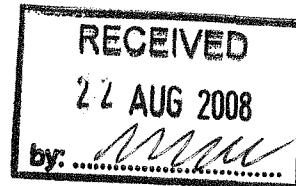




GREENPEACE



**Greenpeace submission to the Joint Senate
Committee on Treaties
Inquiry into the Kyoto Protocol to the United Nations
Framework Convention on Climate Change**

**Committee Secretary
Joint Standing Committee on Treaties
Department of House of Representatives
PO Box 6021
Parliament House
CANBERRA ACT 2600
AUSTRALIA**

22nd August 2008

By email: jsct@aph.gov.au

For further information, please contact:

Trish Harrup
Senior Climate Campaigner
+61 438 422 572
trish.harrup@greenpeace.org

OR

Helen Oakey
Head of Political Unit
+61 402 052 777
helen.oakey@greenpeace.org

Greenpeace welcomes the opportunity to make a submission to the Joint Standing Committee on Treaties Inquiry into the ratification of the Kyoto Protocol.

The following submission addresses three key issues/questions

- A. The current state of climate science
- B. What position Australia should be adopting in international negotiations concerning emissions reductions beyond 2012, i.e. what commitments should we be offering, and what commitments should we be seeking from other countries
- C. The obligations and opportunities arising from ratification of the Kyoto Protocol, including the proposed Carbon Pollution Reduction Scheme

A. The current state of climate science

The international scientific consensus on climate change is clear. In 2007 the IPCC stated that "warming of the climate system is unequivocal"; and that there was a greater than 90 percent probability that most of the warming since the mid-20th century had been caused by the rapid increase in greenhouse gas concentrations due to human activities since the start of the industrial revolution. In addition, the IPCC found that climate change had influenced an increase in ocean temperatures, widespread melting of snow and ice, and a rising global average sea level; and that it had affected many natural systems across all continents.

Literature published in the past two years has identified several specific cases of higher risk than that assessed in the IPCC's Fourth Assessment Report (AR4) 2007, including for sea level rise, food production, and loss of Arctic sea ice.

Enclosed is a copy of *Science of Climate Change* by Bill Hare, Potsdam Institute for Climate Impact Research, which provides a useful overview of recent climate science and policy recommendations stemming from this.

The need to act now

The report by Bill Hare finds that the science of climate change provides compelling evidence that early action is needed to limit the growth of GHG emissions. Ten lines of evidence from the present state of scientific knowledge point to the need to act now:

1. Global fossil fuel emissions trends are higher than expected
2. Unless policies are changed, emissions will continue to grow rapidly
3. Observed warming and sea level rise are at the upper end of expected range
4. Significant impacts of human-induced climate change on human and natural systems are already being observed
5. The climate system is more sensitive to the effects of increasing greenhouse gas concentrations than previously estimated
6. Warming is bringing the climate system closer to tipping points, and projected unmitigated warming this century would probably trigger tipping points
7. Significant additional warming and sea level rise are already committed due to historic emissions; the inertia of the climate system and carbon cycle mean that very large emission reductions are needed to halt the warming and substantially slow sea level rise
8. The scale and magnitude of projected impacts is higher than previously assessed, and in some regions it is severe at low levels of warming
9. The scale and magnitude of adaptation action required is enormous, even if strong mitigation actions are taken
10. There is growing risk of ice sheet disintegration or rapid decay with increasing warming

B. Negotiation positions concerning emission reductions beyond 2012

Governments need to negotiate the second phase of the Kyoto Protocol by 2009, delivering the reduction targets that science demands for industrialised countries, as well as real technology transfer, reduced deforestation, adequate financing for adaptation and effectively decarbonised development.

Emission reduction targets

To prevent dangerous climate change global temperature rise must be kept as far below 2°C as possible, compared to pre-industrial levels, with an ultimate goal of no more than 0.5°C above pre-industrial levels. Historical greenhouse gas emissions have already committed the earth to a 1.8°C increase above pre-industrial levels. Therefore, the goal of climate policy must be to ensure that global emissions peak as soon as possible and are substantially reduced in the very near term.

