

# The Incentive Gap after Durban

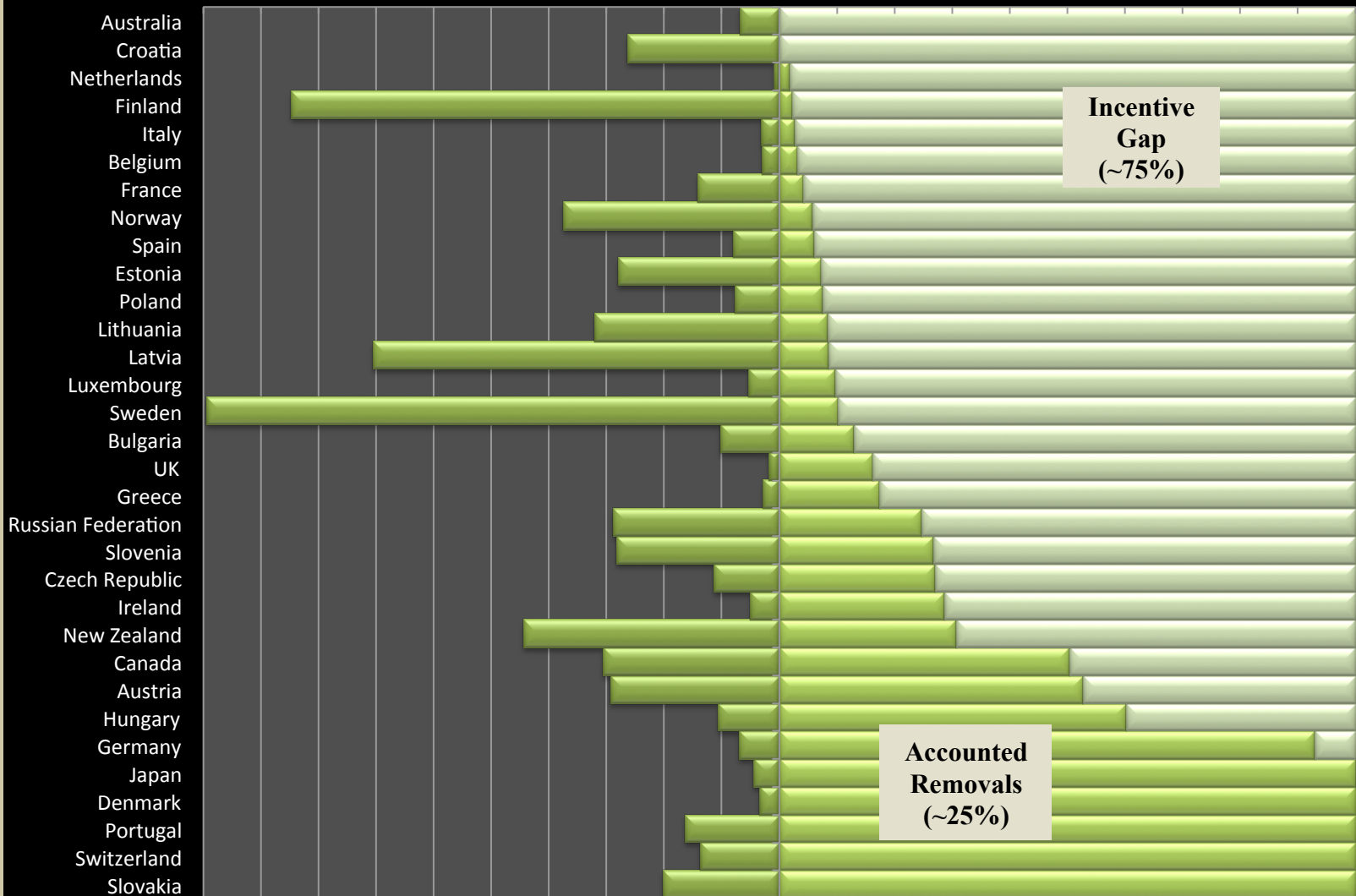
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Comments Welcome

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**Net Annual Increment/  
Net Emissions (excl. LULUCF) [%]**

