

Workshop
Land-use Related Choices under the Kyoto Protocol
Obligations, Options and Methodologies for Defining “Forest”
and
Selecting Activities under Kyoto Protocol Article 3.4

BOG: Forest / Forest definitions and policy issues

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BOG Report

NOTE: the country specific information below does not necessarily represent government level choices / decisions. This information may have been made available based on limited access to information. It may be outdated at the time of reading of this document.

1. Introduction

The Breakout group (BOG) on Forest / Forest definitions and policy issues met on 3 and 4 May at the meeting “Land-use Related Choices under the Kyoto Protocol, Selecting Activities under Kyoto Protocol Article 3.4” in Graz, Austria, 2-4 May, 2005.

This report summarises the outcome of discussions based on a series of questions related to FM (implementation and practical issues) posed in the workshop materials. The subjects are discussed under the following main sections:

- Forest definition under KP
- Eligibility of AR activities
- Forest management definition
- Interpretation of the cap (symmetrical/asymmetrical)
- Interpretation of Article 3.7

2. Forest definition under KP

2.1. Country overview of forest definitions

<u>Australia:</u>	Area: 0.2 ha, height: 2 meters, crown cover: 20%. "Cangaroo-test".
<u>Austria:</u>	Not yet adopted FRA 2000, but will try do so in next forest inventory.
<u>Canada:</u>	No final decision, but likely area: 1 ha, height: 5m, crown cover: 25%, width in the 20-30 meters range (still under discussion)
<u>Denmark:</u>	Like Finland, FRA 2000. Includes forest roads and open areas as part of forest management.
<u>Finland:</u>	Adopted exactly FRA 2000, 10% crown cover. Q: should forest roads be included? FAO: are included. Kyoto: ?
<u>France:</u>	FAO definition, area: 0.5 ha, height: 5m, crown cover: 10%, problem with French Guyana. No minimal width yet. Forest roads are included.
<u>Germany:</u>	Not known.
<u>Hungary:</u>	FAO definition (area: 0.15 ha, height: 5 m, crown cover: 30%), width: not known.
<u>Ireland:</u>	Similar to FAO, but slight variation. Area: 0.1 ha, height: 5 m, crown cover: 20%, 20 meters width.
<u>Italy:</u>	Not yet adopted. Probably, area: 0.5 ha, height: 2 m, crown cover: 10%, somewhat different from FAO. width: no indication yet
<u>Japan:</u>	Not decided officially, but most probably the country will elect FM. Very high cap (13 mio tC). Def: most likely use “managed forests”. Japan is mainly considering the narrow approach. The managed forests will be delineated using a map of forest management, where stands subject to management are marked/registered. Practices that bring land into FM are: thinning, weeding, precommercial thinning, etc. In protection forests under

	FM, the practices may be defined relatively broad sense.
<u>Luxembourg:</u>	To be decided later
<u>New Zealand:</u>	Not FAO, more conservative: subject to legislation, area: 1 ha, height: 5m, crown cover: 30%, width: 100 meters (riparian zones, ... hard to estimate).
<u>Sweden:</u>	Not yet any final decision, maybe FAO definition – area: 0.1 ha, height: 5 m, crown cover: 10%. Width: no decision yet. Forest roads: included?
<u>Switzerland:</u>	Definition of NFI, area: 0.0625 ha (if 100% cover), for lower cover the minimum size is larger. No final decision. Height: 3 m, crown cover: 20%, width: 20 m.
<u>Ukraine:</u>	FAO definition, crown cover: 30%, height: 1.3 meters? (but below bracket?), area: 0.1 – 1 ha depending on forest inventory accuracy, type of forest. 20 meters forest width proposed.

Forest roads: if they are forest, then road building is not deforestation. Another advantage: this would be in line with FAO definition, avoids extra work. However, note: an interpretation consistent with the Marrakech Accords and GPG is that if road building removes forest wider than the width threshold for forest, then this would have to be accounted as deforestation.