This has been translated to a global goal:

- Global emissions peak by 2015
- Global emissions reduced by more than 50% by 2050, with reductions continuing thereafter.

This has also been translated to an industrialised countries goal:

- Industrialised countries' emissions peak by 2010
- Industrialised countries' emissions reduced by at least 25-40% below 1990 levels by 2020, and
- Industrialised countries' emissions reduced by at least 80% by 2050.

At the UNFCCC meeting in Bali in December 2007, governments agreed that emission reductions of 25-40% will be necessary by 2020 (compared to 1990 levels).

For the first commitment period of the Kyoto Protocol, Australia managed to negotiate a target that allowed an increase in CO₂ emissions by 8% from 1990 levels. Most other industrialised nations accepted a responsibility to reduce emissions by 5 - 8%.

International expectations will be that Australia now accepts a higher end target in the second commitment period. Australia now has a political and moral obligation to show leadership by setting a strong emission reduction target. This position is strongly supported by the Australia public as evidenced in numerous national polls.

Australia's leadership will be essential in driving future international negotiations to reduce emissions globally. Australia's commitment to addressing domestic emission levels will directly impact on its effectiveness to advocate for global action.

There are other reasons why Australia should accept a higher end target.

- Australia has a high vulnerability to climate impacts; it is therefore an act of self-interest to restrict anthropogenic warming of the atmosphere as much as possible.

- As one of the highest per-capita polluting nations in the world, it has a disproportionately high responsibility for producing greenhouse gas emissions for a country of its size.
- As a high per-capita polluter, Australia has a lot of 'low hanging fruit' that will allow it to achieve significant emissions reductions at low cost
- Australia is naturally endowed with solar, wind and other renewable energy resources and renewable energy technical expertise that means it is well positioned to benefit from decarbonisation, and to move quickly to decarbonised energy sources.

Greenpeace recommends that in international negotiations, Australia commit to a binding greenhouse gas reduction target of greater than 40% below 1990 levels by 2020.

Attached is the Greenpeace *Energy Revolution Scenario* report which demonstrates how Australia can achieve deep emission reductions in the transport and stationary energy sectors by 2020.

Obligations and participation for other countries

Greenpeace recommends that the Australia government seek the follow commitments from other countries in relation to obligations and participation:

- That newly industrialized countries with a high per capita income such as South Korea, Singapore and Saudi Arabia should join the Kyoto system and adopt binding emission limitation targets for the next commitment period.
- The development of new market mechanisms for rapidly industrializing countries such as China, Brazil, India and South Africa to participate in the Kyoto emissions trading system (through sectoral or other quantified action commitments for greenhouse gas emission limitations and/or reductions, e.g. for the electricity sector). These will need to be tailored to the different circumstances of rapidly industrializing countries but must all involve additional action and not involve crediting for action that would have happened anyway.
- The establishment of architecture for the Kyoto second commitment period that would enable any developing country that wishes to join the international trading system with national level quantitative emissions limitation commitments to do so.
- For industrialised countries to cooperate with developing countries in order to ensure necessary financing and other support measures for mitigation action, technology deployment and reduction of deforestation in developing countries.

Clean Development Mechanism and Carbon Capture and Storage

Greenpeace is aware that the fossil fuel lobby has been pressuring the Australian government to have Carbon Capture and Storage (CCS) included in the Clean Development Mechanism (CDM).

Under the CDM, Annex I countries (industrialised countries) can finance greenhouse gas emission reduction projects in developing countries (non-Annex I countries) and count the resulting Certified Emission Reductions (CERs) towards their Kyoto emission targets. The Marakesh Accords describe the objectives further: The CDM shall promote equitable geographic distribution of clean development mechanism project activities at regional and subregional levels, and activities should lead to the transfer of environmentally safe and sound technology. The CDM shall also provide cost-effective emission reductions and contribute to sustainable development.

Greenpeace does not support the inclusion of CCS in CDM for three reasons;

- **CCS is not proven to be a safe and sound technology yet;**
- **CCS is not a cost effective mitigation technology; and**
- **CCS will not result in sustainable development nor the equitable distribution of projects.**

Attached a copy of a Greenpeace submission to the UNFCCC Secretariat *Carbon dioxide capture and storage in geological formations as clean development mechanism project activities*, which explains the key objections to the inclusion of CCS in CDM.

