

Disagreement over discussions on new activity under the Clean Development Mechanism

London, June 7 (Kate Dooley) - Disagreements arose among Parties at the recent UNFCCC climate talks in Bonn, during discussions on a proposal to apply the existing clean development mechanism (CDM) modalities and procedures for afforestation / reforestation projects (A/R) to a new activity viz. 'revegetation projects' under the CDM.

[The CDM, established under the Kyoto Protocol (KP), allows emission reduction projects in developing countries to earn certified emission reduction credits (CERs), each equivalent to one tonne of CO₂. These CERs can be traded and sold, and used by developed countries to meet a part of their emission reduction targets under the KP. Currently, A/R is the only eligible forestry or land-sector activity in the CDM.]

During the discussions, several Parties also noted that the matters discussed are also relevant to issues being considered in the implementation of the Paris Agreement, specifically under Article 6, on 'cooperative-approaches' including 'market-mechanisms'.

Due to differences over whether to limit the definition of new activities under the CDM to woody revegetation, or whether to extend to non-woody revegetation (such as grasses and palms), as well as differences over whether to continue or complete this work programme at the next session of the Subsidiary Body for Scientific and Technological Advice (SBSTA), Parties were unable to agree on elements for a draft decision in Bonn.

The Bonn meetings of SBSTA, the Subsidiary Body for Implementation and the *Ad Hoc* Working Group on the Paris Agreement took place on 16 to 26 May.

The differences referred to above, arose during the discussions at the 44th session of the SBSTA in Bonn, (SBSTA 44) in relation to the agenda item on 'methodological issues under the KP' in which one sub-item was on 'land use, land-use change and forestry (LULUCF) under Article 3, paragraphs 3 and

4, of the KP and under the CDM.'

The **European Union (EU)** in particular, in light of the Paris Agreement, said that it expected to see the CDM finish with the end of the second commitment period of the Kyoto Protocol (from 2013 to 2020) and was therefore keen to close the agenda item from being discussed further.

This was not agreed to by developing countries, led by the **Group of 77 and China**, as they said that there were still many issues of the work programme on LULUCF that had not been discussed.

They did however agree to capture progress made at SBSTA 44 in a conference room paper (CRP) submitted by the co-facilitators which contains elements for a draft decision that will be considered at the next session of SBSTA to be held in Marrakech in November this year.

Informal consultations on LULUCF under the CDM were facilitated by **Maya Hunt (New Zealand)**, and **Jose Antonio Prado (Chile)**. These consultations continued the work under the work programme referred to in decision 2/CMP.7, paragraph 6, to consider and, as appropriate, develop and recommend modalities and procedures for possible additional LULUCF activities under the CDM. [(Decision 2/CMP.7 was adopted in Durban, South Africa at the 7th meeting of the Conference of the Parties serving as the meeting of the Parties to the KP (CMP).]

Three informal consultations were held during the two-week session at SBSTA 44. These consultations were all closed to observers (except for the final one on 24 May), increasing the non-transparency of this complex and technical negotiation topic which, as many Parties noted during discussions, has implications for the Paris Agreement.

During the informal consultations, Parties discussed a proposal made by **Colombia** during the in-session workshop held on 17 May on 'the identification of the

types of revegetation activities potentially eligible as project activities under the CDM. (For more details on the workshop, please see below).

Colombia had proposed to limit the definition of revegetation to using woody perennial plants on at least 0.05 hectares, which would not meet the nationally defined threshold of 'forests' for the purposes of reforestation or afforestation, as eligible under the CDM.

It noted that while this was more limited than the Marrakech definition (referring to the UNFCCC's Marrakesh Accords adopted in October/November 2001 in relation to LULUCF) for revegetation, it said this was a useful compromise because the existing A/R methodologies could apply to this definition, meaning negotiations could move more quickly to agree on a new CDM activity.

Uruguay expressed a preference to include non-woody biomass (specifically oil palm) in the definition, although this was opposed by other Parties given a work programme to define methodologies for revegetation types that were not similar to A/R could take years.

During the two weeks, Parties worked on text drafted by Colombia, including on the need to work further on the modalities and procedures for other types of vegetation, but differences remained on the desirability of concluding this agenda item at SB 45.

