SolvaTerra	FRANCO-POLISH WORKSHOP: FOREST CARBON CREDITS IN THE EU-ETS	Ref. 12

Expert(s)	Country	Volume (md)	Amount (€)	Beneficiary	Funding	Start date	End date	Partner(s)	Reference
O. Bouyer	Poland	2	n/a. Govt. Budget	French Govt.	Govt. Budget	June 2007	June 2007	Polish Ministry of Forests	brice.lalonde@wanadoo.fr

Detailed description of the project

Directive 2003-87-EC, which created the European carbon market, was supplemented by Directive 2004-101-EC, which authorizes the use of carbon credits from projects under the Clean Development Mechanism (CDM) or the Joint Implementation (JI). Article 11 bis of Directive 2004-101-EC prohibits the use of forest carbon credits from afforestation/reforestation (A/R) CDM projects.

This prohibition is due to three concerns: (i) the carbon removals may not be permanent in an afforestation project (trees can be destroyed), (ii) the credits may not be additional (because the forest grows “alone”) (iii) the entry of these credits would drop the carbon market price (as woodlands are inexpensive to make).

The European carbon market being the main regulated market under the Kyoto Protocol, the prohibition of forest carbon credits in this market completely inhibited the growth of A/R CDM projects. In early 2007, only seven approved A/R projects and one A/R project were registered.

Willing to change this situation, the French Government ensured that the conclusions of the European Environment Council of Spring 2007 mention the fact that the European Union could "*consider the inclusion of forest carbon credits in the European market.*"

Following this development, the expert prepared a technical note without header - called "non-paper" - and entitled "Why it is in the interest of Member States to include forest carbon credits in the European market". This note was then translated and disseminated widely by the environmental attachés of the French embassies based in European member states. In addition to this release, the expert organized a joint workshop with Poland, a Member State that shared our views on the issue.

Services provided

The expert wrote a "non-paper", focusing on three main arguments:

- The environmental interest of the inclusion of forest carbon credits: (i) Forests are more than carbon. Putting a price on carbon does not reduce forests to this single dimension, but can help provide co-benefits (protection of water, biodiversity, etc.), (ii) the objective of stabilizing the temperature below +2 °C can only be achieved if developed countries commit to -20/30% of their GHG emissions by 2020. This is only attainable by mobilizing all sectors, including forest. The ban on forest carbon credits in the European market does not encourage developed countries and their foresters to improve sequestration;
- Economic interests: (i) the marginal abatement cost in the forest sector is low and therefore interesting ("low hanging fruit"), (ii) but this cost is not trivial to the point of causing massive transfer of mitigation efforts from the fossil sectors to the forestry sector, (iii) temporary credits generated by A/R CDM projects (tCER and lCER) are less expensive than “normal” CDM credits and allow carbon-constrained industries to "buy time": they can use inexpensive tCER, before replacing them after five years by “normal” credits;
- Political Interest: two-thirds of CDM credits come from India, China and Brazil, while only 6% come from Africa. CDM potential in fossil sectors is indeed low in Africa and LDCs in general: the implementation of A/R CDM projects could help restore some of this imbalance.

The non-paper was presented in Poland, discussed with Members of the European Parliament and proposals for amendments to the Directive 2003-87 were identified.