Also attached is a copy of *False Hope: Why carbon capture and storage won't save the climate* published by Greenpeace International in May 2008.

Deforestation

Preventing dangerous climate change and hence limiting warming to well below 2°C above pre-industrial levels requires that emissions from deforestation must be halted within a decade. Reducing and ultimately halting emissions from deforestation will require a mechanism to take into account, in its design and operation, a number of complex scientific, technological, methodological, financial and equity issues fundamental to achieving climate, biodiversity and equity objectives.

These emission reductions from deforestation must be in addition to deeper cuts in Annex I emissions, and not provide an excuse for rich countries to do nothing about their energy emissions at home. If parties to the UNFCCC are to be successful in meeting the objective of preventing dangerous human-induced interference with the climate, it must address emissions from fossil fuels and forest destruction simultaneously.

It is essential that whatever mechanism is chosen to reduce emissions from deforestation and forest degradation it does not create incentives to increase the rates of deforestation before the system starts.

The main issues to be taken into account in designing the mechanism include:

- addressing the potential scale effects of deforestation on the carbon market;
- volume of reliable finance;
- how to reduce leakage effects;
- addressing uncertainty in deforestation emission estimates;
- establishing credible historical emission baselines;
- monitoring and verification;
- accounting for impermanence;
- protecting the rights of indigenous and forest peoples;
- avoiding perverse incentives;
- addressing the drivers of deforestation; and

- assist developing countries to implement national policies and measures to ensure effective governance and institutional support for forest protection.

To address these issues, Greenpeace has proposed the *Forests for Climate Tropical Deforestation Emission Reduction Mechanism (TDERM)*¹, an international funding mechanism that addresses the urgent need to finance the protection of tropical forests. If countries commit to this proposal, billions of dollars for capacity-building and emission reduction activities could be made available as early as 2009. Wealthy countries, historically the biggest polluters and contributors to climate change, would pay a minimum contribution into a UN administered fund in order to meet a percentage of their emission reduction obligations. The money would then be used to reward those developing countries that protect their rainforests.

The proposal includes the following key design features:

- **Auctioning Assigned Amount Unit (AAUs)** - Annex I Parties should be required to meet a fixed part of their emissions obligations using "Tropical Deforestation Emission Reduction Units (TDERUs)" purchased from the mechanism. Assuming a carbon price of €20/tonne CO₂, a 3% level could generate on the order of €13 billion/year.
- **Fund for both low and high rates of deforestation** - The Mechanism should disburse funds, from the sale of TDERUs, for verifiable emission reductions in deforestation by developing countries.
- **Portfolio Performance Approach** – Separate funding windows should be established for countries with different capacities and states of development and governance to allow the Mechanism to fund activities that prevent deforestation from expanding in places with currently low deforestation rates, as well as achieve substantial overall reductions in deforestation.
- **Pre-2013 Incentives** - TDERM should be established by 2009 and be authorized to issue for sale a limited volume of TDERUs ahead of the beginning of the second commitment period in 2013.
- **Governance Structure** - A robust governance system is required under the authority of the UNFCCC and/or Kyoto Protocol to make decisions on policies, procedures, guidelines and criteria for providing incentives for reducing deforestation emissions.
- **Recognising rights of indigenous and forest peoples** - Appropriate participatory processes are required that recognise the rights of all indigenous and forest peoples, understanding that forests are already valued by local communities.

Attached is a copy of *Tropical Deforestation Emission Reduction Mechanism (TDERM): A Discussion Paper* published by Greenpeace International, which outlines in greater details this proposed mechanism to address deforestation, and *Forests for Climate Fact Sheet*.

Land Use and Land Use Change and Forestry (LULUCF)

LULUCF rules should be negotiated in parallel, rather than after the Annex I targets are set. A review of all of the existing provisions of the Marrakech Accords, and reporting requirements and methodologies relating to Articles 3.3, 3.4 and 3.7 should be undertaken as part of the review of LULUCF provisions.

