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Easing the Additionality Trap in CDM Forestry Projects

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Abstract

Proving additionality is a formidable problem in the registration of forestry projects under the Clean Development Mechanism and is often perceived as depending largely on the skills of the project proponent in presenting the case rather than any meaningful difference between the successful and failed cases. Many attempts made in the past to make the process more objective have not succeeded and the recent draft guidelines proposed by the CDM Forestry Working Group in its meeting of March 2011 may also meet the same fate unless one of its requirement that “afforestation and reforestation without financial benefits is not a common practice in the region” is made more nuanced to cover the entire range of greatly varying circumstances under which forestation projects are taken up. This paper proposes to do so by introducing appropriate qualifiers in the requirement and recommends that in CDM forestry projects located in Least Developed Countries, and in those that are wholly owned by village and community level

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institutions in other Developing Countries, the proposed condition for additionality that the forestry project would not have been taken up without financial benefits should actually be made a presumption. Other simplifications in the draft guidelines are also suggested that would make the proof of additionality both easier and objective without compromising on the environmental integrity of the CDM credits generated.

Key words: Least Developed Countries, community institutions, CDM A/R Working Group, Environmental integrity of credits

At the time of Kyoto negotiations in 1997 there was widespread concern that if forestry was accepted as an eligible Clean development Mechanism (CDM) activity the developed countries might pay less attention to greenhouse gas emission reduction activities in their own countries and instead seek the presumably politically easier and economically cheaper option of expanding forest sinks in developing countries through CDM. Alarmed at fears expressed by eminent scientists, and advocated forcefully by influential international NGOs, the European Union decided to exclude forestry credits generated under CDM from its Emission Trading Scheme, thereby acting as a significant block towards the development of CDM forestry sector which continues to this day. This has undoubtedly been the major contributing factor in diminishing the prospects of CDM forestry projects and till date these projects constitute a mere 0.72 % of the total number of registered CDM projects. In terms of the credits actually generated so far the picture is even worse with not a single forestry based carbon credit in existence so far in sharp contrast to the 615.9 million credits already issued from the other 14 sectors.

But there are other dampeners, besides the reluctance to use the CDM forestry CERs by European Union, that are technical rather than political, the foremost of which is proving additionality in forestry projects. Man has planted trees for atleast the past ten thousand years and individuals, communities and governments across the world do it everywhere, often for no specific reason except that it gives them satisfaction. Under the circumstances proving that tree planting under CDM would not have been taken up but for the expectation of the CDM credits poses a formidable challenge. The CDM Executive Board has tried to make it easier by setting detailed guidelines for proving additionality through a reductionist approach whereby the comprehensive additionality is seen as composed of technological,

financial, economic, social and legal additionality and reasoned arguments establishing additionality on one or more of these grounds is considered both necessary and sufficient.

The difficulties, however, remain and are sometimes impossible to breach. The projects that are able to cross this hurdle are not necessarily the ones that are truly 'more' additional but those that have smarter proponents who, not unlike a clever lawyer, can present the case with greater finesse. Over the past few years there have been many requests to the UNFCCC and the CDM Executive Board to provide new approaches for assessment of additionality of forestry projects and recently the CDM Working Group dealing with afforestation and reforestation has proposed draft guidelines for an alternative approach under which an afforestation and reforestation CDM activity that generates no, or insignificant, financial benefits other than the CDM revenue flows would be considered additional provided taking up afforestation and reforestation without financial benefits is not a common practice in the region, and is not in fulfillment of a legal requirement (UNFCCC, 2011). The exact wordings of the relevant paragraph 2 of the draft are as follows:

The proposed A/R CDM project activities and CPAs under a PoA that are implemented on areas of land where the conditions (a) or (b), and both of the conditions (c) and (d) apply:

(a) The proposed A/R CDM project activity generates no financial benefits other than CDM related income;

(b) The proposed A/R CDM project activity generates non-CDM financial benefits (e.g. fodder, fuelwood, collection of honey) that do not exceed 10% of the CDM revenue;

(c) Afforestation/reforestation without financial benefits is not a common practice in the region;

(d) There are no enforced mandatory applicable laws and regulations that lead to the establishment of a forest

shall be considered additional.

This recommendation is set to be examined by the forthcoming meeting of the CDM Executive Board in July this year before it becomes operational.

However, this suggested alternative approach will be of little help in establishing additionality of forestry projects unless the requirement (c) that "afforestation and reforestation without financial benefits is not

a common practice in the region” is altered suitably. This is because there is hardly any region in the world where the governments (central, provincial or the local) and communities, and sometimes even individuals, do not undertake afforestation and reforestation activities without the expectations of financial benefits. At the very least, even where financial benefits are actually hoped for, afforestation and reforestation is rarely given up even when efforts of the past yielded no such benefits. This is because of the widespread recognition of non-monetary benefits of having forests around us and the plethora of social, cultural and religious attributes that forests and trees carry for human society.