Forest definition based on land cover versus land use. This issue is included in the FAO forest definition: “temporally unstocked areas” are part of forest. (potential height, crown cover). This implicitly introduces a land-use component. Does any country include land use in the definition?

– 1990 baseline for AR.

In Finland NFI includes information on land-use changes, thus the 1990 baseline is easy applicable. NZ will use remote sensing, photography and local knowledge in order to remap the country for 1990. Other countries plan to use time-interpolation.

– GPG LULUCF requires countries to elect a time period after which a forest cover loss is classed as deforestation (see GPG, to be defined by country). In many countries this time period may be as long as, or longer than, the commitment period. What does this mean for the finalization of reports by 2014? According to GPG the areas deprived of crown cover should be classed as forest until the above mentioned time period will elapse.

– managed versus unmanaged (undisturbed areas, unproductive areas, reserves). UNFCCC vs. Kyoto reporting

UNFCCC: GHG inventories cover only managed forests.

Are there countries that exclude certain “treed” areas from their reporting? Switzerland and Austria exclude lands that are not accessible (Switzerland also excludes bush land). Canada: UNFCCC so far only included productive forest (timber production). There is more intensive fire management in the productive areas. Currently checking: what would be the impact of including these areas subject to “less fire management”.

– How to split FAO „other wooded land“ into different categories (grassland, etc.)

This problem is especially important for Mediterranean countries, boreal, and for alpine regions. There exist some country specific solutions, e.g. in Finland: „other wooded land“ is separate from forest, no overlap exists between forest and other wooded land.

Should „other wooded land“ be grassland, or other land? For Kyoto Protocol purposes, countries should come up with a hierarchy for land categories. If land is grassland, but not grazing land, then it cannot be accounted for under KP. For example: in Denmark, Pinus Mugo planted to stabilize

sand dunes will not reach height threshold and it will not be reported as forest. Under FAO requirements, it will be reported as other wooded land. Under Kyoto could be reported as revegetation (if this activity is elected by the party).

3. Eligibility of AR activities

3.1. *Drained peatlands: is this afforestation or reforestation?*

5 mio ha of peatlands have been drained in Finland since late 50s. Drainage lasted until 80s. North Finland: part of drained peatlands exceed forest definition thresholds after 1990. Drainage was in 1980s. actual forest cover exceeds threshold in 1995. If drainage stops, they may go back to other wooded land. This is not reforestation since 1990, because the “crown cover at maturity” was already above the threshold once the decision was made to drain. Problem: in 1990 inventory these lands were not classified as forest in Finland. The discrepancy should be explained in the GHG inventory report.

GPG LULUCF: the term: “the onset of the activity” should be defined. Drained peatlands could be only accounted under “forest” if they have occurred since 1990, or if they occur at forest management lands, and FM is elected, or on other lands that are elected as activities under Art. 3.4.

3.2. *Afforestation by natural regeneration?*

Is Afforestation by natural regeneration included under Art 3.3?

Abandonment is a direct human induced (DHI) activity, and thus these lands fall under Art 3.3. Indirect activities include N, CO₂, climate change, pollution, water, etc. Therefore, land abandonment could not be classified as indirect activity.

When the abandoned land may be classified as forest? When it is expected to become a forest, and depends on the national definition. Is natural forest establishment included? Is it direct human induced? How to determine the commencement date? Is fire, followed by failure to regenerate, considered as DHI deforestation? These problems should be solved using GPG LULUCF approach. The approach should be interpreted in a way that retains symmetry between AR and deforestation:

4. Forest management definition under KP

Under the Marrakesh Accords, “Forest Management” is defined as “a system of practices for stewardship and use of forest land **aimed at fulfilling relevant *ecological* (including biological diversity), *economic* and *social* functions of the forest in a sustainable manner**”⁵⁰. It includes both natural forests and plantations meeting the forest definition in the Marrakesh Accords with the parameter values for forests that have been selected and reported by the Party.