¹ http://www.greenpeace.org/raw/content/international/press/reports/forests_for_climate_brochure.pdf

Parties should continue to use the principles of Decision 16/CMP.1, para 1 to guide the treatment of LULUCF activities:

- That the treatment of these activities be based on sound science;
- That consistent methodologies be used over time for the estimation and reporting of these activities;
- That the aim stated in Article 3, paragraph 1 of the Kyoto Protocol not be changed by accounting for land use, land-use change and forestry activities;
- That the mere presence of carbon stocks be excluded from accounting;
- That the implementation of land use, land-use change and forestry activities contributes to the conservation of biodiversity and sustainable use of natural resources;
- That accounting for land use, land-use change and forestry does not imply a transfer of commitments to a future commitment period;
- That reversal of any removal due to land use, land-use change and forestry activities be accounted for at the appropriate point in time;
- That accounting excludes removals resulting from:
 - (i) elevated carbon dioxide concentrations above their pre-industrial level;
 - (ii) indirect nitrogen deposition;
 - (iii) the dynamic effects of age structure resulting from activities and practices before the regime that need to be accounted in the design and operationalization of the system:

1. Harvested Wood Products (HWP) should NOT be included in the rules for the Kyoto Protocol or any of its post-2012 iteration.

HWP includes all wood material (including bark) that leaves harvest sites. Slash and other material left at harvest sites are regarded as dead organic matter. HWP constitutes a temporary carbon reservoir. The time carbon is held in products will vary depending on the species and age of the tree, as well as the type of product and its uses. For example, fuelwood and mill residue may be burned in the year of harvest; many types of paper are likely to be used in less than 5 years, which may include recycling of paper; and sawnwood or panels used in buildings may be held for decades to over 100 years. Discarded HWP can be deposited in solid waste disposal sites (SWDS) where they may persist for longer periods of time. The differences in decay rates for different wood products highlights the uncertainty with which HWP can be meaningfully accounted for.

The debate about the role that HWP can play in the mitigation of GHG emissions has been long and complex and is far from resolved. On the one hand the timber industry and many timber producer nations argue that to log forests and store carbon in the resultant products will provide sequestration potential and financial incentives to retain treed areas. Critics of this approach point to the massive release of carbon from soil and post logging burns, and the increased risk of emissions from fire and decay from pathogenic infection posed by the fragmentation and severe unnatural disturbance caused by logging. There are also the emissions from the harvesting and transport of HWP that need to be factored into the overall carbon balance.

HWP were excluded from the Kyoto accounting in the first commitment period for a range of reasons that included the sheer complexity of accounting for carbon stored temporarily in wood products. It was found that the simplest approach is to assume that all carbon stock felled in a logging operation is released to the atmosphere when

and where it falls. This assumption avoids the necessity to account for all emissions and removals from managed forests.

Quite apart from the scientific complexities surrounding accounting for all emissions and removals from forestry activities, there is the political reality that Parties will want to account for HWP in a way that best suits their national circumstances. This was reported in coded terms in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories where it was found that:

The approaches that have been identified are mutually exclusive in the sense that a global or regional estimate of annual HWP contribution would only be correct if all the different countries provided estimates using the same approach.²

Australia, along with a number of UNFCCC Parties, is advocating that accounting for commitments under the Kyoto Protocol should include HWP "pools".

The IPCC's 2006 Good Practice Guide has outlined a number of possible accounting methods. These approaches for reporting the storage of carbon in wood products and its subsequent release as CO₂ include the IPCC default *stock-change*, *production*, and *atmospheric-flow* approaches,³ which give similar results for national CO₂ emission inventories when wood is produced and consumed domestically. These approaches do not, however, accurately reflect long-term storage of carbon in wood products and if timber is traded between nations, these approaches result in very different outcomes. In the *atmospheric flow* and the *stock-change* approach, gross emissions from imported wood appear in the accounts of the importing country. Under the *production* approach, the storage of carbon in the HWP traded appears in the producing country's inventory.