And yet what is a common practice can not be considered additional without compromising the environmental integrity of the CDM credits. The need, therefore, is to introduce appropriate qualifiers in the abovementioned requirement and to build additionality around the qualifiers. One such qualifier we suggest is the exception of Least Developed Countries (LDC) to this provision which would mean that project proponents in LDCs should not be required to prove that afforestation and reforestation without financial benefits is not a common practice in their country. The reason for this is that almost all LDCs, when they take up a afforestation or reforestation project on a large enough scale they do so only when backed, directly or indirectly, by overseas development assistance (ODA). Indirect backing occurs when an overseas assistance in a related area is made conditional to the recipient country undertaking afforestation at its own cost, for example, catchment afforestation in the case of an ODA backed hydroelectric project or an avenue plantation for a foreign assisted highway project. So when a CDM afforestation/reforestation project in a LDC country excludes ODA, as it should, then it is reasonable to expect that it would not have been taken up without the CDM and should, therefore, be considered additional.

In the case of developing countries other than LDCs it would be noticed that in most cases their central and provincial governments have usually been undertaking afforestation and reforestation as a measure of normal governmental responsibility without expecting direct financial returns either as government revenues or as additional income to people living in the vicinity of forests. Further their expenditure in these activities has been rising over the past few decades as their economies improved. So the draft requirement that “afforestation and reforestation without financial benefits is not a common practice in the region” is necessary to ensure that their normal forestation activities do not become eligible for CDM credit generation and thus blemish the environmental integrity of the CDM process.

But a different picture emerges in the case of investments in forestation by village governments (or, Gram Panchayats, as they are called in India) and local and indigenous communities. These ground level institutions have few resources to raise money on their own and rely almost entirely on financial support from outside. Record keeping of decisions taken at these levels is weak if it exists at all, and even though forestation is invariably done with financial motives either to claim subsidies from the higher levels of governance or for returns from harvesting, it is not unusual to find plantation objectives ascribed to general welfare of the people with no direct mention of the expectations of direct benefits. It would thus be appropriate to assume that the normal forestation efforts by institutions at this level in developing countries are driven by financial consideration in the baseline scenario even if their records fail to prove it. So in cases of CDM afforestation/reforestation projects by village or community level institutions in a non-LDC country that are not directly supported by grants from outside, the presumption should be that it would not have been taken up without the expected financial returns from CDM and should, therefore, be considered additional.

Non-CDM Project Benefits

A further minor improvement in these draft guidelines can be brought out by clubbing together the conditions (a) and (b) that relate to non-CDM income streams, and expressly excluding the small individual benefits that community members may be able to derive directly and independently from the CDM project activities as distinct from the benefits that accrue collectively to the project proponents. Thus, in any forestry project if individual community members benefit through collection of firewood, grasses, honey, and other non-timber forest produce (NTFP) the benefits that so accrue independently to the community members should not be aggregated and counted towards non-CDM revenues. This is necessary to accord with the nature and practice of common forest resource management in most developing countries where such benefits to community members are almost entirely governed by their need for, and the capability to harvest, these products from the common resource, and an authority managing the resource can only lay broad rules regarding the periodicity and quantity of harvesting but not claim a part of the proceeds. However, incomes from the same sources accruing to the project proponent directly should be considered non-CDM project benefits and used for assessing additionality.

For the sake of clarification it may be noted here that the above suggestion only concerns the revenue streams and not the carbon measurements. Thus, the carbon losses that may occur due to removal of forest products from the CDM project area independently by the community members would amount to

project emissions just as any other removals from the project area during the crediting period and should be treated as required under the accepted baseline methodology.

Recommendations:

In the light of the above analysis it is, therefore, recommended that the CDM Executive Board in its July 2011 meeting may ease the additionality proof in CDM forestry projects and make the process more objective by amending the draft proposed by the A/R Working Group as follows:

The proposed A/R CDM project activities and CPAs under a PoA that are implemented on areas of land where the following apply:

(a) The non-CDM financial benefits generated by the proposed A/R CDM project activity accruing directly to the project proponents do not exceed 10% of the CDM related income from the project;

(b) Afforestation/reforestation without financial benefits is not a common practice in the region;

(c) There are no enforced mandatory applicable laws and regulations that lead to the establishment of a forest

shall be considered additional.

Provided that the condition (b) shall not apply in CDM projects hosted by Least Developed Countries and in projects that are owned by community level institutions in other Developing Countries.

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References:

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