

Report on the informal EU workshop on the future treatment of LULUCF



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Final Workshop Report

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Introduction

The Netherlands as the presidency of the European Union, and more specifically the Ministry of Agriculture, Nature and Food Quality (LNV), organised a workshop on 21 and 22 October 2004 to consider the role of land use, land-use change and forestry (LULUCF) in future climate regimes.

The programme of the first day (Thursday 21 October 2004) consisted mainly of presentations. Mr. Murray Ward (New Zealand, G triple C) started with his presentation on the history and principles of LULUCF, elaborating the history of the current sinks provisions. Mr. Marcel Berk (Netherlands, RIVM) continued with an overview of possible climate regimes and the role of LULUCF within those regimes. Ms. Eveline Trines (Netherlands, Treeness Consult) discussed the sinks-specific features in those different climate regimes, followed by a presentation on the impact of, and possible options for the inclusion of avoiding deforestation in future climate regimes. And finally, Mr. Ian Noble (Australia, The World Bank) presented his view on the interlinkages between adaptation, mitigation and sustainable development.

The second day (Friday 22 October 2004) started with a recap by Mr. Bas Clabbers (Netherlands, Ministry of LNV) where he summarised all areas that were identified the previous day as being relevant if we want to make progress with defining the role of sinks in future regimes. Subsequently, the group was divided into two to prioritise the identified areas (which need to be studied most urgently) and to formulate the most relevant (policy) questions associated with those areas. The afternoon session brought together the results of the working sessions and next steps were discussed.

Presentations¹

Presentation 1: “Looking behind to move forward”

The first presentation by Murray Ward from New Zealand addressed the lessons to be learnt from the past and some objectives to move forward. Some major lessons from Kyoto could be: Firstly, LULUCF entered the Protocol at a final and late stage. This meant adequate data were missing which caused many problems implementing the base year (1990). Net-net accounting created serious problems for some major forestry countries and a standard full accounting gross-net approach would create a large loophole in the system, especially when added to the "missing sink". The solution that was chosen to resolve this, the limited activities "since 1990" approach in Article 3.3, then spawned a suite of new problems, which eventually have made the Protocol even more complex. In particular, partial carbon accounting creates system boundaries that result in complex monitoring and accounting requirements that may exclude participation. Hence, for the second commitment period it is important to prepare the LULUCF 'chapter' carefully.

These lessons could result in some objectives, or principles, for the coming years. Article 2 of the UNFCCC is very important; integrity and robustness of expected environmental outcomes should be priority number one. Furthermore, a credible scientific basis and practical implementation rules are needed. Finally, inclusiveness will attract more participation. This can be improved by perceived fairness (equity) while having the ability (flexibility) to deal with different country circumstances and avoid market distortions. Also enhancing opportunities to participate in climate action, attracting investment in climate friendly outcomes and improving simplicity could help to get a maximum inclusiveness.

The final and essential question is then: “What outcomes are we now seeking to achieve with a LULUCF policy framework within a broader climate change policy regime?” which was the central question for this workshop as well.

Some remarks made by participants indicated the importance of flexibility in LULUCF, as well as realising on time where the major problems will occur, to be able to anticipate and create solutions. One participant brought to bear that the size of the impact of deforestation was not realised at the time the Kyoto Protocol was negotiated and that the role of LULUCF has taken on a different perspective in that regard. A remaining point of concern was and is the current inability to factor out

¹ The slides of all presentations have been sent by email (26 October 2004)

direct human-induced effects on carbon stocks from natural and indirect human-induced effects. This potentially creates a major loophole.

Presentation 2: “Some options for future climate regimes”

Marcel Berk (RIVM, Netherlands) presented various designs of post-2012 climate regimes and related those architectures to LULUCF. He elaborated on the different dimensions of the regimes, including e.g. the types of commitments, equity aspects and stringency of commitments. The list of plausible architectures was overwhelming but he elaborated only on some of them, which appear to be the most promising. The following regimes were explored in more detail: the Brazilian Proposal, the Multi Stage Approach, the Contraction and Convergence Approach and the Emissions Intensity Approach (see also Appendix C).

Marcel Berk furthermore stressed the importance of keeping the long term perspective of the climate change regime in mind, to keep low stabilization levels within reach. One critical message he had in this context for the workshop participants was that if we ever want to achieve acceptable stabilisation levels, we need to include action on sinks in the regime because the contribution of that sector to the overall GHG emissions total is simply too significant to exclude the sector. Furthermore, including land-use emissions results in an earlier equal contribution of industrialised and developing countries to the global temperature increase. He also made the point that the different contributions of geographic regions to temperature increase differ significantly when one looks at just fossil CO₂, all CO₂ emissions, or all GHGs.