0 10 20 30 40 50 60 70 80 90 100



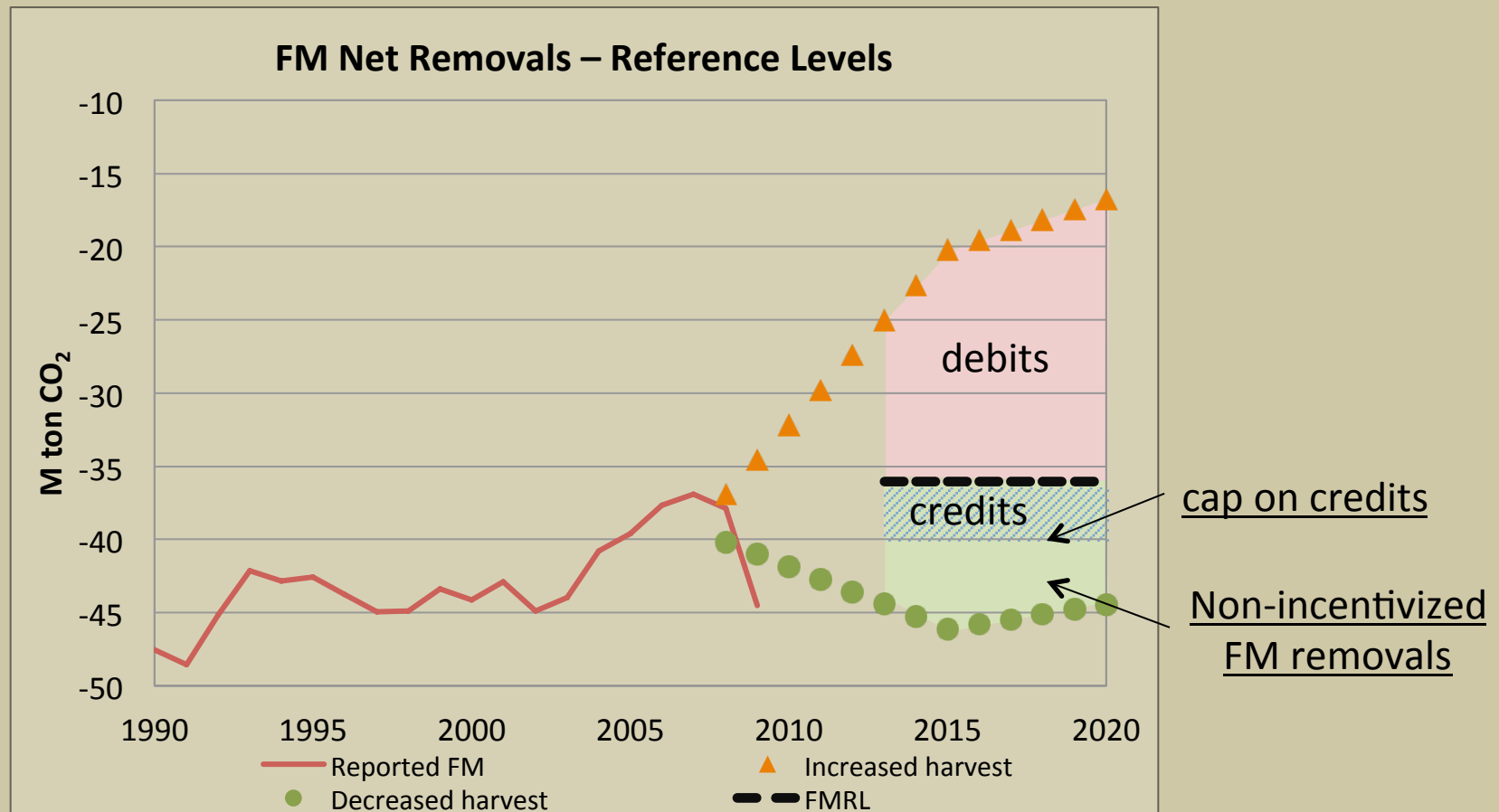
**Incentive  
Gap  
(~75%)**

**Accounted  
Removals  
(~25%)**

**Accounted Removals/  
Potential Removals FM [%]**

**I  
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P**

# Durban Model for Carbon Credits



# What Should be Counted?

- System should achieve the following:
  - Weigh all sources according to their actual global warming potentials
  - Balanced and efficient use of forest-based resources
  - Cost effective strategies for climate change mitigation (and adaptation)
- How this can be achieved:
  - Model should consider the *full carbon value* of all actions/activities
  - Fully mobilize *ALL* LULUCF resources for climate change mitigation
  - Count all carbon pools (omitted pools) – One National Inventory
  - Include full HWP accounting
  - Recognize importance of troika (bioenergy, HWP, standing forests)