We agree that one of the three functions is enough. IPCC interpreted this as “or”. “Aimed at” is important to prevent “cherry picking”.

4.1. *How FM is defined relative to managed forests?*

Australia:	Cap of zero, thus no FM.
Austria:	Undecided on definition, and on election of 3.4. main controversy is about protection forests. 12% of forest cover is non productive protective forest. It is not managed for timber, but for other purposes (avalanches, ...).
Canada:	No decision yet on FM. FM and managed forests are expected to be the same, and not all forest in Canada is managed. Unmanaged: have never been harvested, and

	are currently not planned to be harvested.
Denmark:	All managed forests are FM. Decision on 3.4 not taken. Main argument: does not see C increase as a benefit, landowners get incentives to convert to broadleaves etc., that are not necessarily consistent with C objectives.
Finland:	Not adopted FM, based on some studies. Gain was perceived to be too small. Debit from Art 3.3. depends on the handling of peatlands (see above). This was a “close decision”. Cap = 0.16 MtC, real removal by trees is 6 MtC. Debit from 3.3 is not very high. Forest industry still plays high role in economy; there was a fear that in a coming commitment period there could be restrictions to industry. Without Art 3.4 there is more flexibility in forestry. The non adoption is a recommendation by a policy panel. Final decision by parliament in autumn.
France:	May adopt FM. Definition: still to be worked on. Especial problem is French Guyana: (8 mio ha of forest in 1 block. 1 mio ha under management, 7 mio not managed, KP to be discussed).
Germany:	No decision yet. Tendency rather negative for FM due to practical issues (high expectations from forest owners). With cap of 7% of annual increment after harvest, there is no way to distribute it over the country. Def: not yet discussed. Addition of 5D (managed soils), through peatlands, converted LUCF into a source. Thus eligible for Art 3.7. But emission factors for peats revised, now overall sink.
Hungary:	No decision yet, discussions are less about carbon and more about recognition of forestry in general. Carbon would add to the importance of the sector. Argument against: complexity, cost of reporting. If elected, then all managed forests would be in FM.
Ireland:	No decision on definitions or 3.4 or adoption of 3.4.
Italy:	The country will elect FM, all forest lands that are not AR, will be considered managed forests and under FM. Cap is very low. Art 3.3. gives opportunities to farmers mainly, Art 3.4 recognizes the role of the forest sector. (assuming that money will be given to landowners).
Japan:	Not decided officially, but most probably the country will elect FM. Very high cap (13 mio tC). Def: most likely use “managed forests”. Japan is mainly considering the narrow approach. The managed forests will be delineated using a map of forest management, where stands subject to management are marked/registered. Practices that bring land into FM are: thinning, weeding, precommercial thinning, etc. In protection forests under FM, the practices may be defined in a relatively broad sense.
Luxembourg:	No decision on election or definition.
New Zealand:	Not decided yet, but most likely all forests will be declared managed, and FM will not be elected.
Sweden:	Not decided whether to use FM. Otherwise, the same as Denmark. Reserves will be considered managed forests and therefore also FM.
Switzerland:	The country will elect FM, def: not yet decided, but the area of FM will be almost identical with managed forests.
Ukraine:	No decision on election or definition.

It does not seem that any country considers adopting a narrow definition of FM, and that many countries will adopt a definition close to that of managed forests.

Question: would it be possible that FM has a narrow interpretation for some forest types (e.g., planted forests), and a broad interpretation for some others (e.g., protection forests)? This would

require to argue that some of the planted forests to not “aim at ...”, whereas all protection forests do.

- linkage to national regimes (like in Switzerland or disturbance regimes?)
- National parks?
- when does managed forest not equal forest management?

