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Subsidiary Body for Scientific and Technological Advice

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Item 12(b) of the provisional agenda

Methodological issues under the Kyoto Protocol

**Land use, land-use change and forestry under Article 3, paragraphs 3 and 4,
of the Kyoto Protocol and under the clean development mechanism**

**Views on specific possible additional land use, land-use
change and forestry activities and specific alternative
approaches to addressing the risk of non-permanence
under the clean development mechanism**

Submissions from Parties and admitted observer organizations

1. The Subsidiary Body for Scientific and Technological Advice (SBSTA), at its thirty-eighth session, agreed to continue, at SBSTA 39, its consideration of issues relating to modalities and procedures for possible additional land use, land-use change and forestry (LULUCF) activities under the clean development mechanism (CDM) and modalities and procedures for alternative approaches to addressing the risk of non-permanence under the CDM, with a view to forwarding draft decisions on those matters to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its ninth session.¹

2. The SBSTA invited Parties and admitted observer organizations to submit to the secretariat, by 2 September 2013, their views on specific possible additional LULUCF activities under the CDM and specific alternative approaches to addressing the risk of non-permanence under the CDM, and requested the secretariat to compile those submissions into a miscellaneous document for consideration at SBSTA 39.²

¹ FCCC/SBSTA/2013/3, paragraph 142.

² FCCC/SBSTA/2013/3, paragraph 143.

FCCC/SBSTA/2013/MISC.18

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3. The secretariat has received three such submissions from two Parties. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced* in the language in which they were received and without formal editing.³

4. In line with established practice, the submission received from an admitted observer organization has been posted on the UNFCCC website.⁴

* 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 text as submitted.

³ Also available at <unfccc.int/5901>.

⁴ Also available at <unfccc.int/7482>.

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Paper no. 1A: Chile

Views on specific alternative approaches to addressing the risk of non-permanence under the clean development mechanism

Submission by Chile to the Subsidiary Body for Scientific and Technological Advice (SBSTA) on Methodological issues under the Kyoto Protocol Land use, land-use change and forestry under Article 3 and 4, of the Kyoto Protocol and under the clean development mechanism (CDM)

September 2013

Context

1. Chile welcomes the opportunity to provide views in response to the paragraph 5, FCCC/SBSTA/2013/L.5 on specific alternative approaches to be included in the consideration of modalities and procedures for alternative approaches to addressing the risk of non-permanence under the CDM, with a view to forwarding draft decisions on this matter to CMP 9.
2. Considering the importance of the land sector in mitigating the climate change at global level, Chile considers extremely important to address the issue of non-permanence in relation to LULUCF activities, to ensure the relevance of the CDM mechanism, particularly for afforestation/reforestation activities, the only eligible land use activity under the CDM.
3. The temporary nature of tCER/ICER credits issued to afforestation/reforestation projects under the existing modalities and procedures; replacement risk associated with these temporary credits at the end of their expiry period; as well as lack of fungibility of the temporary credits with other CERs issued under the CDM have translated in very low prices for tCERs/ICERs and consequent poor demand for these credits, effectively removing the CDM incentive to implement afforestation/reforestation projects. The registration of very few afforestation and reforestation projects and even fewer projects that have undergone verification during the first commitment period of the Kyoto Protocol is a clear testimony to the adverse impact of temporary credits on the incentive to implement afforestation/reforestation projects under the CDM.
4. Considering that the CDM can continue playing an important role during the second commitment period, as a cost effective mitigation mechanism, promoting, at the same time, sustainable development in non- Annex I countries, Chile considers that SBSTA has to make an important effort to strengthen the LULUCF related projects under the CDM, and addressing the non-permanence issues is a priority at its 39th session, to remedy the adverse impact of temporary credits on CDM incentive and consequent limited uptake of afforestation/reforestation activities under CDM.
5. The revision to modalities and procedures of afforestation/reforestation projects by incorporating adequate mechanisms to address non-permanence risks associated with natural and

anthropogenic events will enhance the acceptance of CERs in the market, improving the prices and CDM revenue to implement afforestation/reforestation projects, and consequently the interest of state and private sector to get involved in these projects.