Australia's Carbon Pollution Reduction Scheme Green Paper states at 120 that;

Australia has long advocated an alternative accounting approach under which emissions from the breakdown of wood products are reported when (on release to the atmosphere) and where (in the country) they occur.

Recognition of the carbon stored in harvested wood could be an advantage to timber growers.

Clearly the recognition of the carbon temporarily stored in harvested wood could be an advantage to the timber growers and the wider timber industry, but it is questionable whether it would "reduce GHG emissions and enhance removals by sinks".

The Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories (Reference Manual, p5.17) provide the following advice on wood products:

"For the purposes of the basic calculations, the recommended default assumption is that all carbon removed in wood and other biomass from

² http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/4_Volume4/V4_12_Ch12_HWP.pdf

³ See e.g., Brown *et al* 1998; <http://www.ipcc-nggip.iges.or.jp/public/mtdocs/dakar.htm> and Ford-Robertson, 2003; <http://www.maf.govt.nz/forestry/publications/index.htm>

forests is oxidized in the year of removal. This is clearly not strictly accurate in the case of some forest products, but is considered a legitimate, conservative assumption for initial calculations... The proposed method recommends that storage of carbon in forest products be included in a national inventory only in the case where a country can document that existing stocks of long-term forest products are in fact increasing... This information would, of course, require careful documentation, including accounting for imports and exports of forest products during the inventory period."

Sound scientific principles dictates that a country may report on HWP pools only if they can accurately show that existing stocks of forest products are in fact increasing. A national inventory of HWP is a complex and unnecessary process and, if found to be increasing, could encourage unsustainable logging. In addition, to provide meaningful GHG accounting for the LUCF sector, careful documentation of emissions and removals from all managed forests would be required.

Forestry emissions arise from the decay of unharvested biomass left in the forest, from processing wastes, and from the wood products. Full carbon accounting includes the accounting for carbon stored in HWP, the CO₂ emissions and removals associated with logging, as well as natural and human induced carbon flux caused by drought, fire, pest attack and disease. The issue of Full Carbon Accounting is discussed below. However, there is little evidence that we can confidently account for all sources, sinks and reservoirs both natural and human induced.

Advocating for HWP to be included in the current Kyoto Protocol or subsequent post-2012 framework would not be consistent with "Australia's particular circumstances, that are soundly based on science and that provide appropriate incentives to reduce emissions."⁴ Australia's national circumstances include a large area of managed forest that is prone to emissions from natural drought stress, insect attack, disease and fires. In addition Australia's managed forests are likely to be under even greater stress related to climate change. If Australia's forest were to be thus affected by climate change in the near future, and tended towards a net CO₂ source, full carbon accounting would place an unnecessary burden on Australia's GHG reduction commitment. Australia also imports a large proportion of its timber needs, which add significantly to our GHG reduction burden if we had to account for HWP decay. Finally, the likely increased emissions from an expanded and unsustainable forest industry that results in increased forest fragmentation and the associated impacts logging has on forest resilience would most likely offset any mitigation benefits HWP may provide.

HWP should continue to be excluded in this and the second commitment period of the Kyoto Protocol. No workable, consistent and comprehensive approach to this delayed emission has been adopted, other than assuming that all carbon removed from the landscape is promptly emitted. Accounting for additions to the pool of wood products without accounting for emissions from the entire pool is unacceptable and could encourage increased harvesting and thus encourage unsustainable logging. HWP should not be included in the second commitment period.

2. Full Carbon Accounting raises more questions than it answer.

Full carbon accounting would remove the sectoral and activity-based accounting of the present Kyoto Protocol system and replace it with accounting for all fluxes and stock changes on the land surface of Parties. The inclusion of all carbon stocks in the

⁴ The Green Paper on the Carbon Pollution Reduction Scheme, 2008 at 120.
<http://www.climatechange.gov.au/greenpaper/report/pubs/greenpaper.pdf>

Kyoto obligations has policy risks if there is a large release of carbon during an extreme event.

From a scientific point of view it is imperative that developments in this area continue, but from a policy point of view the technology is unlikely to be mature enough to be used in an economically feasible manner and to a required reliability level for verification and monitoring in the 2013-2017 periods.