Following a closing meeting on Wednesday 25 May, Parties agreed to forward conclusions to the SBSTA co-chair. (See <http://unfccc.int/resource/docs/2016/sbsta/eng/115.pdf>). These conclusions reflected the CRP submitted by the co-facilitators; (see <http://unfccc.int/resource/docs/2016/sbsta/eng/crp01.pdf>), that captured the progress made at SBSTA 44 in terms of proposing elements of a draft decision for the CMP in November this year.

The CRP document contains elements on a draft decision for increasing carbon stocks "through the establishment of perennial [woody] vegetation on lands that did not contain forests on 31 December 1989" to be an eligible project activity for the second commitment period of the KP (for the period 2013 to 2020).

Workshop on 17 May

On 17 May, the SBSTA held an in-session workshop on LULUCF under the CDM. The workshop was intended to identify the types of revegetation activities potentially eligible as project activities under the CDM

using existing modalities and procedures, and to identify the cases where new modalities and procedures for revegetation would need to be developed. Information on the workshop, including agenda and other relevant documents can be found here:

http://unfccc.int/land_use_and_climate_change/lulucf/workshop/9460.php

The **Chair of the SBSTA, Carlos Fuller (Belize)**, opened the workshop, expressing his hope that it would allow space for informal exchange. The workshop began with presentations from **Malawi, Chile, Colombia and Indonesia**.

Malawi noted that farming in Africa is already affected by land degradation. Over 40% of cropland in East and Southern Africa is severely degraded and beyond sustainable restoration. Revegetation is a key activity for Africa in helping the region by reducing pressure on the regenerating woodlands, through stepwise approaches on slowing desertification and reclaiming ecosystems through revegetation; stopping wind erosion; stabilising the ground and nitrogen-fixing in degraded soils.

Chile gave the example of a national law which has seen government incentives since 1974 for afforestation and reforestation, after 25 years resulting in 2 million ha of planted forest (mainly exotic species) and 150,000 ha of revegetation lands (native species). 40% of Chile is arid and degraded lands, and the country has a National Strategy for Climate Change and Vegetation Resources which is an important tool for LULUCF activities in the frame of the nationally determined contributions (under the Paris Agreement), aiming for 100,000 ha recovery by 2030.

Colombia presented a proposal based on the definition of revegetation, noting that its application of the Marrakech forest definition means some forestry activities are left out of the CDM because they do not qualify as a forest. It suggested that revegetation that falls between the Marrakech definition for a forest and the minimum values for forest threshold applied by a country could be eligible in the CDM. This only applies to woody vegetation (trees and shrubs). Hence, palms and bamboos could only be included if a country has included these already in their definition of forest. Revegetation systems include agroforestry and silviopastoral systems where woody vegetation is planted on cropping and pasture lands, added Colombia, further noting that revegetation brings sustainable development opportunities but requires upfront finance and the CDM would be another tool to deliver this.

Indonesia noted the links between revegetation and forest cover for conserving the hydrological system, the restoration of conservation areas and the importance of using species selected for local specific fauna. It said that high-density agro-forestry is related closely to social economy production and function.

Parties then exchanged views related to questions posed by the co-facilitators of the agenda item who also co-chaired the workshop. The questions related to: country experience with implementation of different types of revegetation activities; other appropriate revegetation activities if support for such activities were available; and types of revegetation activities that might be potentially eligible as project activities under the existing CDM modalities and procedures.

In relation to the specifics of the 'forest' definition, the representative from the CDM Executive Board clarified that palms and bamboo are not automatically included in the forest definition, but if countries want to include them, they can do so through notifying the CDM Executive Board in a letter.

Indonesia noted that the point of revegetation is to protect the soil.

The **EU** said that in light of the Paris Agreement, the EU expects to see the CDM finish with the end of the second commitment period of the KP and was therefore keen to close the CDM agenda item. However, it also noted the merit of the technical discussions in the workshop for developing thinking for implementation of the Paris Agreement.

Chile agreed with the EU that the value of this conversation is how it applies beyond the CDM, in light of the Paris Agreement, and noted additionality and measurement, reporting and verification (MRV) of these activities as problems to resolve.

Colombia responded that their proposal was restricted to woody vegetation, as non-woody vegetation in the CDM would face significant methodological difficulties. Colombia noted that including the date before which deforested land was not eligible viz. (1990) (same as A/R) would leave out a lot of eligible land in a country, but it would also provide a safeguard to prevent perverse incentives.