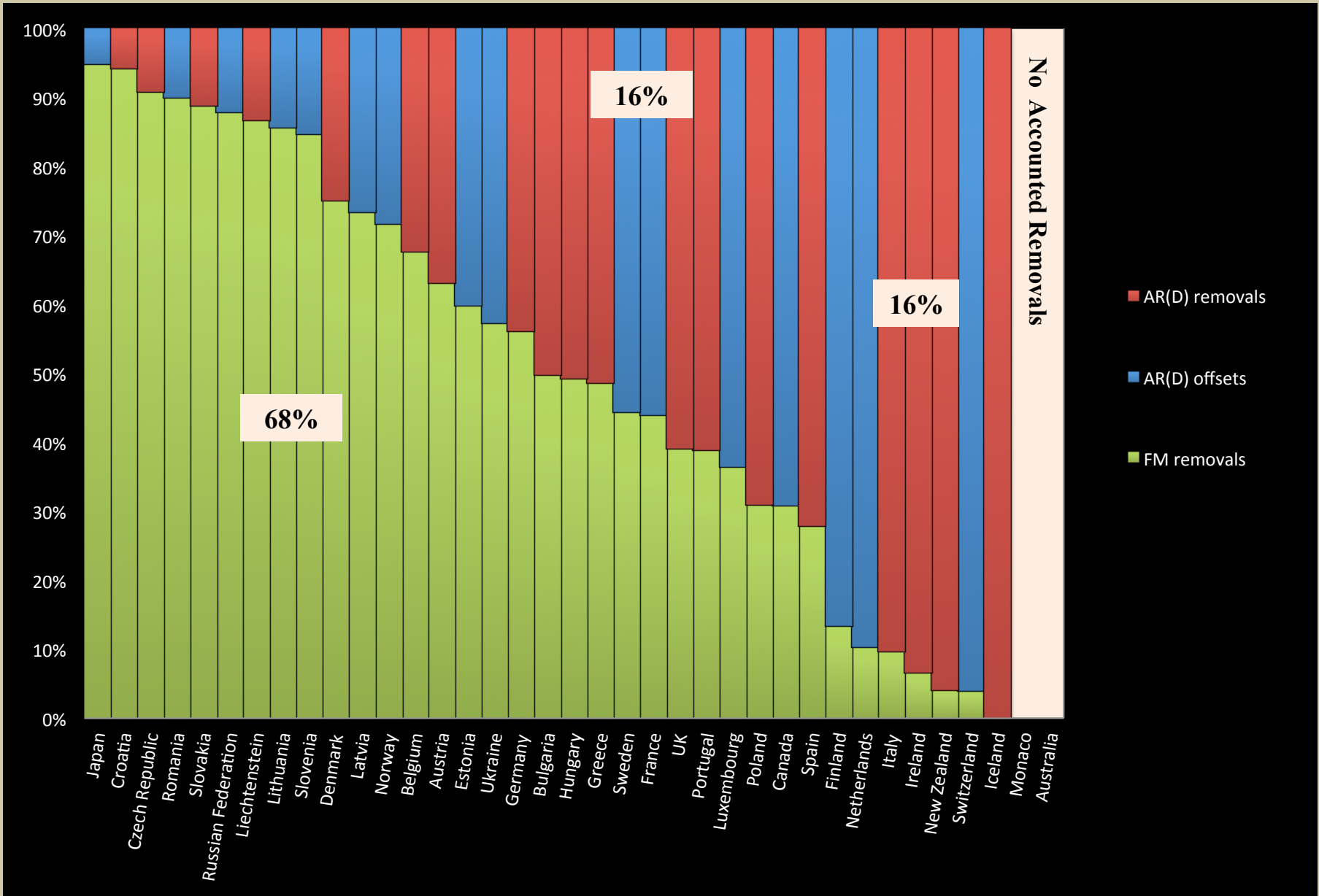
# Why Should *All* LULUCF Carbon be Counted?

