annual limit). The contact point would also facilitate capacity building (such as planning and the organisational capacity of the community when planning the project) and provide administrative support and follow up.

In terms of project financing the EU welcomes the report of the meeting of the Ad-hoc Expert Group on Finance and Transfer of Environmentally Sound Technologies of the UNFF, which was held in Geneva in December 2003, as a useful contribution towards funding issues related to small scale afforestation and reforestation projects under the CDM. The report identifies, *inter alia*, new and innovative approaches to attract increased financing for sustainable forest management, including carbon sequestration. Other worthwhile areas explored include the role of the private sector in financing sustainable forest management (SFM), and country experience in the mobilization of financial resources for SFM.

Subject to the availability of funding regional workshops should be organized by UNFCCC, possibly in collaboration with other international agencies (e.g. FAO, World Bank), to outline to developing countries and other interested groups the potential of A/R CDM projects in general, and small scale projects particular, to assist in sustainable development. Other international organisations, should facilitate capacity building in relation to the development and implementation of small scale afforestation and reforestation projects in non-Annex countries.

The CDM web site offers very useful information on how to develop CDM projects. This should be expanded to include information on how to undertake small scale A/R projects. In addition, the information should be made available in hard copy format from the UNFCCC.

PAPER NO. 8: JAPAN

**JAPAN' S VIEW ON ISSUES RELATED TO
SMALL-SCALE AFFORESTATION / REFORESTATION CDM**

Japan submits a view on issues related to small-scale afforestation/reforestation CDM (SS-AR-CDM), due on 28 February 2004, in response to the invitation prescribed in FCCC/SBSTA/2003/L.27, Draft decision -/CP.9, paragraph 3 (simplified modalities and procedures) and paragraph 4 (how to facilitate the implementation).

2 How to facilitate the implementation of SS-AR-CDM

(1) Periodical review of the modalities and procedures

Periodical review of the modalities and procedures should be made. In regular-scale AR-CDM, periodical review is made and the first review shall be carried out no later than one year before the end of the first commitment period (FCCC/SBSTA/2003/L.27, Draft decision -/CMP.1, paragraph 4). Also in SS-AR-CDM, periodical review should be made and the review process of SS-AR-CDM should start earlier than that of regular-scale AR-CDM. What is to be reviewed should include 1) whether or not existing simplified modalities and procedures contribute to facilitating the implementation of SS-AR-CDM, and if it does not facilitate enough, 2) how to facilitate enough the implementation of SS-AR-CDM by amending modalities and procedures for SS-AR-CDM.

(2) Cooperation/collaboration with projects/programs for local people's participation

For designing or implementing SS-AR-CDM projects, there should be cooperation/collaboration with existing or new projects/programs for local people's participation, including projects/programs by international organization, governmental bilateral cooperation, or NGO. The component of such projects/programs may include capacity building for host country, assistance to organize local people's communities, or assistance to build cooperative societies whose members are local people.

(3) System to facilitate the flow of private finance

System to facilitate the flow of private finance, including NGO's funds, should be built. For instance, there might be a system that matches the demand of host countries with the supplies from private finances.

(4) Discuss to use public funding including ODA for poverty mitigation

Since SS-AR-CDM is developed or implemented by low-income communities and individuals as determined by the host Party, it should be discussed to use public funding including ODA for poverty mitigation as long as not resulting in the diversion of official development assistance.

PAPER NO. 9: PERU ON BEHALF OF BOLIVIA, COLOMBIA, COSTA RICA, CHILE,
GUATEMALA, MEXICO, NICARAGUA, PANAMA AND URUGUAY

**Small-Scale Afforestation and Reforestation Projects under the Clean Development Mechanism:
Simplified Modalities and Procedures and Facilitation of their implementation
Submission by Peru on behalf of Bolivia, Colombia, Costa Rica, Chile, Guatemala, Mexico,
Nicaragua, Panama and Uruguay.**

In accordance with Decision 19/CP.9, adopted in the Conference of the Parties at its ninth session (CoP9), Parties and accredited observers were invited to submit their views on two issues:

- A. Simplified modalities and procedures for small-scale Afforestation and Reforestation (A&R) project activities under the clean development mechanism
- B. How to facilitate their implementation

Peru, on behalf of Colombia, Chile, Mexico, Nicaragua, Panama and Uruguay, submits the following consolidated proposal on both issues.