Alternative approaches to address the risk of non-permanence

6. As a general rule, the Parties may consider a set of alternative approaches for addressing the risk of non-permanence, such as buffer, insurance or country guarantee or a combination of them, according to their national circumstances and priorities. Chile particularly supports the idea of a buffer system backed by a guarantee provided by the country.

7. Chile, through its National Forests and Climate Change Strategy (NFCCS) is proposing –to implement climate change mitigation actions involving a range of forestry activities, including afforestation, reforestation and forest management, and recovery of degraded forests, to generate and trade carbon credits.

8. As part of the NFCCS, in order to facilitate access to carbon markets, Chile has established a Platform for the Generation and Trading of Forest Carbon Credits (PBCCh for its name in Spanish), involving CDM, REDD+ and Improved Forest Management (IFM) activities, proposing the implementation of specific alternative approaches to addressing the risk of non-permanence.

9. The Platform considers using a “permanence buffer”, which requires that some portion of the credits of a project to be set aside in a buffer pool account to address non-permanence risks, as a requirement for issuance of permanent CERs. The proportion of buffer set aside may vary, according to the historical record of the area, in terms of natural or anthropogenic risks. The public institution, in this case, the Chilean forest service (CONAF for its name in Spanish) along with private land owners involved in the projects will have the responsibility to address the risks that may affect the permanence of the carbon. In the case of a reversal of sequestered carbon beyond the quantity set aside in a buffer pool due to natural or unintentional causes, the guarantee provided by the State organization will support the land owners to re-establish the forest.

Request for consideration of SBSTA 39

Chile requests the SBSTA 39 to consider revising the section J, section K, and other relevant sections of the modalities and procedures of afforestation/reforestation project activities under the CDM to include a list of alternative approaches such as buffer, country guarantee, or combinations of multiple approaches to address the risk of non-permanence; and to recommend the revised modalities and procedures for approval of CMP.9 to facilitate afforestation/reforestation projects implemented in second commitment period to adopt alternative approaches to address the risk of non-permanence as per their suitability and specific circumstances.

Paper no. 1B: Chile

Views on specific possible additional land use, land-use change and forestry activities under the clean development mechanism

Submission by Chile to the Subsidiary Body for Scientific and Technological Advice (SBSTA) on Methodological issues under the Kyoto Protocol Land use, land-use change and forestry under Article 3 and 4, of the Kyoto Protocol and under the clean development mechanism (CDM)

September 2013

Context

1. Chile welcomes the opportunity to provide views in reference to the paragraph 5, FCCC/SBSTA/2013/L.5 on specific alternative approaches to addressing the risk of non-permanence under the CDM, to be included in the consideration of modalities for alternative approaches to addressing the issue relating to modalities and procedures for possible additional LULUCF activities under the CDM, with a view to forwarding draft decisions on this matter to CMP 9.
2. Land sector has major significance to Chile's sustainable development priorities taking into account the country's climatic and geographic diversity, strategic considerations and lines of action proposed in the Chile's National Climate Change Action Plan. As with other developing countries, land use activities offer valuable opportunities for promoting cost effective climate change mitigation actions in Chile. However, afforestation and reforestation activities have been the only eligible LULUCF activities under the CDM during the first commitment period of the Kyoto Protocol, effectively limiting the contribution of land sector to climate change mitigation under the CDM. It is timely for the SBSTA to deliberate on the inclusion of additional LULUCF activities under CDM, and consider the revision of the modalities and procedures of afforestation/reforestation activities under the CDM to include additional land use activities.

Possible additional land use activities under the CDM

3. Considering the importance of the land sector in mitigating climate change in Chile and in most other developing countries, Chile views that inclusion of additional LULUCF activities such as forest management, improved cropping systems, agroforestry systems; silvopastoral systems, re-vegetation activities in degraded lands under the CDM offer opportunities to demonstrate mitigation activities in different land use categories, and to develop implementation capacity suiting to national circumstances.

Forest management: Chile has shown leadership in restoring degraded forests and in establishing forests on non-forest areas. Inclusion of forest management is expected to promote sustainable management of forests over a long-term.