- Balance Interests across Forest-based Resources
  - Bioenergy favored, HWP and standing forests not fully mobilized
- Failure to recognize the full carbon weighting (global warming potential) means this will not be considered or mobilized in the climate policy framework

=> Equal Weighting of ***All*** Carbon Components in the System

- Only Bioenergy use is 100% mobilized
- Many carbon pools are not counted
- HWP and Standing forests only “partially” counted (reference line, cap)
- LULUCF is the only segment in which all emissions/removals are not fully accounted
- All other segments (ETS, non-ETS) have full 100% accounting

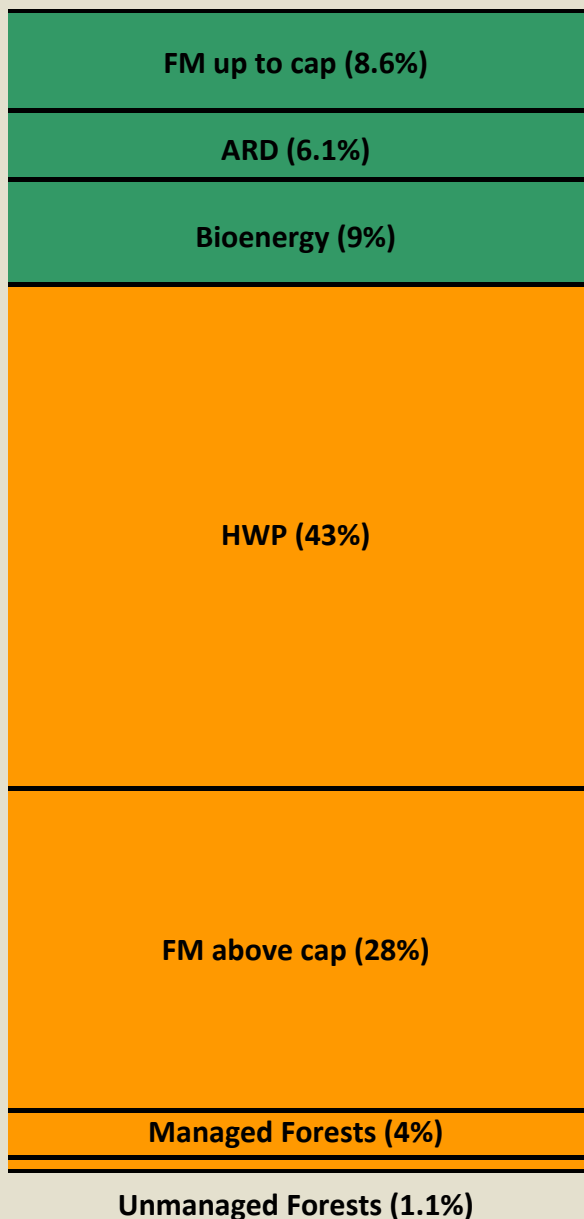
# Accounted Removals (2008-2009)



