VIEWS ON LAND USE, LAND-USE CHANGE AND FORESTRY UNDER ARTICLE 3, PARAGRAPHS 3 AND 4, OF THE KYOTO PROTOCOL AND UNDER THE CLEAN DEVELOPMENT MECHANISM

PREPARED FOR THE SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE (SBSTA), 1 TO 6 DECEMBER 2014 IN LIMA, PERU

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Carbon Market Watch welcomes the opportunity to provide input on discussions 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 (CDM).

Specifically, Carbon Market Watch **does not recommend the inclusion of additional LULUCF project types** in the CDM for the following reasons:

1. LULUCF activities in the CDM can create conflicts with adaptation to climate change
2. There is no demand for additional sources for carbon offsets
3. Non-permanent reductions from land use emissions cannot compensate for continued fossil fuel emissions - fossil fuel emissions reductions are permanent

Offsetting emissions through the CDM, which puts mitigation in the forefront and at a project level, is not an appropriate means to tackle emissions from LULUCF activities. In addition, carbon markets are not an ultimate tool to mobilize climate finance, due to asymmetrical resource distribution and low carbon prices seen in the CDM. There are several initiatives which address both climate mitigation and adaptation and where LULUCF activities would better fit. Nationally Appropriate Mitigation Actions (NAMAs) represent a great potential as they allow a focus on developing countries' own contribution to sustainable development. Linking these processes i.e. through a combined NAMAs and National Adaptation Plans (NAPs) would be even more effective.

BACKGROUND

Based on decision 2/CMP.7, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), requested the Subsidiary Body for Scientific and Technological Advice (SBSTA) to initiate two work programmes related to LULUCF and the CDM: the first one to consider and, as appropriate, develop and recommend modalities and procedures for possible additional land use, land-use change and forestry (LULUCF) activities under the clean development mechanism (CDM) (para. 6), and the second one for alternative approaches to addressing the risk of non-permanence under the CDM (para. 7).

In April 2014 the Secretariat produced a technical paper on request of SBSTA39, which explores the option on the abovementioned issues based on the views submitted by Parties and admitted observer organizations. Drawing from the technical paper, SBSTA40 Parties decided to prioritise in its consideration three groups, which could be included as activities under the CDM (i) re-vegetation,

including agroforestry and silvopastoral practices (ii) cropland management and grazing land management and (iii) wetland drainage and rewetting.

SBSTA also agreed to continue its consideration of modalities and procedures for alternative approaches to addressing the risk of non-permanence in LULUCF activities under the CDM. SBSTA40 considered both matters with a view to forwarding a draft decision on them to the CMP for adoption at its tenth session (CMP10) in December 2014 in Lima.

CONCERNS ABOUT LAND USE ACTIVITIES IN CARBON MARKETS

According to the latest IPCC findings, forests and land use collectively account for 24% of global emissions - 10-12 GtCo2e annually. This is, by far, the largest sources of emissions in certain regions, notably Latin America, Central Africa and Southeast Asia. In 2012 in Brazil, more than 61% of GHG emissions came from forests and farming activities.

The LULUCF sector is therefore considered not only as a source of CO2 but also as a potential for emissions reductions and soli sequestration. The LULUCF sector is however fundamentally different from sectors currently subject to greenhouse gas saving targets, due to uncertainty over measurement data, inter-annual variability and in some cases the long lead times needed for mitigation measures to take effect. Yet the most fundamental difference is that LULUCF is the only sector to include sinks.

Since 2011, the UNFCCC is discussing whether to include additional LULUCF activities as an eligible project type in the CDM. In June 2014 at the SBSTA 40, discussions narrowed down the consideration of the possible additional activities. However, including additional LULUCF activity in the CDM crediting system is subjected to profuse challenges. These include the need to address adaptation to climate change in LULUCF activities, the oversupply and lack of demand for carbon offsets and the complexity of providing a reliable accounting framework for emissions reductions from LULUCF activities.

