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SBSTA: Proposals to weaken rules on non-permanence of land-use activities in the Clean Development Mechanism

London, Nov 27 (Teresa Anderson) - Parties at the Warsaw climate talks came closer to weakening the rules around non-permanence for land use activities in the clean development mechanism (CDM), with technical discussions about proposed methodologies to address risk of reversals, with a particular focus on buffers, liability and duration of projects.

('Risk of reversals' refers to the risk that carbon sequestered in the land-use sector will be reversed to the atmosphere, due to loss of forests, grasslands, etc. 'Buffers' refers to an accounting methodology of maintaining a buffer of emissions reductions (as land area or as reserved credits) which are not included in accounting, or available for crediting. If reversals occur, credits in the 'buffer' can be used, to cover the emission losses. Liability refers to the question of which Party takes responsibility for emission reversals.)

Discussions took place under the UNFCCC's Subsidiary Body for Scientific and Technological Advice (SBSTA) under agenda item 12(b) relating to 'Land use, land-use change and forestry (LULUCF) under Article 3, paragraphs 3 and 4, of the Kyoto Protocol and under the CDM.'

With no agreement reached in Warsaw, the SBSTA agreed to continue, at SBSTA 40 (June 2014), its consideration of issues relating to modalities and procedures for possible additional LULUCF activities under the CDM and modalities and procedures for alternative approaches to addressing the risk of non-permanence under the CDM.

In a contact group co-chaired by Lucia Perugini (Italy) and Marcelo Rocha (Brazil), Parties agreed to prioritise work on CDM issues over discussions on more comprehensive accounting in LULUCF rules under the Kyoto Protocol (KP), with a view to forwarding a draft decision for consideration by the Conference of Parties meeting as the Parties to the Kyoto Protocol (CMP10) in December 2014. They broadly agreed that the issue of more comprehensive accounting should also be considered next year and should consider inclusion of non-Parties to the KP, and debated a proposal to close the agenda item on additionality.

Discussions began with Co-chair Rocha explaining that due to lack of time in Warsaw in the SBSTA 39th session, the group needed to decide the way forward.

Brazil, **on behalf of the G77 & China**, had a number of questions regarding the details of Parties' submissions, e.g. around buffers, reversals and emissions from civil pastoralism.

Issues relating to the CDM: additional activities and alternative approaches to addressing the risk of non-permanence.

Brazil proposed to focus on two agenda items related to the CDM: new activities in the CDM, and additional activities to address non-permanence. **China, New Zealand** and **Thailand** agreed to focus on discussing the two CDM issues during this session, postponing discussions on comprehensive accounting under LULUCF and additonality.

More comprehensive accounting

The **European Union (EU)** and **New Zealand (NZ)** agreed that time was limited, and the need to prioritise, but requested that comprehensive accounting be considered if additional time can be found. **Gabon** asked that comprehensive accounting be prioritised at SBSTA40. The EU and NZ suggested that a move to more comprehensive accounting considers the participation of non-KP parties. New Zealand suggested that this could be discussed under the topic of "methodological issues relating to the KP and the Convention."

Additionality

Australia, **New Zealand** and the **EU** proposed to close the agenda item on additionality, saying that they signed up to the second commitment period of the KP based on already agreed KP rules, and it was too late to discuss changes to those rules.

('Additionality' refers to a project or activity which reduces anthropogenic emissions of greenhouse gases below those that would have occurred in the absence of the project or activity.)

Brazil thought a discussion of additionality would be worthwhile, and suggested that the issue would apply to the post-2020 discussions, and could be connected to the comprehensive accounting issue. **Australia** suggested closing the issue but keeping it in the back of our minds for 2020.

Indonesia and **Gabon** noted that each time Parties do submissions they get more detailed, specific and useful. Therefore, they felt it was worth having another round of submissions.

The Co-chair said that the informal session would focus on questions and clarifications regarding submissions on CDM issues and steps to move forward for SBSTA40. He indicated that he would hold bilaterals with Parties on the proposals around additionality and comprehensive accounting, in order to recommend the way forward.

Parties met again on November 13 to clarify issues from their submissions. Much of the discussion focused on issues around buffers and the methodologies for ensuring permanence.

Buffers

Parties discussed **Chile's** submission for a methodology on non-permanent activities, which proposed using buffers for accidental reversals. Chile explained that intentional reversals would be illegal and punishable by national law. The size of the buffer would be determined using a methodology from the voluntary carbon markets, and would be reassessed after 5 years to change the percentage of the buffer area.

The **EU** asked how buffer size was determined, how many projects this would cover, and whether compensation from the guarantee would be made in financial terms or in credits.

Singapore asked about natural disturbance such as forest fires. **China** suggested that as several voluntary carbon markets use buffer approaches, insurance and buffer-backed insurance, that the benefits and risks of these approaches could be assessed.

Australia saw merit in Chile's proposal, and drew attention to their September 2012 submission, which proposed host country responsibility to ensure permanence. Australia said in its domestic offset scheme, it distinguishes between intentional and unintentional reversals. If unintentional, if the project undertook to restore carbon stocks they would receive credits once the stock had been restored. If the reversal was intentional, they were required to pay back all of the credits received until that time.

