

Global Witness

on behalf of the

ECOSYSTEMS CLIMATE ALLIANCE

and **CDM WATCH**

**Response to call for submissions on the inclusion of reforestation of
lands with forest in exhaustion as afforestation and reforestation CDM
project activities**

28 March 2011



This submission is in response to the SBSTA invitation (FCCC/SBSTA/2010/L.15) for views on the implications of the inclusion of reforestation of lands with forest in exhaustion as afforestation and reforestation clean development mechanism (CDM) project activities.

The Ecosystems Climate Alliance and CDM Watch welcome the opportunity to highlight potential implications of the “forest in exhaustion” proposal, which we lay out below.

In summary, we consider the proposal to be little more than an attempt to provide subsidies to industrial tree plantations in circumstances that encourage bad management practices and the establishment of plantations in inappropriate locations. Such a subsidy would insulate the wood growing and processing industries from commercial pressures to improve their efficiency, reduce wastage, increase recycling and select more suitable sites for plantation establishment. The “forests in exhaustion” proposal also risks undermining the recently established REDD+ mechanism by incentivizing the establishment of plantations under the CDM rather than the restoration of natural forest ecosystems under REDD+.

The Ecosystems Climate Alliance and CDM Watch therefore consider that the proposal to include the reforestation of lands with forest in exhaustion as a CDM project activity should be rejected.

This submission consists of four sections:

- I. Background to the proposal
- II. Defining “forests in exhaustion”
- III. Justification for the proposal
- IV. Grounds for rejection

The **Ecosystems Climate Alliance** (ECA) is an alliance of NGOs¹ committed to keeping natural terrestrial ecosystems intact and their carbon out of the atmosphere. We work to ensure this is done in a way which is equitable, transparent, consistent with the rights of indigenous peoples and local communities, and which takes place alongside deep and urgent cuts in fossil fuel emissions. We advocate a range of policies which will avoid degrading terrestrial carbon stores, protect ecosystems and biodiversity, and restore their carbon carrying capacity and ecological function, as essential components of greenhouse gas mitigation and adaptation to climate change. This must be supported by robust monitoring, fair and effective governance, proper enforcement and action to curb the demand for forest and agricultural products.

¹ This submission is made on behalf of CDM Watch and the following members of the Ecosystems Climate Alliance- Australian Orangutan Project, Environmental Investigation Agency, Global Witness, Humane Society International, Rainforest Action Network, Rainforest Foundation, Norway, The Wilderness Society, Australia, and Wetlands International

I. Background to the “forests in exhaustion” proposal

Brazil first put forward the “forests in exhaustion” proposal in 2008. In response, the 4th Conference of the Parties to the Kyoto Protocol (CMP 4), held in Poznan in 2008, requested the Executive Board of the Clean Development Mechanism to assess the implications of including land with “forests in exhaustion” as potential reforestation projects.² The CDM Executive Board subsequently provided its report at the subsequent conference in Copenhagen in December 2009,³ where the Subsidiary Body for Scientific and Technical Advice (SBSTA) was requested to further assess the implications of the proposal.

The Subsidiary Body for Scientific and Technical Advice briefly discussed the proposal at the Cancun climate change conference in November-December 2010 but referred the matter for further consideration at its December 2011 session in Durban, South Africa.⁴ In the meantime, SBSTA invited submissions on the potential implications of the proposal and has requested its secretariat to prepare a synthesis report.

II. Defining “forests in exhaustion”

Brazil’s “forests in exhaustion” proposal is an attempt to expand the existing CDM rules to incorporate replanting of tree plantations after their harvest as a reforestation activity. The proposal makes no distinction between whether land was forested or not before 1990.