Another important point he made was that the current debate on new regimes includes very little on the subject of LULUCF, not in the last place because there is barely any (peer reviewed) literature on the subject yet. This situation should be changed to avoid (again) a late or mal-informed treatment of LULUCF in the negotiations.

Workshop participants pointed out that the 550 ppmv as a starting point could be unacceptable for some Parties, e.g. the USA. Furthermore, it was mentioned that it is highly unlikely that the Contraction and Convergence approach will be supported by China and some other key developing countries. Hence, a conclusion was drawn that we have to keep the political reality in mind.

Presentation 3: “The future treatment of sinks”

Eveline Trines (Treeness Consult, Netherlands) presented the differences between the same regimes discussed by Marcel Berk from a sinks perspective, and elaborated in particular on the quantification, reporting and verification issues that

have been instrumental in achieving a final sinks deal in most recent negotiations. The issues of spatial coverage, base year/period, scope, modalities and accuracy/level of detail were discussed whilst emphasizing that these are not so much dependent on the choice of regime, but are driven rather by political and/or technical consideration.

She also elaborated four criteria against which the different approaches could be assessed, stating that this list of 4 criteria is by now means comprehensive and will need significant further elaboration. This tied in with the earlier remarks made by Murray Ward that we now first need to determine what it actually is that we are trying to achieve with a future regime: we need to define principles and criteria first, followed by the development of modalities to achieve these goals. The criteria mentioned in this presentation were environmental effectiveness, scientific soundness, 'just' in terms of ethics and equity and finally (partially as a result of the previous) political acceptability.

Finally, Eveline Trines made a first attempt to "score" 5 approaches for regimes against these criteria, stressing that the rating is highly judgemental at this stage and acceptance of a regime not necessarily based on rational assessments but are rather dependent on perceived 'fairness', 'personal' preferences of individual countries and political will.

Participants pointed out that separate LULUCF targets create flexibility and economic possibilities, but could be negative to e.g. Canada and Australia – countries with potential high levels of emissions in that sector. They also brought up the issue of factoring out again, which may not have a scientific solution at this point in time and therefore, can become an obstacle when discussing the different regimes, whilst it was acknowledged that factoring out is problem that occurs on the sequestration side of the equation and not on the emission – or emissions reduction side.

Presentation 4: "Avoiding deforestation (AD): some thoughts and approaches"

This subject (also presented by Ms. Eveline Trines) is increasingly being discussed in different fora and will be an important debate in the context of negotiations on future regimes. Eveline Trines gave three main reasons to include AD into a future Protocol: a) deforestation is responsible for 25% of the global total GHG emissions, b) continued deforestation will undo 4/5 of the KP during the first commitment period (a statement that was questioned by some workshop participants), c) there is a lot to be gained by all parties and the environment if AD is included properly into a future regime.

Eveline Trines elaborated the reasons that have been mentioned in the past for excluding AD from a regime and the workshop participants agreed that although the reasons at the time were legitimate and correct, we now need to look at the issue of AD in new light.

Eveline Trines commented on what is in it for developing countries, which later raised the question in the audience what our main reason is to include AD: reducing emissions or enlarging the participation of non-annex I parties in a future regime. A very relevant question that wasn't answered but that will need further work in the near future.

She subsequently presented three proposals that are not mutually exclusive but can rather be complementary.

1. "Compensated Reductions": a proposal originating from a Brazilian NGO called IPAM and supported by the Brazilian Ministry of Environment, whereby a country takes on a voluntary national reduction target of emissions from deforestation against an accepted baseline;
2. "Soft Capping": a proposal originating from Ian Noble from the World Bank, whereby a country selects a region, determines a baseline for that area, a baseline that needs to be approved by external independent bodies, and performs against that baseline. Reductions can be banked as credits in a buffer account and can be used if emissions go up again. Access credits can be traded; and,
3. "Flat Rate Baseline": a proposal by Eveline Trines from Treeness Consult whereby project or area level crediting is done against a flat baseline that is periodically updated to avoid crediting against a baseline that describes very poor environmental performance that is expected in the future in a business as usual scenario.

In an analysis of experience with 'avoiding deforestation' projects (a name that should be altered, agreed the workshop participant, to better describe what the main objective is) highlighted the importance of accurate and reliable baselines, integral programmes to avoid and quantify leakage and strong socio-economic community programmes.