Uruguay agreed that the simplest implementation is to go first for woody species, but noted grasses could be an important revegetation tool. Given the many co-benefits of non-woody revegetation, such as reducing soil erosion, protecting river banks, water quality and quantity, it said it would make sense to have a new category when these activities do not meet the forest definition.

Malaysia raised concerns with the inclusion of non-woody vegetation, noting it would cause a lot of problems to consider oil palm as forest. It also noted the difficulty and lengthy time periods involved in successful revegetation, from rehabilitating the soil to planting woody shrubs which could take 30 to 40 years when it can be brought up to a forest. It added that this is an extremely slow and resource intensive process, concluding that Parties need to be very careful in how they craft the revegetation definition and what is the eligibility criteria.

China noted the difficulty with the current A/R projects in the CDM, seeing this as a barrier to including revegetation in the future CDM.

Australia said its domestic climate policy is based around avoided emissions and sequestration projects, meaning it has had to grapple with issues around baselines, definitions, additionality, etc. and has developed detailed methodologies for each type of activity. It said these are available online and encouraged Parties to look at those to help this discussion.

South Africa noted the danger of negative impacts on biodiversity if land that was degraded with indigenous forests is converted into a plantation with exotic species, saying that incentives would be needed to revegetate with indigenous species.

Zimbabwe noted that revegetation is a process and so building blocks up to the revegetation stage is important, and it could be important to look at how much carbon is being fixed in the preliminary part of the process.

On outcomes from the workshop, **co-chair Hunt** noted there was no mandate for a formal report, but that Parties may request the secretariat to prepare a report on the workshop, and summarised the workshop saying the history of past land use and degradation issues, with the potential to address these through revegetation with many co-benefits were identified. Different proposals for classifying revegetation activities were made: economic or productive function, woody or non-woody, permanent or non-permanent, with a proposal to focus on woody and perennial revegetation which would allow A/R modalities to be applied to the new activity category under the CDM, allowing revegetation projects to come online sooner. Any other definition of revegetation would require new methodologies. The co-chair also noted discussions on how revegetation activities can help some Parties fulfil their nationally determined contributions, and how to link this work to forums elsewhere and how to find a way of advancing work on this issue.

Informal consultations

The final informal consultation, open to observers, was convened on Tuesday, 24 May, to discuss the elements for a draft decision which had been developed during the closed sessions.

India, speaking for the **G77 and China** was the first to take the floor, expressing support for forwarding the elements of the decision to SBSTA 44 for adoption, but was not in agreement with the call for closing the work programme (contained in the annex of the conclusions which later became the CRP document).

India reminded Parties that the original mandate for this work programme included: comprehensive accounting; revegetation; non-permanence; additionality, as well as additional activities discussed here, and as the other items had not been discussed at length, and given the likelihood of very little time to discuss at SBSTA 45, India opposed the idea of closing the work programme at CMP 12 (the session in Marrakech later this year).

Co-facilitator Hunt acknowledged there is not full consensus in the room on any or all of the annex (the CRP document), but suggested that the annex should be a useful basis for discussions at Marrakech, rather than an indication of consensus.

Brazil supported India, noting that while the entire annex was in brackets, specific brackets were needed

on areas of non-consensus. **Uruguay** suggested that completing the work, and continuing its consideration of the work at SB 45 should both be bracketed, as alternative options.

Norway noted that given the interest in Article 6 of the Paris Agreement, the discussions here are of interest to a broader audience. Rather than pre-empting this broader discussion, it proposed adding 'with a view to conclude' at SB 45 in the SBSTA conclusions text, and then deleting the entire annex on the elements of a draft decision.

The **EU** noted that it engaged in these discussions in order to expedite the closing of these agenda items, and preferred to discuss these agenda items under Article 6 of the Paris Agreement. The EU objected to Uruguay's proposal, preferring a clear option to close the agenda item at SBSTA 45.

Uruguay, Colombia and India responded to Norway and the EU that in deleting the annex, all progress in the discussions would be lost.

Following further exchanges and proposals from Parties, Co-facilitator Hunt proposed to label the annex as a 'CRP', but retain the title as 'elements for a draft decision'. Parties agreed to this as a way to capture discussions, so that in Marrakech the CRP could form the starting point for further discussions.