



AUSTRALIA

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Modalities and procedures for possible additional land use, land use change and forestry activities under the Clean Development Mechanism | SBSTA

I. Overview

This submission contains the views of the Australian Government on modalities and procedures for possible additional land use, land use change and forestry (LULUCF) activities under the Clean Development Mechanism (CDM), as part of the Subsidiary Body for Scientific and Technological Advice (SBSTA) consideration of this issue as mandated by Decision 2/CMP.7.

Australia welcomes the opportunity to submit its views on this important issue. Broadly, Australia considers that:

- the land sector has an important contribution to make to the global mitigation challenge;
- modalities and procedures for possible additional LULUCF activities should ensure the credibility of any emissions reductions and promote environmental integrity through addressing the issues of leakage, additionality, and non-permanence;
 - Australia has introduced robust measures to address these issues under its domestic Carbon Farming Initiative – these ensure the integrity of credits and enable fungibility in the carbon market
- the CDM can continue to play an important role post-2012 in providing cost-effective mitigation opportunities and promoting sustainable development; and
- SBSTA's work on additional activities should be consistent with the goal of strengthening the robustness of the CDM, improving the market functions of the mechanism, and enabling further growth and investment from a wide variety of sources.

II. Elaborating modalities and procedures for LULUCF activities

Australia welcomes this opportunity to consider the views of Parties on modalities and procedures for additional LULUCF activities under the CDM. Australia considers that a first order question to address is the scope of such activities. Parties may wish to use the existing Kyoto Protocol Article 3.4 activities as the basis for additional activities under the CDM. However, this submission process provides a valuable opportunity to consider the views of Parties on possible alternative arrangements, such as activities that are a sub-set of these rules.



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In assessing any possible expansion of the CDM, it is critical that any additional activity be able to provide credible, robust, and environmentally effective and efficient abatement or sequestration.

The inclusion of additional LULUCF activities in the CDM must be supported by robust modalities and procedures, agreed to by the Conference of Parties serving as the Meeting of Parties, which address leakage, non-permanence and additionality. Where possible, the development of modalities and procedures should draw upon existing CDM architecture and existing IPCC Guidelines and updated Supplementary Methodologies, as relevant. These Guidelines and Methodologies provide established technical and scientific data, analysis, methods and expert advice on accounting for LULUCF project activities.

Parties may also wish to consider, amongst other things: the role and application of IPCC Guidelines and Supplementary Methodologies in developing modalities for project activities; the role of Designated Operational Entities; the use of existing participation requirements; validation and project registration systems; and the suitability of existing monitoring, verification and certification mechanisms.

III. Leakage and non-permanence

Any discussion of modalities and procedures for possible additional LULUCF activities under the CDM will require consideration of how to address leakage and non-permanence.

Currently LULUCF related CDM activities are limited to sequestration projects, but Parties may consider expanding this list to encompass projects that reduce or avoid emissions. If this is the case, then it is vital that Parties consider further rules and modalities for addressing leakage.

Australia notes the experience of a number of jurisdictions in developing project level offset schemes. Practical experience of this sort should inform SBSTA's consideration of this issue. Australia has implemented a robust approach to account for leakage in the design of the Carbon Farming Initiative. The Carbon Farming Initiative requires leakage to be addressed within project methodologies, requiring project participants to quantify and account for expected leakage. This can be done in a number of ways, for example, by reducing the expected emission reductions from the project to reflect estimated leakage, or ensuring there is no decline in land productivity as a result of the project. An independent expert committee has been established which approves the proposed approach to leakage put forward in a project methodology.

Australia notes that existing CDM modalities and procedures for afforestation and reforestation (A/R) projects require project participants to identify potential sources of leakage as part of the design document, and require project participants to monitor for, and minimise, leakage.¹ These requirements could be expanded, in the case of additional LULUCF activities, to include both an analysis of sources of potential leakage, and an accounting approach to address leakage within a project methodology.

¹ Decision 5/CMP.1, para. 24, 25 and Appendix B.



Australia considers that modalities and procedures for additional LULUCF activities should address these issues at the design stage, and establish monitoring arrangements to guarantee ongoing compliance. The project design document for LULUCF activities will need to adequately cover all aspects of the project activity, including a methodology for accurate estimation of emissions reductions, on-going monitoring requirements to ensure the permanence of sequestration, and a plan to address non-permanence and leakage.

Australia supports the further development of effective Measurement, Reporting and Verification (MRV) systems and practices for CDM projects. Parties may wish to consider the merits of applying varying leakage factors based on the data available, including sub-national and national level data. The nesting of projects within a sub-national or national system provides a valuable framework for CDM projects, but more broadly provides benefits for inventory system development.

Australia notes SBSTA's concurrent consideration of alternative approaches for addressing the risk of non-permanence under the CDM. It will be important that consideration of additional LULUCF activities includes addressing non-permanence. Australia has submitted to the SBSTA its views on alternative approaches to non-permanence in the CDM.

IV. Additionality

Any discussion of modalities and procedures for possible additional LULUCF activities under the CDM also requires consideration of additionality. Additionality confirms that the emission reductions from the project are greater than what would have taken place in the absence of the CDM, and is necessary to ensure environmental integrity.

Australia suggests that consideration of this issue by Parties includes a number of elements: a baseline approach; tools for verifying additionality; and arrangements to ensure regular review of the additionality of projects.

In the existing A/R framework for CDM project activities, additionality is addressed through a requirement to report the baseline scenario on a project-specific basis,² and with an additionality tool which is currently non-obligatory.³ Under Australia's Carbon Farming Initiative, additionality has been similarly addressed through a combination of mechanisms including a baseline, a regulatory additionality test, and a positive list of activities deemed to go beyond common business practice.

Establishing a baseline scenario is necessary for determining additionality and quantifying greenhouse gas reductions. Expanding the CDM to cover additional LULUCF activities would require the development of baseline methodologies approved by the Executive Board, or the development of a standardised treatment for baseline calculation.

² Decision 5/CMP.1, Annex, para 19.

³ Executive Board meeting 35, Annex 17.



The existing 'Tool for the demonstration and assessment of additionality in A/R project activities' includes analysis of consistency with laws and regulations, investment, barriers, and common practice. In developing an approach to additionality, each of these elements should be considered, and an approach adopted that best ensures the integrity of projects under the CDM. Expansion of the CDM to include additional LULUCF activities will require consideration of how this analysis can be applied to expanded LULUCF activities, whether additionality tests will be incorporated into individual project methodologies, or whether a standardised approach is appropriate.

Under existing A/R CDM projects, the renewal of a project's crediting period requires project participants to update sections of the Project Design Document relating to the baseline, among other components. Within Australia's Carbon Farming Initiative, the identified positive list of additional activities undergoes regular review to reflect changes in common practices over space and time, with project participants required to re-register their projects after specified time periods to confirm whether their project is still eligible based on whether they are still considered additional. Additionality factors, such as common practice, are variable over time and the inclusion of additional LULUCF activities under the CDM may require modalities and procedures to review additionality or baselines on a regular basis, such as when renewing a project's crediting period.