**B. MECHANISMS TO FACILITATE SMALL SCALE PROJECTS
IMPLEMENTATION**

The mechanisms proposed for the facilitation of the implementation of small scale projects are focused on achieving the following results: (i) Reduction of transaction costs; (ii) creation of capabilities and provision of relevant tools and information and (iii) provision of financial assistance for the different phases of projects formulation and implementation

I. Reduction of transaction costs.

As stated in the previous segment, on modalities and procedures, the following proposals should be applied

i. Share of proceeds

Regular projects are required to share 2% of their CER for the Adaptation Fund. However, the text of Decision 17/CP.7, paragraph 15 b define that “clean development mechanism project activities in least developed country Parties shall be exempt from the share of proceeds to assist with the costs of adaptation”.

Taking into account that beneficiaries or implementers of small scale A&R project activities are low income communities or individuals, it is logical that the same principle will apply to these project activities. Additionally it can be considered that A&R activities of this kind contribute directly to the adaptation of the beneficiaries to the Climate Change.

Proposal: Small Scale A&R project activities should be exempt from payments to the Adaptation Fund.

ii. Registration fees

Decision 21/CP.8, on its Annex II, paragraph 21, in the case of small scale project activities, establishes that “The Executive Board, in proposing the share of proceeds to cover administrative expenses and registration fees to recover any project related expenses, may consider proposing lower fees for small-scale CDM project activities”. The current procedure for energy projects establishes a fixed lower upfront fee for small scale project activities in the energy sector, which has to be reimbursed thereafter. Normally, the portion of the “share of proceeds” destined to cover administrative costs should be a percentage of the total CER accrued by the project activity. Given that small scale project activities in the LULUCF sector are especially projected to be “developed or implemented” by low-income communities or individuals, it would make economical sense to reduce significantly this fees.

Proposal: Lower fees for the registration of small scale A&R project activities should be applied. It will make sense to reduce these to a symbolic level.

iii. Designated Operational Entities

Taking into account that transaction cost components related to the payment of the Designated Operational Entities means more than 50% of the total transaction cost, its will be desirable that Designated Operational Entities are requested to do probono work in the case of small scale afforestation and reforestation project activities.

II. Creation of capabilities and provision of relevant tools and information

Based on the participation of low income individuals and communities, the design and execution of small scale A&R project activities will require co-operation through existing national programs, international or non governmental organization and international cooperation.

i. Technical support from international technical cooperation

Capacity building, training activities, data provisions, information technology, and measurement technology for the validation, monitoring and verification of small scale afforestation and reforestation project activities are, for sure, expensive components for the development of these projects.

The use of satellite and/or aerial imagery mean that project developers will have efficient instruments to define their baselines, and develop monitoring plans on the overall coverage of forests. Resolution level of these images will have to be fine enough to clearly determine the forest cover in the area magnitude of the forest definition adopted, resulting in an increase of the costs for the participants.

For technical assistance in the formulation of small scale A&R project activities, an on-line engine could be established where project participants could download satellite and/or aerial imagery applicable to the areas in which they are implementing their project activities, for a symbolic fee or no fee. This could also substantially improve the cost – benefit ratio for the small scale A&R project activities.

In the same way, software for calculations and measuring equipment could be developed to facilitate the calculations in the field, included in monitoring plans, and be transferred free of cost or at a nominal fee to project participants of project activities formally registered by the Executive Board.

Proposal: Relevant international organizations and international cooperation should provide technical and financial support on capacity building, training activities, data provisions, information technology, and measurement technology for the monitoring, verification, validation of small scale A&R project activities

ii. Regional workshops and networks with the aim of reducing cost of projects

UNFCCC Secretariat could organize regular training programs for experts of the regions that are expected to present small scale A&R project activities. Training could be either at the Secretariat headquarters, on-site, in a country of each region, or transmitted on-line, via a web cast system.

This instrument will allow regional experts to be qualified in the key elements for drafting, formulating and monitoring SSA&R project activities. A standardized set of tests could be provided to make the evaluation and improvement of the training system. UNFCCC could also work with multilateral agencies like the FAO, ITTO, international NGOs or regional centers to ensure the widespread dissemination of the training programs and materials.

Proposal: Request UNFCCC Secretariat to organize and develop regional workshops and networks for capacity building with the aim of reducing cost of projects, in association with relevant international organizations and international co-operation.

iii. Establishment of on line engine by the UNFCCC to support PDD template filling.

An on – line engine could be established where project designers could have a step-by-step practical guide for the formulation of small-scale projects, in which they could receive information about the type of information required, the calculations that have to be performed, and also store the project information as they progress in its formulation.