4.2. *Benefits, Risks & Obligations (from the view of governments, keeping in mind stakeholder's interests).*

– **Fact: Once Kyoto land, always Kyoto land, applies also to FM**

Pros / Benefits:

- Credits that can be gained (a: balancing of debits from 3.3, b: additional credits towards compliance).
- Incorporate carbon issues in overall forest policies.
- Incorporation is consistent with one of the UNFCCC objectives (protect and enhance carbon stocks).
- Possibly good also for biodiversity and other environmental objectives.
- Can bring credits to the forest owners.
- A monitoring system for carbon can also provide other benefits to the country, and can be a good basis for full carbon accounting in the future, if and when it is needed.
- Could strengthen the position of forestry and sustainable use of resources.

Cons / Risks:

- Disturbances and other natural effects, both in the first commitment period and subsequently.
- Development of forest sector in the future.
- Monitoring and reporting costs.
- Incentives to increase stocks in forests may be against use of wood products and bioenergy in Central and Northern Europe. In Southern Europe: protecting forests against fire, damages etc. can also improve wood availability, so there are synergies. But: some countries have carbon taxes on fossil fuels, so biofuels are favoured by that, which may counteract that and create a new equilibrium “real prices including all externalities”.
- Climate policy may dominate forestry programmes and forest policy.
- The Cap (on FM credits) is not really high enough in many countries to trigger the use of FM.
- Protective function of forests: it is hard to get them managed in the right way, and if people get money to do nothing, it might further jeopardize the necessary management of these forests.
- The first commitment period (CP1) is extremely short-term, which results in low incentives. Maximization for CP1 might be misleading. E.g., conversion from conifers to hardwoods may be good in the long term, but not for the carbon balance over a five-year period.

If developing countries are to include forests in future commitments (e.g., deforestation avoidance), then it will be logical that they will expect the same from developed countries. It is likely that avoidance of loss of carbon will be more important than increasing stocks.

4.3. *What is the perceived likelihood that FM will become mandatory from CP2?*

If it becomes mandatory, then it may improve the attractiveness of choosing it now. The current KP text says that it becomes mandatory in CP2 (“shall apply ...”), but the text may of course change. Some opinions are that Art 3.4 should NOT become mandatory in CP2.

5. Interpretation of the accounting rules of the MA (Annex of 11/CP.7) and the KP

5.1 Interpretation of the cap (symmetrical/asymmetrical) on credits and debits from FM

For the first commitment period only, **additions to and subtractions** from the assigned amount of a Party resulting from FM under Art 3.4 shall not exceed the value inscribed in the Appendix below, times five.

5.2 Re-negotiation of cap on credits from FM for the first commitment period

Re-negotiation is allowed by MA till end of 2005. Italy will do that. There was a misunderstanding in negotiations, when the cap number was derived, e.g. Finland’s cap is only 3% of current sink because the most up-to-date figures were not applied in the calculation of the cap (increment has increased), but the country will not renegotiate this. For many countries FM is not an attractive option due to a very low cap. If FM is to assume greater importance in the future, then the cap would need to be raised.

5.3 Interpretation of Article 3.7

5.3.1. Guidelines issue: (LUCF vs. LULUCF).

The core of the issue is contained in the Art 3.7 (last sentence): “Those countries included in Annex I for whom **land-use change and forestry** constituted a net source of GHGs in 1990 shall include in their 1990 emissions base year or period the aggregate anthropogenic CO₂ e emissions by sources minus removals by sinks in 1990 from **land-use change** for the purposes of calculating their assigned amount.”