1. Adaptation to climate change needs to be put in the forefront

The potential for emission reduction in LULUCF is considerable, but it must be ensured that mitigation does not compromise adaptation, food security or other social and environmental safeguards. LULUCF sector is strongly linked with demand for food and economic development, and where CO2 mitigation benefits are secondary and relatively small in relation to non-carbon benefits. It is a sector highly susceptible to climate change, that has substantial impacts on people's livelihoods and where building climate change resilience is of crucial importance. Future LULUCF mitigation policies therefore need to be set out hand in hand with adaptation policies, in order to build resilience to climate change.

Taking this into account, better soil management should be incentivized rather as an adaptation, than a mitigation measure.

2. There is no need for additional sources for carbon offsets

It is important to consider that there is no reasonable demand for additional offset projects. There is a significant "gap" in mitigation objectives, and consequently, the general trend on carbon markets indicates low demand for Certified Emissions Reductions (CERs) and is predicted to remain low. The

CDM, for example, could generate as many as six billion offsets until 2020, but projections put global demand at three billion or less. The oversupply of market units has led to a severe price drop.

With regard to the longer term perspective, discussion to address emissions from LULUCF need to be placed in the context of the potential treatment of the land use sector in the 2015 Agreement.

3. Non-permanent reductions from land use emissions cannot compensate for continued fossil fuel emissions

One of the unique characteristics of the LULUCF sector it is subjected to the risk of non-permanence, which refers to the reversibility of carbon sequestration by the biosphere. Particularly under a project approach risk of reversals is an issue. Decision on including additional LULUCF activities as an eligible project type in the CDM can only be made once it is clear how mitigation of proposed activities can be measured and non-permanent activities can be addressed. Discussions on alternative approaches to addressing the risk of non-permanence under the CDM are currently being discussed.

Mitigation in the land use sector should not be used as offsets to displace or reduce mitigation in other sectors. Sequestration of carbon in land cannot compensate for continued fossil fuel emissions - fossil fuel emissions are permanent, whereas carbon sequestration in forests and soils is well documented in scientific research to be temporary. Emission removals and reduced emissions in the land sector should be considered additional and separately to industrial emission reductions.

ALTERNATIVE APPROACHES TO ADDRESSING THE RISK OF NON-PERMANENCE UNDER THE CDM

The possible additional activities in the CDM narrowed down by SBSTA 40 in June 2014 – re-vegetation, including agroforestry and silvo-pastoral practices, cropland management and grazing land management, wetland drainage and rewetting – are all apart from wetland management recognized as strategies for soil carbon sequestration.

Mitigation practices in LULUCF sector distinguish between emissions reductions – which are considered permanent, and soil sequestration - which is considered not permanent and highly uncertain. Sequestration presents a constant risk that the carbon stored in terrestrial vegetation can be released back into atmosphere due to certain human activities (e.g. ploughing, additional fertilizer application) or natural events, causing non-permanence of carbon sink. Various studies have found soil carbon sequestration to be technically and economically unfeasible, and point to a variety of evidence that it contributes only to temporary climate mitigation benefit.

The standing approach for addressing the risk of non-permanence in LULUCF CDM projects is by issuing temporary credits (tCERs and lCERs), which expire at the end of the commitment period during which the CERs were issued. The temporary credits are unattractive to investors and difficultly tradable thus they do not generate high demand on the market.

WAY FORWARD

Addressing emissions from forests and land use is crucial to bridge the annual emissions gap of 8-12 GtCO2e by 2020 that would lead to global temperature increases of more than 1.5°C. Targeted actions in key regions can deliver immediate emissions reductions for the 2015-2020 period while necessary reforms in other sectors are under way. This would be a massive help if we are to peak emissions before 2020.

ADP Workstream 2 provides an opportunity to cut emissions fast from high carbon landscapes like forests, peatlands, mangroves, and other wetlands. Once these ecosystems are severely degraded or lost, most of their emissions reductions potential are a thing of the past. Measures to conserve these ecosystems bring many other benefits such as: diverse biodiversity and securing the livelihoods of local communities and maintaining resilience. One way to achieve all of this is to prioritise REDD+ as an immediate action to fund before 2020. Mechanisms like REDD+ and NAMAs are well placed to help reduce emissions in the 2015-2020 period, especially if a landscape approach is adopted and integrated with broader strategies for sustainable land use.

Land use activities under both Workstreams of the ADP should also follow a rights-based approach to carefully address food security and land rights, particularly in developing countries.

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