A valuable on-line service or service on request for areas where internet is not accessible would be the provision of standardized values for the average carbon uptake of certain tree species. Ideally, project proponents would only have to determine easy to monitor variables such as age, species, location and average diameter at breast height (dbh) of trees and revert to tables with default values to determine the carbon uptake of their plot.

Proposal: Request UNFCCC secretariat to provide tools for the formulation and of small scale A&R project activities, in the form of an on line engine to support the PDD template filling.

III. Provision of financial assistance for the different phases of projects formulation and implementation

The main barrier for A&R project activities in developing countries is the availability of resources to develop pre feasibility and feasibility studies, as well as to find resources for its implementation. The “carbon component” of the projects adds new difficulties for the formulation phase of the projects.

i. Official Development Assistance (ODA)

Afforestation and reforestation project activities have been always facing the lack of financial resources to achieve their goals. It can be foreseen that this situation will more severe when we talk about small scale activities in which the participants are low income communities or individuals. Accesses to funds for the provision of resources that will let establish their activities should be established.

The access to these resources for small scale A&R project activities should be ideally operated through multilateral agencies or a multilateral fund. Mechanisms that allow this type of projects to access Official Development Assistance (ODA) will considerably facilitate their development. Fresh and additional ODA should be allowed to be use on these activities, independently of the fact of other governments and agencies establishing parallel mechanisms for the same purpose.

Proposal: Allow for Official Development Assistance (ODA) to finance small scale A&R project activities formulation and implementation.

ii. Access to other funds

Small scale afforestation and reforestation project activities faces barriers for their implementation as lack of access to financial resources and the fact that they must be implemented by low-income communities or individuals. On the other hand this type of projects must be done in lands that have been without forest coverage since 1989, this means that business as usual for these activities is not forestation or afforestation.

Looking for financial mechanisms to allow these projects to develop, or to develop other activities related to the project that may improve the impact of the project on sustainable development, it is necessary that synergies with any other fund do not imply a conflict with additionality on this type of project.

Propose: Synergy with other funds does not imply a conflict with additionality on small scale afforestation and reforestation project activities.

PAPER NO. 10: UGANDA, NAMIBIA AND SENEGAL ON BEHALF OF THE AFRICAN GROUP

**Small-Scale Afforestation and Reforestation Projects under the Clean Development Mechanism:
Simplified Modalities and Procedures and Facilitation of their implementation
Submission by UGANDA, NAMIBIA AND SENEGAL on behalf of the African group**

**SIMPLIFIED MODALITIES AND PROCEDURES FOR SMALL-SCALE AFFORESTATION
AND REFORESTATION PROJECT ACTIVITIES UNDER THE CDM**

In accordance with UNFCCC decision 19/CP.9, adopted in the conference of the Parties at its ninth session (COP 9), Parties and accredited observers were invited to submit their views on two issues:

- A- Simplified modalities and procedures for small-scale afforestation and reforestation project activities under the CDM
- B- How to facilitate the implementation of small-scale afforestation and reforestation project activities under the CDM

The aim of THE FOLLOWING proposal is to reduce the transaction costs and to make such project economically viable and attractive.

MECHANISM TO FACILITATE SMALL SCALE PROJECT FOR THE FIRST PERIOD

Objectives of proposed mechanism are:

- to make small scale project attractive economically attractive and sustainable;
- to allow countries all developing countries, in particular Least developed countries, to implement CDM A&R projects;
- to develop experiences and capacities at the community level during the implementation of small CDM project

SBSTA is requested to consider the following mechanism:

- Assistance in developing and implementing small-scale A&R CDM projects through GEF funding in a expedite manner. Small-scale projects should become eligible to apply PDF A grants for the elaboration of the project , the acquisition of specific data and the organisation of local communities;
- Program for building capacity with local researchers on LULUCF issues in particular developing local data relevant for baseline methodologies and monitoring and national forest inventories ;
- Provision of assistance to the DNA, for the approbation and the registration of projects;
- Assistance in the Establishment of national, sub regional or regional designated operational entities;
- Requirement for any Operational Entity to include local expertise during the project cycle to the extend possible;
- Requirement for a eligible use of Overseas Development Assistance (ODA) in support of the project during his development and some aspect of his implementation, such as the implementation of his monitoring plan.

International Organisations should be requested :

- To develop information and data on carbon sequestration for specific biomes;
- To assist in the inventory of local forest at the national level;
- To assist in the improvement regarding provision, collection of data on carbon sequestration at national, sub regional and regional level;
- To facilitate the access of new methodologies level of new methodologies for measurement of carbon stocks in pools at national, sub regional and regional level;
- To create a networking between project developers to facilitate the share of experience and data information

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