

Code of Good Practice for Forest Carbon Projects

Consultation Document

Purpose

This consultation document sets out draft proposals for the introduction of a Code of Good Practice and associated independent verification procedure covering domestic UK forest carbon schemes and component projects.

In introducing the Code, the aim is to encourage investment in forestry projects that contribute to a move towards a low carbon economy. This will be achieved by establishing robust requirements for voluntary carbon sequestration projects that incorporate core principles of good carbon management as a component part of modern sustainable forest management.

Verification of forestry schemes against the Code will enable participants to demonstrate best practice in carbon management thus providing confidence in the domestic forest carbon market eg. in terms of satisfying corporate social responsibility objectives.

Whilst net emissions reductions resulting from compliant schemes will contribute directly to the UK's national GHG targets, the Code will not provide a route to compliance with Kyoto Protocol (Clean Development Mechanism) linked carbon 'offsetting' or other internationally tradable compliance or voluntary market carbon credits. The generation of international carbon credits would require a mechanism for the retirement of national Assigned Amount Units under the Kyoto Protocol which is currently not possible in the UK, in common with most other Annex 1 countries.

The proposals presented are the results of development work carried out on behalf of the UK forest industry by the Forestry Commission assisted by its Carbon Advisory Group.

This pre-consultation provides respondents with an early opportunity to comment on this UK forest industry initiative.

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Introduction

Trees have a unique ability to sequester and store carbon and hence serve as a tool for carbon sequestration once options for direct emissions reduction have been used.

As focus grows on the need to manage greenhouse gases, there is increasing interest in using woodland creation as a carbon capture mechanism. In some countries forestry is being formally incorporated into internationally recognised carbon trading mechanisms, with credits being issued for carbon captured by woodland creation. This is not the case in the UK. There is however increasing interest in the use of woodlands for voluntary carbon capture projects, as well as to secure other 'corporate social responsibility' benefits.

However, the forest carbon market has been somewhat discredited by variability in the quality of schemes leading to doubts over issues like permanence, additionality and double selling. There are currently no uniform standards applied to UK forestry-based carbon projects, the sector has no trade body, accreditation scheme or consistent basis for verification. As a result there is no consistency to the offer made to prospective customers. Several international carbon standards and schemes exist, but currently there is little or no participation by the UK forestry sector, partly due to the need for a mechanism to allow retirement of national Assigned Amount Units under the Kyoto Protocol. DECC has launched a Quality Assurance Scheme to help guide consumers by giving a quality mark to offsets that meet a number of criteria. The scheme accepts credits from the compliance market, and not voluntary/VER credits. DECC intends to review the scope for expanding the scheme to potentially include voluntary credits in the light of a new international climate change agreement.

Through the establishment of a Code of Good Practice Forestry Commission is seeking to assist the development of the UK's forest carbon sector in a way that provides transparency and confidence for individuals and companies with interests in woodland projects involving carbon sequestration. The aim is to provide improved standards and methodologies and to encourage confidence in UK forestry as a source of carbon reductions through independent verification. The design of the Code is aligned to international standards, but it does not currently provide a route for compliance with internationally recognised carbon offsetting standards.

Objectives of the Code

In developing and implementing a Code of Good Practice for Forest Carbon Projects, the aim is to:

- Embody a requirement for sustainable forestry practice consistent with the (revised) UK Forestry Standard.
- Focus on woodland creation projects in the first instance but seek to encompass additional aspects of forest carbon projects such as the use of harvested wood products and their substitution value as robust methodologies can be developed.
- Make a clear distinction between independently verified well-managed forest carbon projects and other carbon abatement and tree planting projects.
- Encompass a code of good practice that ensures clarity over widely accepted carbon management principles such as: real, measurable, permanent, additional, independently verified, unique, transparent & conservative.
- Achieve, as far as possible, alignment with the principles and methodologies used in international carbon offsetting standards so as to better position domestic forest carbon schemes to engage with opportunities which may result from future developments in international carbon markets.
- Encourage participation and thus the development of the voluntary UK forestry carbon sector by minimising the conformance burden and offering customers obvious and clear evidence as to the robustness of the forestry carbon capture proposition.
- Complement wider UK Government emphasis on direct emissions reduction, to achieve consistency with Government's position on carbon trading, international carbon markets and complements its Quality Assurance Scheme for Carbon Offsetting.