According to the proposal, a “forest in exhaustion” is defined as:

“[A]n area of land that contained forest – established through planting, seeding and/or the human-induced promotion of natural seed sources – on 31 December 1989 and/or at the starting date of the project activity. If the land at the starting date of the project activity is forest then, in the absence of the project activity, it would be converted to non-forested land through final harvesting within [5] years of the proposed starting date of the project activity. If the land at the starting date of the project activity is non-forested land then, in the absence of the project activity, it is expected to remain as non-forested land.”
FCCC/KP/CMP/2009/16, Annex I (at page 27)

This definition has caused considerable confusion amongst the Parties. The reason for the confusion, perhaps, is that the definition tries in a rather complicated way to describe two separate issues, namely (a) the types of land that potentially qualify for this type of CDM project (“where” the CDM projects might be located) and (b) when that land qualifies as a “forest in exhaustion” (“when” the land is eligible for a CDM project of this type).

² Decision 2/CMP. 4 “Further guidance relating to the clean development mechanism” at paragraph 42.

³ See *FCCC/KP/CMP/2009/16, Annex I*

⁴ See *FCCC/SBSTA/2010/L.15*

When and where “forests in exhaustion” projects may be undertaken

The first part of the “forests in exhaustion” definition attempts to describe the type of land that is potentially eligible for a CDM reforestation project. In particular, it expands the application of the CDM rules so that reforestation projects may potentially be undertaken on:

- (i) Land that was un-forested on 31 December 1989 (this is the scenario already covered by the existing rules); or
- (ii) Land that was “forested” on 31 December 1989, provided that on that date those forests are of either the following types:
 - a. Forests established through planting and seeding (i.e. tree plantations); or
 - b. Forests established through human induced promotion of natural seed sources (includes tree plantations, as well as potentially natural forests subject to logging and forest management).

When this land is considered “exhausted” and therefore potentially eligible for a Reforestation activity

The second part of the “forests in exhaustion” definition describes when land is considered “exhausted” and hence eligible for commencement of a CDM reforestation project. Forests are considered “exhausted” if either:

- (i) The land was forested on 1 January 1990, but is now no longer forested; or
- (ii) The land is currently forested, but after the next logging cycle, if all the trees are cleared, the land is not expected to regenerate naturally within [5] years.⁵

III. Justification for the proposal

According to statements made by Brazil in the UNFCCC, the “forests in exhaustion” proposal is intended to provide financial support to maintain tree plantations established before 1 January 1990. Under existing CDM rules, plantations established after 1 January 1990 on non-forested land are potentially entitled to CDM credits, while tree plantations established prior to this date miss out.

The rationale for the “forests in exhaustion” proposal is that without additional financial support, tree plantations that are unable to regenerate naturally due to repeated tree planting and harvesting would otherwise be abandoned when they become commercially

⁵ The reference to “[5] years” is in square brackets to indicate that the exact time period is still subject to negotiation.

unviable. The proposal is intended to allow Parties to claim CDM credits for re-establishing commercial plantations on such degraded land.

To date, only 14 Afforestation/Reforestation projects have been approved under the CDM. The introduction of “forests in exhaustion” is hoped to result in increased numbers of potential reforestation projects. However, it should be made clear this proposal would primarily benefit large, existing plantations instead of small operations on agricultural land which the current CDM definitions were designed to encourage. Least developed countries will not benefit as they have few plantations.⁶ Further, the agreement reached in Cancun to establish a REDD+ mechanism addresses many of Brazil’s original concerns, making the “forests in exhaustion” proposal redundant.

IV. Grounds for rejecting the proposal

1) Negative environmental impacts

a) Avoids acknowledging or reporting *de facto* deforestation

The current definition of “forest” under the Kyoto Protocol permits plantation companies to clear forests (either natural forests or plantations) to harvest timber without accounting for this as deforestation so long as there is an intention to re-establish trees.⁷

The definition of “forest”, therefore, allows for large scale clearing of forest land without necessarily accounting for this as deforestation. Such a loophole in the accounting rules, however, undermines the objectives of both the Kyoto Protocol and the UNFCCC. The scientific evidence is unequivocal that clearing natural forests and replacing them with tree plantations should be properly accounted for since this activity causes significant loss in forest carbon stocks, releases carbon dioxide into the atmosphere and harms biodiversity.⁸