New Zealand shared their specific experience as the only country with a trading scheme on carbon forestry. Farmers were asked how they wanted non-permanence to be treated, and they opted that they wanted full responsibility themselves, rather than the government to take responsibility through a buffer, They therefore do not distinguish between intentional and accidental reversals, as all credits must be surrendered. However, once New Zealand devolves the credits to the KP, they are no longer responsible and would not want to make forest owners responsible.

Colombia suggested that host countries and project developers should be able to choose between existing and new approaches to non-permanence, to increase flexibility.

Belarus asked how long permanence lasts for, and whether the duration should be limited to make this manageable, as strict permanence rules means that a project will not happen. In some voluntary carbon markets, 100 years was considered reasonable.

However **Papua New Guinea** stated that permanence means permanence and a100 year duration should not be considered permanent. **Belarus** argued that as the voluntary market has solved the issue, such projects are functioning well, and permanence is reached for the duration of the time such as 50 years, with insurance on the risk that it is not reached.

Other issues

China emphasised that with the CDM, developing countries carry the entire risk and that this was not fair. They warned that if non-permanence is not fully dealt with, the credit should not be fully fungible. **Papua New Guinea** agreed to talk to their experts developing their proposal, to clarify what happens to credits at the end of the project.

Ethiopia highlighted additional activities such as improved cropping. **Indonesia** requested more submissions and workshops before SBSTA40.

Co-chair Perugini suggested that several issues highlighted could be further developed, and discussed in more detail in the next session. Particular issues to address could be how it can work with the length of the project, validation, risk assessment, who is responsible, and how and when. Written submissions could be more specific as to the above questions.

In the closing contact group, co-chair Rocha presented his draft conclusions. The secretariat would prepare a technical paper exploring options for consideration of additional activities, and alternative approaches to address the risk of non-permanence under the CDM. Parties and observers were invited to make submissions by 28 February 2014. Subject to available finance, a workshop on these issues would be held before SBSTA41, and would take Parties' views, the secretariat's technical paper, and outstanding issues raised at SBSTA40 into consideration, with a view to forwarding a draft decision for consideration and adoption at CMP10 in December 2014. He proposed that SBSTA would continue consideration of issues relating to additionality and more comprehensive accounting, but that any outcomes would not be applicable to the second commitment of the KP.

Australia, supported by the **EU** and **NZ,** intervened to propose that the agenda item on additionality should be closed, as the limited time available required prioritising of the other issues. **Ethiopia, Papua New Guinea** and **China** requested to keep the issue of additionality open, highlighting its importance with regards to the post-2020 agreement.

Papua New Guinea said that they were not as interested in CDM issues, and proposed to keep additionality open, by merging it with comprehensive accounting. **The EU** responded that the two issues were related, but could not be merged. The Chair reflected that although several countries wished to close the issue, the **LDCs** still wanted to keep it open, and may still want to better explain their thinking in submissions. The question of whether the issue should be closed could be considered again in June.

On more comprehensive accounting**, New Zealand** proposed an in-session workshop on this issue at SBSTA40. **Gabon** also highlighted slow progress in this issue, and hoped to see progress next year. They hoped to see a workshop on this issue in 2014 but that it would need enough time for it to be useful. **Australia** responded that they believed that CDM issues were of greater priority and should be the focus of a workshop in 2014.

On issues relating to the CDM**, Thailand** suggested that if no workshop could be held before June, an in-session workshop could be held. They further requested that the secretariat should not limit their paper to information in Parties' submissions, but that they should compile information about additional CDM activities gathered from around the world.

The Co-chair clarified that if funds were available the workshop would be held before SBSTA41, and if no funds became available they could consider an in-session workshop in June or December. He emphasised that there was no need to decide here in Warsaw, but to assess the situation in March 2014 once Parties had made pledges [or not]. He further invited Parties to highlight useful and relevant information to the secretariat, as well as their submissions.

Norway supported the Chair's proposal. **Japan** also broadly accepted the Co-chair's proposal, although they questioned whether there would be sufficient material available to delve into detailed discussions during SBSTA40. **China** also supported the Co-chair's proposal, although were worried about limited time availability if the workshop was in-session.

Thailand asked whether the secretariat planned to identify modalities and procedures for each possible new additional activity, or whether they would come up with general modalities applicable to all activities. They requested that this issue be prioritised, and a draft is prepared in June.

The Co-chair emphasised that SBSTA40 was an opportunity to negotiate, so the decision on the workshop could be made then. **Papua New Guinea** agreed as there was more time available during SBSTA than the COP. It asked whether Parties could make presentations during informals. The Chair replied that it might be possible, but that they could probably not reach agreement on that here.

Colombia proposed that the technical paper developed by the secretariat explore "modalities and procedures" for possible additional LULUCF activities**. Papua New Guinea** added that instead of "exploring modalities and procedures" the text should read "implications of modalities and procedures."