Key Features

1. A UK Code of Good Practice for Forest Carbon Projects

The key proposal is to introduce a UK forest industry Code of Good Practice (CoGP) with associated compliance verification mechanism. The main benefits of this approach are that it provides a robust, proactive mechanism that avoids the costs associated with avoids engineering, running a full-blown carbon scheme (and carbon standard) and provides a benchmark for all schemes and projects in the marketplace.

The CoGP incorporates commonly recognised principles for high quality carbon management whilst also allowing linkage with existing forest management standards such the UK Forestry Standard (UKFS) and UK Woodland Assurance Standard (UKWAS). This will allow project developers to demonstrate that high quality carbon capture activities are being carried out as a component part of modern sustainable forest management.

The following represent some of the key benefits of introducing a Code of Good Practice (CoGP) and associated verification process:

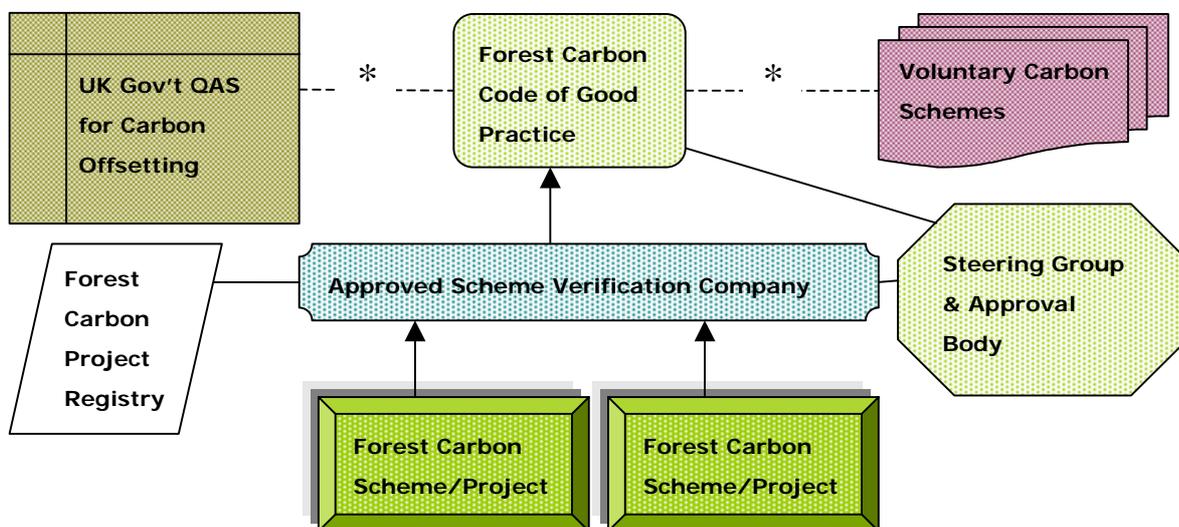
- Independent validation, verification and auditing will help to provide confidence to all stakeholders, consumers and the general public that the UK's forest carbon sector is a responsible one, and one producing a range of economic, social as well as environmental benefits.
- This approach brings the standard of practice of every participant up to a specified acceptable level.
- The establishment of a robust Code of Practice will assist the domestic forestry sector to exploit future opportunities as domestic and international carbon markets and other financial mechanisms develop.
- A robust CoGP incorporating core Kyoto Protocol based principles within its conformance requirements, properly constructed and followed, will be a valuable mechanism for assuring the quality of the forestry industry's voluntary activity.

2. An Independent Verification Process

To be effective, the CoGP compliance procedures need to be sufficiently robust to be viewed in the marketplace as a respected and transparent indication of good practice. Independent verification of individual projects will be important. The proposed mechanism for this will include:

1. Utilising a similar approach as other industry standards. The forest industry (facilitated by FC) would appoint a UK Accreditation Service (UKAS) accredited Approval Body to administer audits, reporting and remedial action as required. Forest Carbon Scheme developers would then appoint approved audit companies to carry out verification against the provisions of the Code of Good Practice.
2. The Code would require project registration with a Forest Carbon Project Registry maintained by the Forestry Commission.
3. The potential to dovetail methodology and project design with leading existing international voluntary carbon standards will be considered. For example, the potential for linkage with Voluntary Carbon Standard (VCS) and Climate, Community and Biodiversity Standard (CCB) methodologies is being explored. Certification under UKWAS would also be one of the ways schemes might meet some of the principles of the CoGP.