# Incentive Gaps Across the Full Forest Value Chain

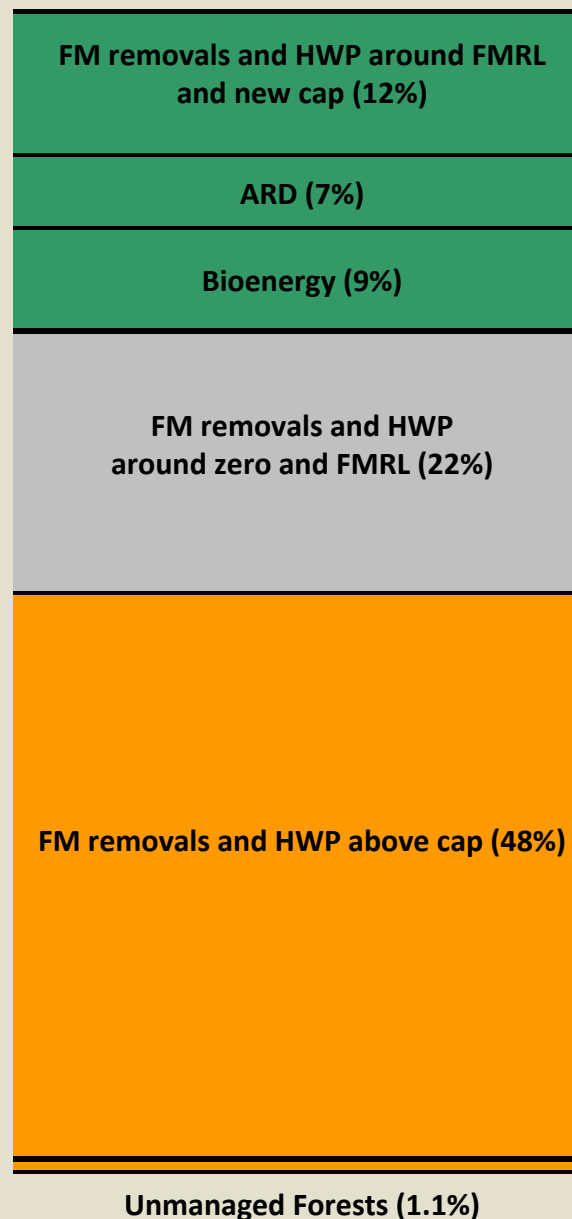
**CP 1**  
**Growth**  
**100%**

**IG = 76%**

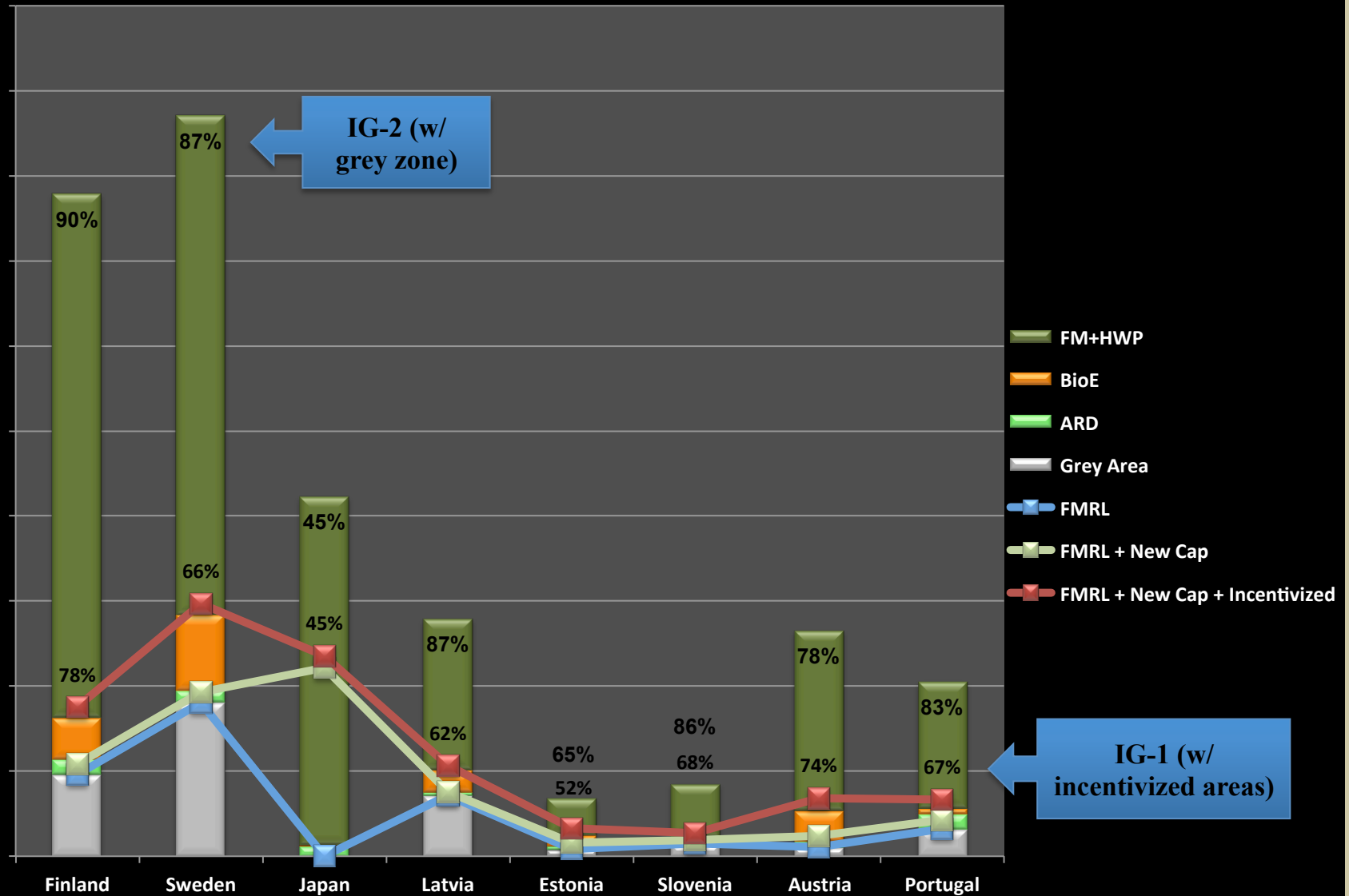


**CP 2**  
**Growth**  
**120%**

**IG =**  
**49-71%**



# Incentive Gap in the Timber Rich Countries in CP2





# Kyoto Protocol Annex I Signatories

Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Norway, Poland, Portugal, Romania, Slovenia, Spain, Sweden, Switzerland, Ukraine, and the United Kingdom

>60% Annex I  
forest (w/US)

