

ANNEX 4

JOINT PROPOSAL FROM



TO

ICFPA



INTERNATION COUNCIL OF FOREST & PAPER ASSOCIATION

INVITED MEMBER ORGANISATIONS

FOR

COMMITMENT PERIOD 2

CP2

Background

A3P – the Australian Plantation Products and Paper Industry Council – is the national industry association representing the interests of all segments of the plantation-based wood products and paper manufacturing industry.

A3P members' employ more than 13 500 people in plantations, sawmills and paper manufacturing plants, mainly in rural and regional areas. A3P Members create and sell more than \$4 billion of products, produce more than 12 million cubic metres of logs, 3 million cubic metres of sawn timber and more than 2 million tonnes of paper.

A3P members also own and/or manage some 900 000 net hectares of commercial hardwood and softwood plantations.

The New Zealand Forest Growers Association (NAFOA) represents the owners of New Zealand's commercial plantation forests. It was set up in 1926 and is now one of the country's most influential primary sector organizations.

Its members own and or manage more than 80 per cent of the country's 1.88M hectares of plantation forests.

With annual export earnings of \$3.3B in 2005/2006, plantation forestry is New Zealand's largest export earner.

It is a major regional employer with 8 260 individual's employed in forests and logging and 23 402 employed in first stage processing.

The New Zealand Government introduced a National Emissions Trading Scheme on the 1st of January 2008 with reforestation as the only covered sector.

The Australian Government is committed to introducing a National Emissions Trading Scheme in 2010.

A3P members have been involved in current Australian and International Emissions Trading Schemes. This includes a number of A3P members being benchmark participating in the NSW GGAS Scheme, and members with operations in countries working under the European Trading Scheme.

A3P and NZFOA have exchanged information and met regularly to discuss areas of common interest to hopefully ensure that the interests of the forest and forest products industries are protected and that the Australian and New Zealand National Emissions Trading Schemes could be complementary.

At the ICFPA Annual Meeting to be held in Bakubung, South Africa, in the week commencing 9th of June there is a specific agenda item (4) on climate change.

Issues to be discussed include:

- Data collection on climate change.
- ICFPA core messages.
- Consequences of climate change on the industry.
- National climate policy fact sheets.
- Climate change and forestry.
- Future ICFPA activities.

As a consequence, the Chairman of NZFOA, Mr Peter Berg, the CEO, Mr David Rhodes and the CEO of A3P, Mr Neil Fisher, would like to present for discussion the attached paper to invited individual members of ICFPA as a pre cursor to the development of a formal ICFPA position.

We commend this paper to you for your consideration.

Introduction

The Kyoto Protocol first commitment period (KP CP1) treatment of LULUCF has resulted in serious complexities and challenges for domestic policy implementation and the perverse outcomes of reduced investment in new forests and increased land conversion to non-forest use.

This issue is relevant to any country where land use is dynamic and sustainable management policies seek to ensure highest value, best use of land consistent with good environmental and social practice.

This will include many developing countries as well as other developed countries.

Climate change policies should not result in the long-term lock-in of land that can be more productively used when less productive land is available for afforestation on which to maintain the overall stock of stored carbon. In short, production forests should be able to be ‘shifted’.

A post-2012 LULUCF framework should set the stage for maximising the contribution of the forest growing and wood products sector to addressing climate change – as a carbon sink, a source of renewable bio-energy and providing substitutes for materials with high embodied emissions.

In addition to these product-use outcomes, growing and harvesting forests is at worst a carbon-neutral activity and this can be done in relatively short time periods in temperate and tropical countries.

The KP CP1 framework can impose significant economic liabilities on this carbon neutral activity.

A general principle of harvesting debits follow growing credits should be applied broadly to forest harvesting that does not lead to significant changes in average carbon stocks within time periods relevant to the current challenge of climate change. In KP CP1 this rule is only applied selectively – the so called fast growing forest fix under Article 3.3.