MA provide more extended wording (paragraph 5b of annex to draft decision attached to decision 19/cp7): “Those parties for which **land-use change and forestry (all emissions by sources and removals by sinks under Category 5 (LUCF) of the 1996 IPCC Guidelines)** constitute a net source of GHGs in the base year shall include in their emissions during that year or period the aggregate anthropogenic CO₂ e emissions by sources minus removals by sinks in that year or period from **land-use change (all emissions by sources minus removals by sinks reported in relation to the conversion of forests –deforestation)**”

Question: does one have to apply 96 GL instead of 2003 GPG for this “trigger calculation”? The GPG provide a mapping table back to the 96 GL, will this be helpful? If a country does not recalculate, then there is no problem. If it recalculates based on GPG, then the 1990 year will also be recalculated based on new methods. How will this be handled? Are there indications that because of this for some countries the LUCF 1990 number might change its sign? (it is a trigger, absolute size of the number less relevant, because only the emissions from LUC are included in the assigned amount). Perhaps, the mapping table GPG table 3.1.1 solves this problem. It has a complete mapping from new to old categories.

The new UNFCCC CRF tables (Table 5) have a documentation box: parties should provide detailed explanations as follows: Paragraph 14 of Annex II in FCCC/SBSTA/2004/8 says: ”14. If a Party does not provide information in new CRF tables for LULUCF for all years, and has not recalculated the estimates for LULUCF for these years, it should provide information on

mapping categories provided in the IPCC Good Practice Guidance for Land Use, Land-Use Change and Forestry to the LUCF categories (5.A to 5.E) used in the 1996 IPCC Guidelines and should include information on how it calculated totals for forest and grassland conversion. The information provided in the NIR should be cross-referenced to information in the CRF and vice versa.” In any event, the texts in the documentation boxes of the new LULUCF CRF tables (see the same document) say: “Parties should provide detailed explanations on the Land Use, Land-Use Change and Forestry sector in Chapter 7: Land Use, Land-Use Change and Forestry (CRF sector 5) of the NIR. Use this documentation box to provide references to relevant sections of the NIR if any additional information and/or further details are needed to understand the content of this table.” Thus, using the GPG table 3.1.1 the mapping between

Finally, paragraph 1 of Annex II in decision 13/CP.9 (document FCCC/CP/2003/6/Add.1) says that “In the text of the [UNFCCC REPORTING GUIDELINES ON ANNUAL INVENTORIES FOR ANNEX I PARTIES ADOPTED BY DECISION 18/CP.8] and their annexes, including in tables, replace the term: “land-use change and forestry” with the term “land use, land-use change and forestry”. In the text of the guidelines and their annexes, including in tables, replace the term LUCF with the term LULUCF.” Thus, LUCF in other legal texts may also be replaced by LULUCF.

Countries that could apply Art 3.7 last sentence: Australia, UK, one of Baltic states, Canada will be checking, Ireland if peatlands are included in the GHG inventory, Germany (was getting close to the threshold with peatlands included in the GHG inventory, but LULUCF is still a sink), Switzerland also will be checking. Some countries may be getting close with croplands? Perhaps, Austria, Belgium, UK and Finland.

If a country wants to use FM mainly to cancel Art 3.3 debit, then finding Art 3.7 applicable might lower the attractiveness of Art 3.4 FM.

Other 1990 base year issues:

Interpolation for 1990 only allowed for methodological reasons, not for “skewing” the results. It is good practice to use the 1990 data if you have them, only otherwise you can interpolate

Can a country that has a base period also use that base period for net-net accounting under Article 3.4? Para 9 of Annex of 11/CP.7 refers to “the base year of that Party”, i.e. it is not 1990 that is referred to, but the base year, which changes from party to party.

5.4. Relationship between national accounting and JI projects

Hosting FM projects is possible only for a country that has elected FM. This is because the country needs an FM RMU to convert into an ERU. Also, if a country hosts an AR project and overall has a debit under Art 3.3, then this country could not host a JI AR project, because it would not have the RMUs to exchange them into ERUs. BUT: if RMUs are issued by activity (e.g., for AR separate from D), then the country would indeed have the RMUs available to convert to ERUs. ¹

¹ The following feedback was received from the UNFCCC Secretariat on this issue: Andre Howard, personal communication, 2 June 2005:

LULUCF activities are reported separately in the LULUCF reporting format (decision 15/CP.10), except that afforestation and reforestation are grouped together, and RMUs are issued on the basis of each activity (also with A and R together). A code in the RMU serial numbers will indicate which activity gave rise to the RMU. LULUCF JI lands also need to be included in the LULUCF accounting under Articles 3.3/4 (decision 16/CP.7).