Moreover, the continued harvesting and replanting of plantations progressively depletes soil nutrients and disrupts hydrology. This continued harvesting and replanting ultimately exhausts the land to the point where it becomes so depleted that trees will no longer regenerate naturally, effectively causing that land to become deforested. The “forest in

⁶ The majority of plantations in 1990 were located in Asia and the Pacific region (79%), then Latin America and the Caribbean (13%) and finally Africa (8%). Country-specific statistics from 1990 reveal that China had the largest area of land under plantation at 31.8 million ha; followed by India at 13.2 million ha; Indonesia, 6.4 million ha; Brazil, 4.9 million ha; Viet Nam and the Democratic People's Republic of Korea at 1.5 million ha each. *Source: Food and Agricultural Organisation: FAO State of the Worlds Forests 1995: <http://www.fao.org/docrep/003/x6953e/X6953E03.htm>*

⁷ In particular, the definition of “forest” includes (emphasis added) “Young natural stands and all **plantations** which have yet to reach a crown density of 10-30 per cent or tree height of 2-5 meters are included under forest, as are areas normally forming part of the forest area which are **temporarily unstocked** as a result of human intervention such as harvesting or natural causes but which are expected to revert to forest;” [FCCC/CP/2001/13/Add.1]

⁸ The carbon emissions from industrial logging are discussed in more detail in a Global Witness report, *Vested Interests: Industrial Logging and Carbon in Tropical Forests* (2009). <http://www.globalwitness.org>

exhaustion” proposal, however, provides yet another accounting loophole, allowing the land to continue to be labelled as forest, although in this case a “forest in exhaustion”.

b) Ignores the lower environmental benefits and carbon storage and sequestering capacity of plantations compared to natural forests

The environmental integrity of the climate change regime requires a distinction be made between natural forests (which should be protected and regenerated) and monoculture tree plantations. Considering plantations as equivalent to natural forests ignores the value of natural forest ecosystems, for example as water catchment or as biodiversity habitats. Plantations store and sequester less carbon than natural forest; indeed, there is little evidence that short-cycle tree growth sequesters CO₂ permanently.⁹ The carbon contained in tree plantations (both above and below the ground) is an order of magnitude less than in natural tropical forests.¹⁰ Plantations need to stand for decades to sequester the same amount of carbon as intact old-growth forests. Of particular concern is when peat swamp forests (which carry most carbon in their wet carbon-rich soils) are drained for conversion to plantations, as this causes significant and ongoing carbon dioxide emissions, which continue throughout the entire plantation lifecycle.

Plantation “forests” are also less resilient and more vulnerable to hazards, risking significant carbon emissions from, for example, forest fires or insects. Any proposal that promotes the conversion of natural forests to plantations undermines the environmental integrity of the climate change regime and should be rejected.

2) *Creation of perverse incentives*

The “forests in exhaustion” proposal would create several perverse incentives that undermine the original aim of reforestation/afforestation projects under the CDM to increase forest cover.

a) Discourages efficient commercial practices in the timber industry and subsidises industrial tree plantations in inappropriate locations

The proposal would fund unsustainable commercial practices such as continuing to plant on very degraded land - the “one more rotation” approach, rather than solving the problem, would further degrade soil and water resources and lead to a continuing cycle of CDM credits for planting yet another rotation on the same exhausted land. The aim of increasing forest cover would be temporarily met while the new trees grew, but after harvest the land would be left in an even more degraded state.

⁹ Untouched natural forests store 60% more carbon than plantation forests. See *Green carbon: the role of natural forests in carbon storage. Part 1, A green carbon account of Australia's south-eastern Eucalypt forest, and policy implications*, Brendan Mackey et al. (available at http://epress.anu.edu.au/green_carbon_citation.html)

¹⁰ Ibid.