With respect to the long-running issue of accounting for harvesting and harvested wood products, LULUCF experts have made virtually no progress in over a decade of discussion on this topic. In view of this, it is difficult to see how anything other than a very simple approach could be negotiated. The current KP CP1 approach that says 100 percent of the carbon in trees is released to the atmosphere at the time and place of harvesting is clearly wrong.

While more complex and beneficial solutions may be presented, opting in the first instance for a simple percentage less than 100 percent commends itself on the basis of simplicity. What that percentage might be, and whether this should be a country-specific factor, requires further analysis and consideration.

1. Separation, of forestry from agriculture, and of components of forestry

The accounting and treatment of components within forestry (e.g., reforestation, deforestation, forest management and harvesting & wood products) should be developed to suit those activities and not linked to the treatment of agriculture or other land uses.

Many of the complexities and difficulties inherent in the treatment of forestry in KP CP1 arose because forest activities were included in the broader category of land use, land use change and forestry. However aspects of forestry are markedly different from other components of this category, particularly in their ability to provide abatement.

Similarly there are strong arguments for separate methods and treatment of activities such as deforestation (a source of emissions), reforestation (a sink), forest management (potentially neutral in the long term) and harvesting and wood products (also a potential sink).

2. Harvesting and wood products

'Debits' for harvesting forests should be accounted as a percentage that reflects that some carbon is not released to the atmosphere.

100 percent is clearly wrong (i.e. the current instant oxidisation assumption). So some smaller fraction should be able to be defended. The development of an alternative method should aim to achieve the following:

- Economic and socio-economic outcomes should be consistent with desired objectives and be able to be accepted by the Parties.
- Accounting for harvesting and wood products should work towards meeting Article 2 of the UNFCCC - How will the approach change decisions and behaviours of producers and consumers towards more 'climate friendly' outcomes?
- Accounting for harvesting and wood products should be workable in practice, including over time for all Parties.

3. Flexible land use (reforestation/deforestation)

The post-2012 framework should allow for an area of pre-1990 planted forest to be deforested and offset through afforestation elsewhere. This mechanism would be restricted to planted forests.

To adapt to climate change, Parties need land use flexibility so that crops, forests, and animal agriculture can move to locations where they are best suited in new climatic conditions. A planted forest land-swapping regime would improve options available to Parties for climate change adaptation;

Land use is a dynamic process. The post-2012 framework should allow Parties to meet sustainable development objectives allowing highest value, best use of land consistent with sustainable land management practices.

We believe that such a mechanism must at least ensure the overall maintenance of the forest estate and the carbon content in that estate in the medium term.

Length of commitment period

Future commitment periods negotiated under an international framework on climate change should be longer than the 5 year first commitment period.

This applies to the second commitment period, as well as the duration of rules pertaining to forests within LULUCF.

A longer period of agreed forest rules within LULUCF would provide greater investment certainty and would allow greater ability for forest owners to manage the harvesting-forest growth fluctuation.

4. Credits and future liabilities

There should be a continuation and refinement of the “Fast-growing Forest Fix” (Afforestation/Reforestation Debit Rule).

Where harvesting is of forests that have been purpose grown for production of wood products, and these forests will be regrown on the same or different area of land with equivalent carbon stocks, harvesting debits should be no greater than credits previously earned on the piece of land being harvested.

For all other forests, harvesting debits should be no greater than credits previously earned on the piece of land being harvested; except in the case where a conversion to non-forest land use or a forest of a significantly different long-term average carbon stock occurs, in which case debits equal to the difference in average carbon stocks should accrue.

This rule ensures that activities that increase carbon stocks in the long term are not counted as debits under Article 3.3. The same arguments that led to its confirmation for CP1, also apply for CP2 and beyond. This was noted during original negotiations.

5. Reducing Emissions from Deforestation and Degradation

A post-2012 LULUCF framework should include effective action to address deforestation and forest degradation in developing countries.

The issue of reducing emissions from deforestation and forest degradation will be important for the setting of targets for the second commitment period and cognisance of the outcome of discussions under the Bali Action Plan will be needed.

To be successful any measures must provide a significant and ongoing source of funds to create incentives for countries to reduce deforestation rates.