As a result, lands covered by FM JI projects need to be included in the lands covered under FM in the LULUCF reporting. RMUs with FM codes need to be issued prior to their being converted into ERUs for the JI project (and these ERUs will carry the same FM codes in their serial numbers). I wouldn't go as far as saying that hosting FM JI

Hosting FM projects does not make a lot of sense for countries that are most likely already above the cap, because they would be selling something that is not “produced at the margin of the credits account”. But some countries may indeed be interested in doing that nevertheless, as a good alternative to simple AAU sale.

Example for JI projects, para 11

Small country (importer): CAP=2, country imports 10 JI FM credits

Host country (large): CAP=50, exports 10 JI FM credits

Cap remaining to the host country = 40

The JI FM cap applies to the project host (exporter) only, whereas the CDM cap applies to the importer. On JI transaction, the RMUs are changed to ERUs.

EU subsidies for afforestation may be reduced significantly in the future, thus resulting in much less AR than to date. Are land prices too high for afforestation in Europe?

Purchase programs of Annex I governments for LULUCF credits.

Australia;	Not a party to the Kyoto Protocol. Individual states and forest owners interested in hosting projects. E.g., NSW could contribute to EU scheme.
Austria:	The country has a CDM / JI purchase programme (www.ji-cdm-austria.at), no explicit exclusion or inclusion of LULUCF, decision may be “forced” when the first project is submitted. Interested in other benefits (socio-economic, environmental, SD).
Belgium:	Adopted a decision on JI / CDM recently, excludes LULUCF. Region of Brussels invests in a LULUCF projects.
Canada:	Very active CDM / JI office, part of PCF and BCF.
Finland:	No decisions yet. Unlikely to buy LULUCF credits, unlikely to host JI projects.
France:	Not decided yet. Several MOUs with non-Annex I countries, including reference to LULUCF issues. Contributes to BioCarbonFund (BCF), French Development Agency.
Germany:	No information. So far, the country is reluctant about inclusion of sinks.
Hungary:	No information.
Ireland:	Not known.
Italy:	Formal commitment by government to use CDM and JI, activity involved in BCF and CDCF (Community Development Carbon Fund). Also there is the Italian Carbon Fund, no decision yet whether it includes sinks.
Japan:	Both government and industry are interested in CDM. Government started JI/CDM

projects is only possible for Parties that have elected to use FM, as there are no such explicit provisions on this. However, it only makes sense to host FM JI projects if the Party has elected to use FM, as there will otherwise be no RMUs to convert.

On your other issue, as A/R are reported and accounted separately from D, a Party with AR removals and an Article 3.3 debit could still issue RMU(AR)s that it could subsequently convert to ERU(AR)s.

Parties will need to consider timing issues when specifying, in their initial reports under Article 7.4 (decision 19/CP.7), whether activities are to be accounted on an annual or commitment period basis. The need to issue RMUs for the appropriate activity before they are converted means either doing the accounting/issuance annually or waiting until after the commitment period before converting the RMUs. Also, if deforestation is accounted annually, it will only be possible to cancel RMUs to the extent that other activities are also accounted annually (otherwise non-RMUs will need to be cancelled).