Improved cropping and agroforestry systems: Technologies and practices that improve productivity of cropland and agroforestry systems provide opportunities to enhance resource use efficiency, reduce GHG emissions, sustain productivity, and improve adaptive capacity of cropping and agroforestry systems.

Silvopastoral systems: covering a range of mixed land use in Chile (e.g. espinal areas, Patagonia region) and involve livestock and forest management in lands that are unsuitable for agricultural production. Improving the management of silvopastoral systems is a priority for Chile for ensuring long-term sustainability of these lands.

Revegetation of degraded lands: In addition to being a cost-effective mitigation opportunity, revegetation contributes to restoration of productivity and biodiversity; and adaptation potential of degraded lands, and is a priority under Chile's National Climate Change Action Plan.

Considering that additional land use activities are important to promote multiple objectives of climate change mitigation, and support food security, poverty reduction and sustainable development priorities, inclusion of additional activities under the CDM can incentivize private and public sector to invest in land use mitigation activities and at the same time, contribute to co-benefits associated with soil conservation; water resources management; restoring biodiversity and combating desertification.

4. Chile views that modalities and procedures for implementing mitigation actions in additional land use activities should also include guidance in relation to alternative approaches to the risk of non-permanence in additional land use activities.

Request to the SBSTA 39

Chile requests the SBSTA 39 to deliberate on the inclusion of additional LULUCF activities under the CDM with a view to recommend the revision of modalities and procedures for afforestation/reforestation activities to incorporate the modalities and procedures for implementing additional land use activities under the CDM, for approval of the CMP.9

**China's Submission on the Issues Related to the Agenda Item on
LULUCF under SBSTA**

In response to the call from SBSTA37 and SBSTA38 in its respective conclusions for submissions on views of **the issues** related to comprehensive accounting of anthropogenic emissions by sources and removals by sinks from land use, land use change and forestry (LULUCF), **the issues** related to modalities and procedures for alternative approaches to addressing the risk of non-permanence under the clean development mechanism (CDM), **the issues** related to modalities and procedures for possible additional LULUCF activities under the CDM and **the issues** related to modalities and procedures for applying the concept of additionality, China welcomes this opportunity and would like to submit the following views as preliminary inputs for stimulating further discussions on these issues.

A. the issues related to a more comprehensive accounting of anthropogenic emissions by sources and removals by sinks from land use, land use change and forestry (LULUCF), including through a more inclusive activity-based approach or a land-based approach, as referred to in decision 2/CMP.7, paragraph 5

1. At current stage, China suggests "a more comprehensive accounting approach" be understood as either a more inclusive activity-based approach or a land-based approach. It should be an inclusive approach that gives due consideration of different national circumstances, and fits into the existing national data collection system. The accounting of emissions or removals from direct human-induced activities and actions should be the general focus of the chosen approach, which should also explore the possibility to cover as many activities as possible including those of lands, pools and gases. On the other hand, if the land-based approach is to be taken, Parties should further consider whether or not to exclude the natural disturbances happened on managed land from accounting since the anthropogenic greenhouse gas emissions and removals by sinks are defined as all those occurring on "managed land" and the "managed land" is taken as a proxy for anthropogenic effects.

2. It is important for Parties to form a common understanding of the definition and a common recognition of the pros and cons of the chosen approach. It is also beneficial for Parties to share experiences and lessons in the application of accounting rules from the practice of the Kyoto Protocol, as defined in Decision 16/CMP1, and in the application of the IPCC guideline and guidance for reporting GHG under the Convention.

3. China thinks, in addition to the accounting principles as defined in Decision 16/CMP, the final approach on a more comprehensive accounting shall:

- a) Be as simple as possible;
- b) Incentivize the sustainable management of land use and forest resource in the changing landscape;
- c) Maximize the mitigation potential of LULUCF;
- d) Improve data collection and availability and methodologies;

- e) Maintain the consistency and comparability between the reporting under the Convention and the Kyoto Protocol, as well as the reporting and accounting between the first and second commitment periods of the Kyoto Protocol;
- f) Contribute to cost reduction in the accounting process;
- g) Enhancing the synergy of mitigation and adaptation in LULUCF;
- h) Avoid potential loopholes.