The questions it raises include;

- Can government policies protect carbon stocks in the face of climate change?
- Should governments take the risk of including these stocks in legally binding commitments?
- Can a simple accounting approach estimate the large variability of carbon fluxes on inter-annual timescales during a 5 year commitment period?
- Is a simple accounting approach sensitive to the vulnerability of terrestrial carbon stocks to climatic variability and to human induced warming and changes in extremes e.g. European heat wave in 2003 or increasing wildfires and insect outbreaks in the Canadian boreal forests?
- Can land surface areas and ecosystems with very large differences in net sources and sinks of greenhouse gases be derived for the purposes of an emission reduction negotiation?
- Can such complexity be negotiated within an emission reduction obligation framework such as Kyoto?
- Is it economically feasible?

3. Land based approach using convention reporting should be avoided

Land based approach using convention reporting should be avoided, as it assumes that all of the LUCF inventories are reported by Annex I Parties. However, it is not at all clear that the UNFCCC LUCF inventory reporting system captures the full variability of carbon stock changes.

- Under circumstances where carbon stock changes become consistently negative due to increased fire, drought and other effects of warming, there may not be a period of recovery sufficient to outweigh stock losses during successive commitment periods.
- This would likely destabilize the accounting and compliance system of the Kyoto Protocol as Parties invoke "force majeure" in relation to compliance with obligations containing a substantial amount of LUCF carbon stock changes.

4. LUCF should not be allowed in the CDM

The inherent problems with sinks projects continue, with:

- lack of permanence of the sinks;
- leakage (i.e. the activity that caused LUCF emissions is moved somewhere else);
- lack of additionality (i.e. deforestation continues elsewhere in the country);
- measurement uncertainties; and
- negative impacts on biodiversity and local communities.

5. New rule to reforestation activities in the CDM should be overturned

A new ruling from the Executive Board, that demonstrable eligibility of reforestation project will only require the additionality tool, has introduced a perverse incentive to clear land.

- Such a change will only benefit the plantations industry;
- Such projects can receive CDM funding even if the land on which the tree planting is to take place has only recently lost its tree cover;
- This change creates perverse incentives for deforestation of secondary forests;
- All definitions should remain for both Annex I and non-Annex I countries; and
- The additionality tool is not the tool to demonstrate the eligibility of land.
- The eligibility of reforestation activities should be reviewed by the COP/MOP under the Article 9 review with a view to removing this eligibility criteria and fixing the error from the COP9 text.

6. Disallow rolling date for reforestation activities under the CDM

Rolling date for reforestation activities under the CDM should not be allowed, as it will perpetuate an endless cycle of deforestation followed by reforestation, resulting in no benefits to the climate or biodiversity.

- Will produce a short buffer period between the time when an area is deforested and the time that it becomes eligible for reforestation credits and will send a signal to landowners that deforestation will be rewarded by the CDM.
- There is no shortage of land cleared before 1990, where community-based forest restoration would provide both environmental and social benefits.
- There should be no rolling or moving dates for reforestation activities.

7. Additional Activities under Article 3.4 should not be allowed and new activities should not be considered.

- Accounting for sinks under Article 3.4 would allow additional amounts of fossil fuels to be added to the atmosphere, that would not have occurred in the absence of credits for LULUC activities.
- The bulk of "additional sink" activities would happen anyway (business-as-usual), thus increasing the net emissions to the atmosphere considerably.
- There cannot be any further activities introduced within this Article as Parties are likely to choose activities that produce a sink rather than an emission.

8. Accounting at project level under Article 3.4 should not be considered

- The architecture of the Kyoto Protocol, as a legally binding treaty, addresses emissions from countries at the national level, not sub-national or project level.
- Allowing countries to reduce emissions through project level accounting deviates from this national approach, which is a fundamentally important part of the emission control architecture of the protocol and of the climate Convention. There should be no accounting at the project level for Annex I countries.
- Accounting of additional LULUCF activities on a project basis rather than having to account on all land in each land use classification (grazing land, cropland etc) at the national level must not be considered.