	subsidy programme (it pays 50%, 50% from industry), this also allows LULUCF projects. Industry: bank-supported funding mechanism for carbon finance. Try to create an investment portfolio. LULUCF: disappointed by strict rules of CDM LULUCF. Interest in AR projects in Australia, but against Kyoto rules. Waiting until PDD and NM (New Methods) situation becomes more clear. They interpret that importing JI FM credits is capped. This allows to fill the cap by domestic projects, and importing additional ones. JI and CDM AR: also interested. Japanese companies are investing in the BCF.
Netherlands:	The country will only by tCERs or ICERs if the credits are guaranteed by the project, insurance, etc.
New Zealand:	The country would like to host AR projects. There is already a grey market for AR projects. Also, adopted the “permanent forest cover” scheme which allows landowners to own, and sell (including overseas), the carbon credits.
Romania:	The country is interested in hosting JI LULUCF projects.
Sweden:	The country has a JI programme, not sure whether it involves any sinks projects but they are not specifically excluded. The country has not decided yet for national rules on JI projects. it participates on PCF, which includes some sink projects (Romania, Moldavia). Not in BCF. □
Switzerland:	No intention to buy credits. Climate cent (from transportation fuels) will be used for JI / CDM. This is a voluntary activity by industry, to avoid the C tax. No intention to host JI, but forest owners claim credits for sink enhancement.
Ukraine:	The country hosts one JI project (Chernobyl) through BCF, otherwise interested in hosting JI projects (AR mainly).

5.5. Recalculation

What happens if a LULUCF inventory does not meet GPG requirements? Will it invoke adjustment procedures? It is not decided yet. These guidelines for LULUCF are still being finalized, for other sectors (“sources”) they are completed. Party has opportunity to rectify any issues brought up by the review team, first. For the Annex A countries: Criteria for failure to meet the Good Practice requirements exist (to meet an inventory that meets GP). % adjustment compared to originally submitted value will be applied within the adjustment procedure. If a threshold for non-compliance under the Kyoto Protocol is exceeded, then it can result in inability to use flexible mechanisms. The same philosophy applied to LULUCF sector will result in the inability to issue any RMUs (if whatever threshold is agreed, is exceeded). It may be that only certain estimates are not approved. Adjustments are only allowed for these estimates. Adjustment values were calculated taking into account IPCC uncertainties. The document FCCC /SBSTA/2005/2, (to be approved by next COP, available at the workshop website -background docs) contains these numbers in an Appendix.

5.6. Overall summary of accounting rules, using hypothetical situations.

The following table was developed by participants, summarizing the accounting rules in different hypothetical situations (Art 3.3 debit, sink FM and CAP are assumptions, 3.4 offset and 3.4 credit are calculated), without considering credits from FM JI projects:

	Hypotetical situations (numbers are Mt C/yr)					
Art 3.3 debit	3	3	3	3	3	12
Sink FM	10	2	2	4	-2 *	50
CAP	10	10	1	1	10	10
3.4 offset	3	0	0	3	0	9
3.4 credit	7	2	1	1	-2	10

*: net emissions from FM

6. Linking forestry offsets to the EU ETS and other national emissions trading schemes (both domestic and CDM).

The European Commission should consider, in its **review of Directive 2003/87/EC in 2006**, technical provisions relating to the temporary nature of credits and the limit of 1 % for eligibility for land use, land-use change and forestry project activities as established in Decision 17/CP.7, and also provisions relating to the outcome of the evaluation of potential risks associated with the use of genetically modified organisms and potentially invasive alien species in **afforestation and reforestation** project activities, **to allow operators to use CERs and ERUs** resulting from **land use, land use change and forestry** project activities in the Community scheme from 2008, in accordance with the decisions adopted pursuant to the UNFCCC or the Kyoto Protocol.

This is also a topic for other domestic systems, such as in Australia, Canada, etc. Canada will have an offset system that will include land use (AR, avoiding deforestation, and FM GM CM improvements if Canada includes these activities under Article 3.4). Linking of EU ETS with Canadian system could result in indirect import of land-use backed credits. Linking of other systems is a political decision (e.g., Canadian, Australia, etc.). Including a country with very loose caps will not be possible, for example.