4. Considering the fact that this agenda item was mandated by the CMP7 in Durban, South Africa, all related issues under this agenda item should be addressed in the context of the Kyoto protocol. Any prejudgment or attempt to apply the "more comprehensive accounting" to other broader context, e.g. the on-going negotiations for 2020 onward, will only hamper the current discussion of relevant technical issues and thus shall be avoided. As the advisory body to the UNFCCC, SBSTA should follow the mandate from CMP7 and focus its discussion on relevant technical issues and eventually provide recommendations to the COP/CMP with firm and confident conclusions reached under such discussion.

B. the issues related to modalities and procedures for alternative approaches to addressing the risk of non-permanence under the clean development mechanism (CDM), in accordance with decision 2/CMP.7, paragraph 7

1. The current approach for addressing the risk of non-permanence under CDM is by issuing tCER or ICER, which China does not consider as a perfect solution since it has dramatically limited market demand on carbon credits from AR activities under the CDM. An effective approach shall increase the fungibility and value of credits generated from the eligible activities under the CDM.

2. The global voluntary carbon market has provided several existing approaches that may be considered as alternatives to address non-permanence issues under the CDM, including buffer, insurance, country guarantee, buffer backed by insurance, buffer backed by country guarantee, and insurance fund. China suggests that Parties can assess all these approaches in comparison with tCER and ICER, and allow those host countries involved with eligible LULUCF activities under the CDM to choose its own alternative approach based on its specific national circumstances.

3. China believes a fair approach should be established in non-permanence risk-sharing between Annex I parties and non-Annex I Parties. The current implementation of the CDM A/R project has put almost all responsibilities of reversal of carbon sequestered in CDM A/R project on developing countries, which should be corrected in a timely manner and avoided in the future.

4. To address the risk of non-permanence, China suggests that a basic risk rate could be used as a benchmark to assess the potential risk of non-permanence in identified eligible LULUCF projects under the CDM before the commencement of a project. Namely, if the potential risk in the presumed project exceeds the pre-calculated basic risk rate, the project should not be allowed to implement or a specific guarantee must be provided.

5. It is presumed that a well-designed project with effective participation of local people and risk assessment as well as a separate plan for risk prevention can

effectively reduce the risk of non-permanence. Therefore, as an important step in initiating an eligible LULUCF project, it is important to first identify presumed project area with lower risk of non-permanence. However, since force majeure has been integrated into the accounting rules of LULUCF activities in the second commitment period, the risk of non-permanence or unintentional loss of carbon caused by force majeure may be tackled separately by applying similar concept and methods of carbon equivalent forests as defined in Decision 2/CMP.7.

6. After a confident and reliable alternative approach is identified to address the risk of non-permanence, CERs generated from an eligible LULUCF project, such as CDM A/R, can be then regarded as permanent and fully fungible in the carbon market under the Kyoto Protocol.

7. It should be cautioned that an effective monitoring plan for the presumed project should be carefully designed and implemented throughout the project period, regardless of the alternative approaches to be taken. The insurance of carbon credit should be based on the final outcomes of the practical monitoring in the field.

C. the issues related to modalities and procedures for possible additional LULUCF activities under the CDM

China believes that it is important for eligible LULUCF activities under CDM in the second commitment period of the Kyoto Protocol to focus on afforestation and reforestation activities. Currently, the potentials of CDM A/R have not been fully realized, and the market demand on CERs in the second commitment period of the Kyoto Protocol is very limited due to weak emission reduction targets committed by Annex I parties. China is open to discussions on additional eligible LULUCF activities, such as forest management and revegetation under the CDM. In general, additional LULUCF activities under the CDM in the second commitment period of the Kyoto Protocol should follow the *Modalities and Procedures for Afforestation and Reforestation Project Activities under the Clean Development Mechanism in the First Commitment Period of the Kyoto Protocol* in Decision 5/CMP.1, except new alternative approaches to addressing the risk of non-permanence adopted.

D. the issues related to modalities and procedures for applying the concept of additionality

The concept of additionality has been addressed in the LULUCF accounting rules adopted, especially in rules adopted for guiding the implementation of the eligible LULUCF activities under the CDM and JI. Thus, China sees no necessity to discuss it again.