The workshop participants agreed that AD is an important issue that should be dealt with in the near future to take it into account of a future regime. Relevant questions posed were: what's the position of other countries (Brazil, USA, Canada, etc.) on this issue? And as stated previously: are we doing this to get developing countries on board, or is it to reduce emissions? And how could AD be included, e.g. under the CDM? Another suggestion was to combine the AD regime with the GHG inventory system, which is now under preparation, to have the sector included in what we now refer to as the Annex A sectors: currently non-LULUCF sectors. Finally, an issue brought up was the effectiveness and fungibility of including sinks: we have to quantify and qualify definitions to make sure we all understand the same and agree on the effect that sinks have on climate change mitigation.

Presentation 5: “Adaptation, Mitigation and Sustainable Development”

The interlinkages between these three subjects are getting more and more attention. Ian Noble (World Bank) presented his view on these interlinkages. He elaborated on synergies both between mitigation and sustainable development (SD), and mitigation and adaptation. He also highlighted some of the trade-offs and conflicts between the different areas and illustrated the win-win potential with one of the World Bank funded projects of breeding seedlings in a community based project to rehabilitate badly degraded lands in Tanzania, Africa.

The major issues raised by Ian Noble were additionality of sinks, who pays for what kind of adaptation and how to handle cost incrementality. Some of those questions were answered to some extent in his analysis were the greatest returns can be made from sinks projects: from the point of view of mitigation, SD and adaptation.

Ian also spent some time discussion impact from fires world wide and annual and inter-annual variability in climate, or weather patterns.

His general conclusions were as following:

- Sinks must be included in any regime (separate or fully fungible).
- The negative interactions between A, M and SD are manageable.
- Developing countries will not engage unless adaptation is given better consideration.
- Cost effectiveness assessments of mitigation versus adaptation are exercises in "crackpot rigour".

But a central question remains: who should pay for adaptation?

Finally, he elaborated on “new thinking” with respect to funding adaptation related activities through multi-lateral funding: a sliding scale rather than full incremental costs for any type or size project. A discussion that is highly relevant right now in the negotiations in relation to the expenditure of the new funds (Special Climate Change Fund, Adaptation Fund, and Least Developed Country Fund).

Some reactions on the presentation indicated that data on adaptation are not yet sufficient within the EU, as well as outside the EU. Risk management is probably most (cost-) effective to handle adaptation.

Gap analysis

The second day started with a recap of the outcomes of the previous days. Bas Clabbers went through all the issues that had come to light the day before and explained the workshop participant what the intend was of the second day: prioritise the issues that were identified, list the most important questions associated with those areas and indicate what action it would require to remedy the gap.

The format was to divide the participants into two groups. Each group prioritise the issues and listed the questions. Time was lagging to treat all issues but both groups came up interestingly enough with the same 3 areas as needing attention most urgently.

Finally, in a plenary session these results were discussed and some further action was defined.

Recap of presentations and discussions

The organising committee proposed a list of eleven subjects which were the most important issues that came to light the previous day. These subjects were (in short):

- Contribution to Article 2, 2 degree target
- Positive action towards avoiding deforestation
- Separate targets and fungibility, liability
- Inclusion of LULUCF in Multi Stage Regime
- Reporting in relation to Multi Stage Regime
- Aim: participation vs. emission reduction
- Factoring out / full carbon accounting
- LULUCF input for modelling
- Contribution towards SD and adaptation, trade offs and conflicts
- Pragmatic modalities for reporting
- Harvested Wood Products
- Verifiability

Two subjects were added in the meetings of the two groups:

- Mobilising investment
- Geological carbon storage

Key questions

Many, many key questions have been formulated in the two groups, almost on all defined subjects. This list seems to be a good start for future discussions and actions on LULUCF.

Both groups identified the same three issues as the main issues, here listed as numbers 1 to 3. Nevertheless, this does not mean the other issues do not have to be discussed: in fact all items were considered more than worth discussing in the near future. Table 1 represents the outcome of the two morning sessions and as summarised in the final plenary session.²

Table 1.