9. Maintain caps on forest management

There is a general commitment Caps on Forest Management must be maintained to ensure that the level of removals from the system would not overwhelm the

reductions needed to take place in the first commitment period. They were also a pragmatic means of accounting for direct human induced removals as opposed to all removals due to direct and indirect effects of climate change and variability.

- Obligation on all Parties under the UNFCCC (Article 4.1(c)) to protect and conserve reservoirs of carbon.
- Sound forest and land use systems should be implemented by all Parties to protect forests and provide incentives to reduce emissions in forest activities.

The reasons caps were introduced continue to remain an issue in the second commitment period.

10. Factoring Out should be addressed in the review

Factoring Out should be addressed in the review by ensuring that:

- Natural changes in emissions and removals from the effects of human activities are not accounted;
- Activities that are accounted are additional and that credits obtained are not due to dynamic effects of age structure of forest; and
- Phantom credits are not generated and that sinks are only accounted where there is a real, physical stock increase beyond that induced by non direct human induced components and natural variability.

11. Degradation should not be included in national accounting

Degradation should not be included in national accounting, as it would allow countries with significant area of degraded lands to count large additional sinks by offsetting continued deforestation with new afforestation and reforestation (AR) projects on their degraded areas.

- The issue runs counter to the broader objectives of reduced deforestation
- It is unclear whether it would produce a net reduction in overall emissions to the atmosphere.
- Including forest degradation within Article 3.3 of the Kyoto Protocol appear very interesting to consider, but definitional and legal issues need to be resolved.

12. The present base year should not be changed for Annex I Parties.

The present base year should not be changed for Annex I Parties. Changes in the base year or flexibility in electing a base year (or base period) for the LULUCF sector to address issues such as the interannual variability in carbon fluxes and to capture the inter-annual variability of the LULUCF sector would be problematic as the data for this commitment period will only be available in 2014 (2 years after the end of the first commitment period) and therefore this information will not be available when the negotiations on the second commitment period take place.

- Parties should retain the base year to ensure emissions continue to be reduced.
- There could be an unknown risk of large sinks credits coming into the system, if Parties are allowed to pick and choose a base year that suits them best.

13. No change to accounting periods for Annex 1 Parties

The present accounting period should not be changed for Annex 1 Parties, as increasing it would fundamentally change the policy context of the Kyoto Protocol and have impacts for other sectors. An extension beyond five years in each commitment period would:

- Weaken the political accountability for compliance with agreements as the commitment period would extend beyond the normal political cycle of most Governments in the Annex I group;
- Weaken and damage the ability to improve emission reduction pathways incrementally over time as the science and political context determines; and.
- Would not necessarily resolve the LUCF variability.

14. Banking of RMUs should not be allowed.

Banking of RMUs should not be allowed as it poses a major threat to the effectiveness of the Kyoto Protocol in achieving actual emission reductions to the atmosphere.

- Allowing RMUs to be directly transferable to AAUs means that a significant amount of sink credit laundering can occur anyway with RMUs being used in the first commitment period and bankable AAUs being held for use in future periods.
- The fungibility between RMUs and AAUs should be removed.

15. Sink swapping should not be allowed

- It is a perverse incentive for deforestation
- Would allow countries to offset emissions from deforestation with temporary sinks projects
- Violates one of the key principles underpinning the IPCC defined reporting requirements that emissions and removals should be reported and accounted for at the same time in which they occur.

15. Fast forest fix rule should be removed.

- This rule provides no incentive for countries to reduce emissions from harvesting.
- Favours accounting sinks more than sources.

16. No reward for bioenergy projects that cause conversion or degradation of natural ecosystems.

Bioenergy is not mentioned as a land-use activity in the Kyoto Protocol and Marrakech Accords. However, when biomass fuels are substituted for fossil fuels it is accounted in the energy sector as an emission reduction.

- Studies have shown that many bioenergy projects are not sustainable; in particular the production of agricultural crops for biofuels is problematic.
- Bioenergy which indirectly causes the conversion or degradation of natural forests or other natural ecosystems for plantations and crops should not be rewarded in the climate change regime.
- Governments must make a broad approach in developing bioenergy policies such as supporting measures to reduce greenhouse gas emissions and ensuring criteria for sustainability.