The recognition of “forests in exhaustion” confirms that plantations may exhaust land to the point where trees can no longer grow. Funding plantations on land that is already severely degraded – which can only exacerbate the problem – would be directly in contradiction of the fundamental aim of increasing forest cover.

b) Incentivises the establishment of plantations under the CDM instead of the restoration of the land to natural forest under REDD+

The REDD+ mechanism agreed in Cancun in December 2010 provides for financial support to restore degraded forest land back to natural forest. It also includes a safeguard against the conversion of natural forests to plantations or other land uses. The “forests in exhaustion” proposal risks undermining the REDD+ mechanism, since it provides a legal loophole by which a “degraded” forest could instead be labelled as “exhausted”. This could result in the CDM supporting the establishment of a mono-culture tree plantation over the restoration of that same forest into a biologically diverse natural forest under REDD+. In the case of peat swamp forests, in which their wet peat soils have been drained, re-wetting the soil, and restoring the forests to their natural wet state immediately reduces large greenhouse gas emissions. Financial support to establish commercial plantations, particularly when combined with the income made from the further harvest, is likely to prevent large areas of land from undergoing forest regeneration under the REDD+ mechanism.

A useful safeguard to distinguish between reforestation projects under the CDM and restoration of forests under REDD+ was the cut-off date of 31 December 1989/1 January 1990. Land that was forested on 1 January 1990 is currently ineligible for a CDM reforestation project, but would be entitled to seek funding under REDD+ to regenerate that land back to natural forest. The “forest in exhaustion” proposal removes this cut-off date and instead subsidises profit-making plantations on degraded natural forest that would be better addressed under a REDD+ regeneration project. From an environmental and a carbon storage and sequestration perspective, regeneration would be much more valuable.

c) Subsidises the conversion of natural forests to mono-culture plantations

While the “forests in exhaustion” proposal addresses the issue of “exhausted” industrial tree plantations, the proposed definition also extends to a much larger area of land, potentially including natural forests that were relatively “healthy” forests on 1 January 1990 but have since become degraded (or “exhausted”) through continued logging.¹¹

If lands with natural forests are eligible for this type of CDM reforestation project, then there is a financial incentive to continue logging until the forest becomes so degraded as to be designated a “forest in exhaustion” eligible for CDM credits for establishing a

¹¹ Natural forests that are subject to partial logging and/or forest management that incorporates procedures to promote natural forest regeneration would also fall within the definition of the “forests in exhaustion” as forests established through “human induced promotion of natural seed sources” so as to make that land potentially eligible for a CDM reforestation project.

commercial mono-culture plantation on the land. This process would subsidize the destruction of natural habitats and the loss of ecosystem services, and release carbon that would take decades to be sequestered by new growth.

Contact details for each organisation making this submission are listed below.

Australian Orangutan Project

Stephen Leonard
Legal Consultant
stephen.leonard@three.blackberry.com
Tel: +61 414 284 178

CDM Watch

Eva Filzmoser
Programme Director
eva.filzmoser@cdm-watch.org
Tel: +32 499 21 20 81

Environmental Investigation Agency

Andrea Johnson
Forest Campaigns Director, EIA U.S.
andreajohnson@eia-international.org
Tel: +1 202 483 6621

Global Witness

Dr. Rosalind Reeve
Climate & Forests, Campaign Manager
reeve@globalwitness.org
Tel: +254 726 993377

Humane Society International

Nicola Beynon
Senior Program Manager - Wildlife and Habitats
nicola@hsi.org.au
Tel: +61 2 9973 1728

Rainforest Action Network

Bill Barclay
Global Finance Campaigner
bbarclay@ran.org
Tel: +1 415 398 4404

Rainforest Foundation Norway

Nils Hermann Ranum
Head of policy and campaign division
nils.hermann@rainforest.no
Tel: +47 23 10 95 04

The Wilderness Society

Peg Putt
International Green Carbon Consultant
peg.putt@wilderness.org.au
Tel: +61 418 127 580

Wetlands International

Susanna Tol
Communications Officer
susanna.tol@wetlands.org
Tel: +31 (0) 318-660910