	Item	Question
1 ³	Contribution to article 2 & 2 degree target	<ul style="list-style-type: none"> a) What is the trajectory for LULUCF to achieve various stabilisation levels (both agriculture and forestry)? b) How, where and when can ecosystems adapt naturally: under which circumstances are different ecosystems still “safe”? c) How will the absorption capacity of terrestrial systems change over time, including in the long-term d) What are the opportunities and risks of different options for treatment of LULUCF with regard to achieving the EU 2 degree target? e) What regime can lead to broad participation and early action? f) How can the various mitigation roles of the biosphere best be included in a future regime? g) How to save the global carbon goals? h) How to manage monitoring? i) Is there a scientific basis for claiming exclusion of LULUCF from any future regimes?
2 ¹	Positive attitude towards avoiding deforestation (AD), Sustainable Forest Management (SFM), protect and enhance reservoirs and sinks – distinct LUC and	<ul style="list-style-type: none"> a) How to apply a mechanism to protect pristine forests in countries without a national emission reduction target b) How to take the international forest dialogue into account: UNFF, FAO, CBD, ITTO. (UNFCCC to be more pro-active in the CPF) c) Should AD be solved through the CDM or through some commitment from NAI (projects cannot solve the problem – this issue needs to be addressed on a higher level, needs to

² Questions were juggled down on post-its in a rather rushed “sticker” session where workshop participants could add their “post-it” on the board of the issues. These questions were later on typed up *verbatim*: hence some unfinished sentences where handwriting was unreadable. Apologies for those imperfections.

³ This topic has been discussed in the break-out group.

	management	<p>be part of overall agreement)</p> <ul style="list-style-type: none"> d) Develop an 'easy' system for NAI to report on D/LUC (is inventorying D or SFM in NAI countries possible?) e) How to avoid carbon fluxes (we need more than stocks, AD) f) Why did conservation fail in the past in other initiatives? g) What mechanisms are needed to encourage developing countries to address aggregated GHG emissions from their LULUCF sector? h) Contribution of AD to article 2 is large: how can we get forward? i) Rationale for including AD? j) How to create effective measures? k) Can national and project level be combined? l) What reporting system (satellite?) m) Can we credit a reduction in degradation (Baselines) n) What measures and instruments can help protect carbon stocks o) How to change focus from D to sustainable land use, incl. regional dev., biodiversity and climate change? p) How to make it attractive to countries to take on targets without creating a lot of hot air? q) Develop regional elements for SFM
3 ¹	Separate targets and fungibility, liability	<ul style="list-style-type: none"> a) If targets and compliance regimes are separate, who will then be the <i>demandeurs</i> for the credits? b) How can we give incentives to foster SFM if we have separate targets? How do we link the 2 systems then? c) What could the target for Annex I or non-Annex I Parties be? d) What is the incentive to include LULUCF if separate targets are implemented? e) Can temporary RMUs solve the liability question? f) Do we really want to call them separate targets? g) How feasible is it to negotiate such a radical change to the existing protocol? h) How to maximize flexibility without compromising biospheric C stocks / sustainable land use? i) Are some case studies on the consequences of different rules needed?
4	Inclusion of LULUCF in MSR Thresholds/ measures	<ul style="list-style-type: none"> a) What might be feasible thresholds? b) What kinds of measures on LULUCF are envisaged? c) Criteria for inclusion? d) How to avoid leakage? e) How are countries incentivised to move from one stage to another?
5	Reporting in relation to MSR	<ul style="list-style-type: none"> a) When and how does LULUCF enter into the stages of MSR b) What types of LULUCF actions in which stage would be feasible / desirable?
6	Aim participation versus emission reduction (criteria)	<ul style="list-style-type: none"> a) What are the key countries to achieve the 2 degree target? b) How do we get USA and DCs engaged with dialogue on future climate regime? c) Should LULUCF and agriculture be included as obligatory or voluntary element? d) What is the most attractive sinks package to encourage the wider participation in emission reductions by non-Annex I countries?