**Dropouts:**

Japan, Russian  
Federation

Canada

**FM Not Elected:**

**No cap:**

Belarus, Kazakhstan\*, Malta and  
Turkey\*\*

**KP not ratified:**

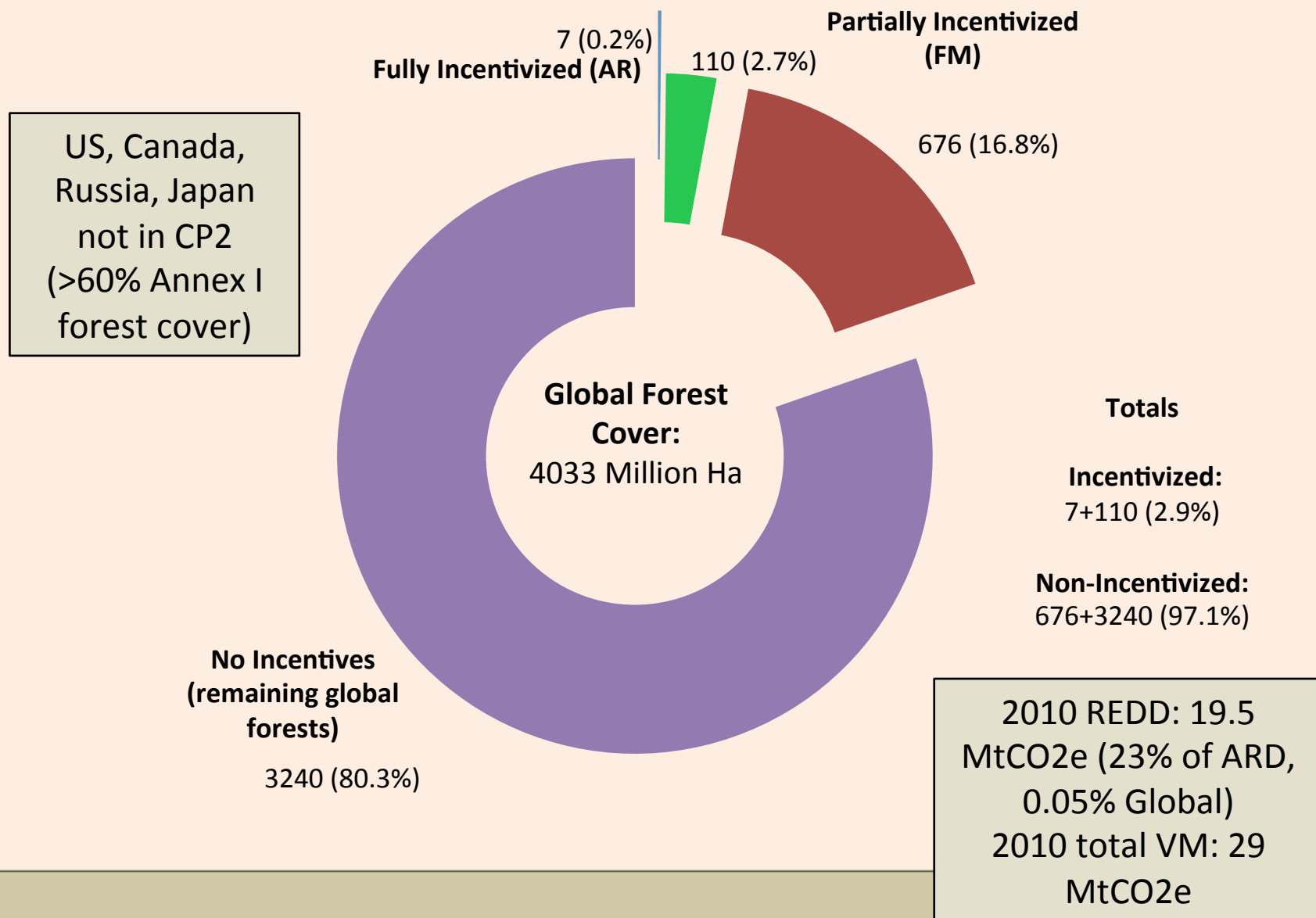
US

Australia, Austria, Belgium, Bulgaria, Cyprus\*, Estonia,  
Iceland, Ireland, Liechtenstein, Luxembourg, Monaco,  
Netherlands, New Zealand, Slovakia and the US

\* Neither country is a Party to CP1. However, after the adoption of a cap (Kazakhstan), both Cyprus and Kazakhstan intend to participate in CP2.

\*\* Turkey has stated its intention to participate in CP2, but has not formally submitted a projection line and was not included in the Durban data tables.

## Global Incentivized Forest Area under the Kyoto Protocol (CP1)



<b>Kyoto Rules - LULUCF</b>	<b>Pre-Durban (CP-I: 2008-2012)</b>	<b>Post-Durban (CP-II: 2013-2020)</b>	<b>Idealized Model</b>
<b>FM election</b>	voluntary	mandatory	mandatory
<b>cap</b>	3% of 1990 emissions, 15% of actual net removals (whichever smaller, or negotiated)	3.5% 1990 emissions	no cap
<b>Reference Level/ (Accounting Method)</b>	reference level = "0" (gross-net)	projected, historical or reference level = "0" (net-net)	Reference level = "0" (gross-net)
<b>HWP</b>	reported / not counted	Production Approach (limited by "cap")	Production Approach (or stock change Approach, no limit)
<b>IG</b>	88%	43-66%	0%
<b>ARD offsetting</b>	permitted	not permitted	collapse Arts. 3.3 & 3.4

Use Reference Lines in General Target/Commitment Setting?

# Conclusions

We still have a long way to go in order to truly mobilize LULUCF and all related carbon pools in the climate policy framework