C. The obligations and opportunities arising from ratification of the Kyoto Protocol, including the proposed Carbon Pollution Reduction Scheme

Obligations

Article 2.1 establishes a number of obligations on Annex I parties. We would like to bring your attention to Article 2.1 (v) that pertains to market imperfections, fiscal incentives, tax and duty exemptions.

Article 2.1. Each Party included in Annex I, in achieving its quantified emission limitation and reduction commitments under Article 3, in order to promote sustainable development, shall: (v) Progressive reduction or phasing out of market imperfections, fiscal incentives, tax and duty exemptions and subsidies in all greenhouse gas emitting sectors that run counter to the objective of the Convention and application of market instruments;

The federal government provides approximately \$7.8 billion in subsidies per annum⁵ to fossil fuels that cause climate change. As a party to the Kyoto Protocol the federal government has an obligation to reduce or phase out fiscal incentives, tax and duty exemptions that encourage fossil fuel use.

Greenpeace recommends that the government's recently announced *Review of Australia's Future Tax System* comprehensively addresses energy and transport subsidies to ensure that climate protection is integrated into public spending.

The review should identify measures that lead to greenhouse gas emission increases, and recommend how they can be abolished or redirected to climate change solutions such as renewable energy and energy efficiency. Where tax incentives had in the past been introduced as a means to achieve a social benefit but resulted in an associated affect of encouraging the use of fossil fuels, the tax review should identify alternative means to achieve those social benefits without causing adverse environmental impacts.

Attached a copy of the Greenpeace submission to the *2008-09 Federal Budget*
Budget 08: Time to stop subsidising climate change.

The Carbon Pollution Reduction Scheme

Greenpeace was disappointed with the framework proposed in the CPRS Green Paper. There is no case for compensation to domestic coal-fired power stations. Investors in this sector have had 25 years since the establishment of the United Nations Framework Convention on Climate Change to incorporate the risk of a carbon constrained future into their decision-making. The government does not compensate other investors to continue to make unwise investments, such as the many Australians who have experienced recent loses on the share market. We have also established that in Australia, the government does not compensate industries that cause harm and experience losses due to the introduction of regulation to protect consumers from that harm, such as tobacco and asbestos.

⁵ Reidy C. 2007 Energy and Transport Subsidies in Australia 2007 Update. Report to Greenpeace Australia Pacific. Institute for Sustainable Futures.

Aside from contradicting the "polluter pays" principle, giving some industries the right to pollute for free will place a disproportionate burden on other industries and the community. The proposal to give free permits and/or cash handouts to domestic coal fired power stations and other large polluters, along with other design flaws make us extremely concerned that government will be unable to set a strong cap for the CPRS, as the responsibility and cost of emissions reductions will be shouldered by a small section of society.

The revenue raised by the CPRS creates the opportunity to enable all Australian households to be part of the climate change response. A fund that enables government housing, low-income householders, school and community groups to become energy efficient and switch to renewable energy would be a better use of the funds generated by the CPRS than direct payments.

Greenpeace anticipates that such issues will be addressed in the White Paper, and will be outlining our concerns fully in a submission to that process.

List of attachments:

Greenpeace submission to the *2008-09 Federal Budget Budget 08: Time to stop subsidising climate change*.

Tropical Deforestation Emission Reduction Mechanism (TDERM): A Discussion Paper published by Greenpeace International.

Forests for Climate: Fact Sheet

Greenpeace submission to the UNFCCC Secretariat *Carbon dioxide capture and storage in geological formations as clean development mechanism project activities*.

False Hope: Why carbon capture and storage won't save the climate published by Greenpeace International in May 2008.

Science of Climate Change by Bill Hare, Potsdam Institute for Climate Impact Research.

Turning Up the Heat Global Warming and the Degradation of Canada's Boreal Forest published by Greenpeace Canada.

Greenpeace briefing June 2008: *Options for LULUCF in the post-2012 process*