		<ul style="list-style-type: none"> e) Is a timetable needed for reduction, scope and pools included in regime? f) What are the best ways to use LULUCF to widen participation?
7	Factoring out/ full carbon accounting	<ul style="list-style-type: none"> a) Do we have to account on respect of the real effect of fluxes on the atmosphere or do we have to account in respect of accounting impact on national economies? b) What is needed to factor out, positive effect on fluxes or also negative? c) How to achieve full C accounting? d) Reporting requirements under full C accounting? e) Do we still require additionality? f) How to make sure LULUCF negotiations are done in a timely manner, i.e. not after a principal deal has been made? g) If full carbon accounting is the way to go, how to deal with AD?
8	LULUCF input for modelling	
9	Contribution towards SD and adaptation, trade offs and conflicts.	<ul style="list-style-type: none"> a) How to best improve consideration of CBD in climate change negotiation? b) Adaptation and SD should be linked in a way that acting in one should not be negative for the other. c) How to favour SD considerations?
10	Pragmatic modalities for reporting/ National system	<ul style="list-style-type: none"> a) What are the minimum requirements for a national reporting system?
11	HWP	<ul style="list-style-type: none"> a) What is the best dynamic between the different methods to use woods? b) The HWPs are to be an instrument in order to delay the emissions by wood and so capture the real dynamics? Or are to be considered as the fossil fuel (atmospheric flow approach) or as a carbon stocks?
12	Verifiability	<ul style="list-style-type: none"> a) Assessment of verifiability of accounting options needed?
13	Mobilising investment	<ul style="list-style-type: none"> b) Effectiveness in mobilising investment in desired outcomes (i.e. climate friendly LULUCF actions)
14	Geological carbon storage	<ul style="list-style-type: none"> a) How would geological coal storage be rewarded in the future regimes?

Discussion

After the presentation of this table the workshop participant had a lively debate on several issues. They will be reflected here in a truncated fashion.

1. The point was made that we have to select the words we use carefully. For instance, with respect to the 'separate targets'. The impression might be given that sinks should be placed outside an overall accord, what is not the intend at all here but rather the proposal of having separate targets under the same accord or protocol;
2. The issue of full carbon accounting (FCA), also in relation to factoring out was discussed. The idea presented was that if you practice FCA, you may not need to factor out the different effects from those that are directly human-induced. It has emphasised that the two terms (FCA and factoring out) represent different issues that in principle have no relation to each other, namely FCA is a matter of which pools you count, whereas factoring out is a matter of which underlying processes you count. Only if Parties agree to do net-net accounting on an FCA basis, irrespective of the reason for the stock changes, then factoring out is no more an issue. This is definitely an area that was considered by the group as needing further elaboration;
3. It was mentioned that the issue of "avoiding deforestation" (also here caution with terminology is warranted!) may well assist in bringing particular parties on board in a future regime. It was emphasized by various participants that it is land-use change in general that leads to major emissions globally and not just deforestation (although that type of land-use change is identified by the IPCC as the most important contributor, in particular deforestation in the tropics). Alternative language that was proposed for AD was "carbon stock management", which would extend the scope to include non-forest sectors. This is in line with article 4.1(d) of the FCCC that speaks of the sustainable management, conservation and enhancement of sinks and reservoirs;
4. One particular area that was put forward for serious further scientific studying is the variability of sinks in relation to the stability of the whole climate regime. What is the role of LULUCF in a stable climate regime?
5. The different stages of the multiple stage regime raised some questions as well: what would the sinks requirements potentially look like and how will countries be incentivised to move from one stage to the next. It was also suggested that instead of adopting the type of stepped MSR approach, the objective should be as full as possible inclusion of countries (including major developing countries' material sectors) from the outset. This may mean that some developing countries will not be included initially, and for those included some less material sectors may not be included initially either. The type of progressive engagement steps envisaged in the MSR approach might then be considered for those sectors/countries not initially included.

Next steps

Finally, Bas Clabbers listed some actions that will be taken as a follow up from this workshop.

- Table 1 will be circulated for comments among EU LULUCF Experts;
- The Presidency will prepare an EU work programme on the basis of table 1 and the received comments;
- EU experts will discuss the possible role of LULUCF in future regimes informally with other Parties (G77, UG and others) prior to and at SB21;
- An issue group will elaborate the paper on "Future treatment of LULUCF" by the Irish Presidency. The issue group exist of Aulikki Kauppila, Heikki Granholm, Jim Penman, Eugene Hendrick, Rosemarie Benndorf, Zoltan Rakonczay, Bas Clabbers and any other interested experts;
- Two position papers on future LULUCF issues will be prepared for SBSTA 21: one on factoring out and a more general one; and,
- A short paper on LULUCF will be made for the Expert Group on Future Action (EGFA), the Developing Countries Expert Group and the Science Expert Group.

Closing the meeting

The meeting had a wonderful end: the news that the Russian Duma had ratified the Kyoto Protocol broke just after the closing session and some of the workshop participants were able to have a toast on that.

Appendix A

Workshop participants

Austria

Klaus Radunsky
Matthias Braun

Belgium

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Denmark

Peter Iversen

European Commission

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Joost VandeVelde
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Heikki Granholm

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Ian Noble (World Bank)
Eveline Trines (Netherlands)

Observers

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