The Nuts and Bolts of Accounting Matter: No Accounting = No Incentives

The *carbon value* of different LULUCF activities are not adequately or equally recognized, thus not likely to be weighed appropriately in actor decisions

The elimination of barriers (cap, reference lines) to full carbon accounting in the (Post)-Kyoto framework(s) could go a long way to achieving a more balanced use of forest resources

The inclusion of all relevant carbon pools in the LULUCF framework will help incentivize greater efforts to safeguard forests, in particular under mounting climate change

Much of the international framework may depend on the successful integration of full carbon accounting for forests in the carbon trading framework

# LULUCF

Friday 30 November 20:15 - 21:45. Side Event Room 8

**Aulikki Kauppila and Giacomo Grassi**, DG Climate Action and Joint Research Center (JRC), European Commission, *LULUCF in the EU Climate Policy Framework*

**Hans Nilsagard**, Swedish Government Representative, Swedish Negotiating Team (Advisor to the Swedish Ministry for Rural Affairs), *LULUCF and the Climate Policy Framework*

**Derik Broekhoff**, Climate Action Reserve, *The California Forest Project Protocol (CA\_FPP)*

**Louis Verchot**, CIFOR, *Wetlands and LULUCF Carbon Accounting*

**Sebataolo Rahlao**, Energy Research Center, University of Cape Town, *On the AFOLU/LULUCF and REDD frameworks in S. Africa*

**David Ellison, Mattias Lundblad and Hans Petersson**, Institute for World Economics, Budapest and SLU, *The Incentive Gap after Durban*