The independent verification approach has clear advantages in terms of objectivity and transparency. However, such a highly developed verification procedure could represent a potential barrier to participation. Clear and simplified rules may need to be developed for smaller projects.



* alignment to high level principles and methodologies

3. The Code of Good Practice and Conformance

In the regulatory carbon markets, demanding compliance mechanisms have acted as a barrier to participation. Therefore, in seeking a more inclusive approach to voluntary forest carbon markets, new procedures need to be sufficiently robust whilst also minimising the conformance burden. In this respect the structure of the CoGP and the associated verification evidence base will be critical.

Routes to conformance

The proposed approach for dealing with the range of forest carbon project types is through the introduction of two alternative 'routes to conformance'.

One route to conformance will cover **ex-post (captured) carbon sequestration** projects. A second will deal with projects that involve **ex-ante (future) carbon sequestration**. This approach will provide the public with a clear distinction between different types of carbon scheme as there will be full transparency over what is being claimed and/or funded.

The Code needs to be widely recognised as robust so there will inevitably be some carbon abatement and tree planting schemes and projects that will not meet the criteria, even if they are good environmental projects.

To deal with small-scale projects, streamlined procedures requiring a lower threshold of evidence (but still encompassing all core carbon management principles) may need to be developed.

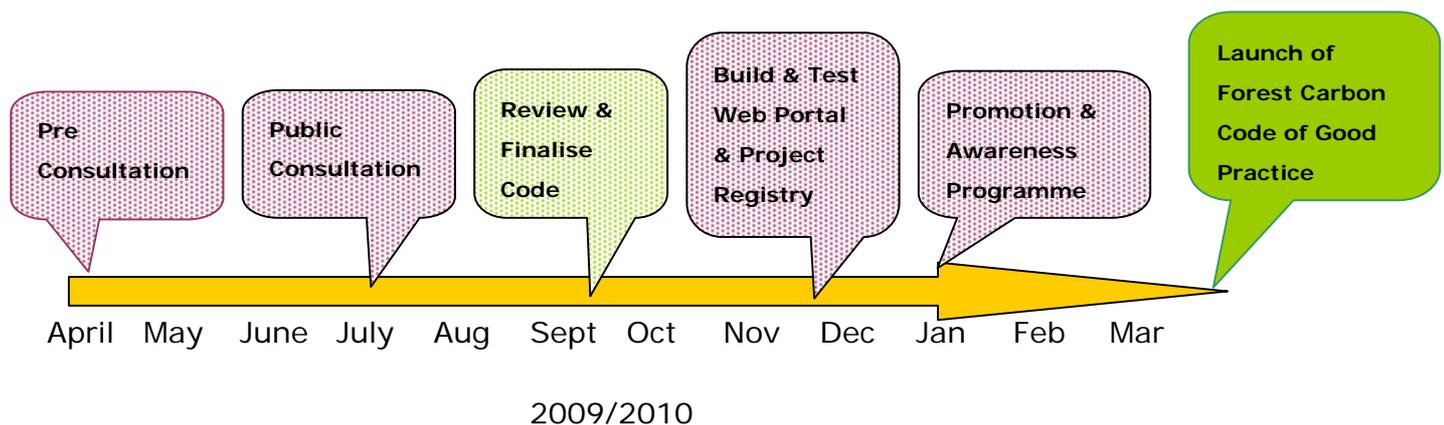
Implementation

Governance

It is envisaged that a Steering Group of UK Forestry Stakeholders would be formed to manage the Code, its updating and review. In addition a UKAS accredited Approval Body would be appointed to set the requirements for project verification against the Code. The role of the Approval Body may involve approving verification companies; monitoring activity and ensuring conformance with its requirements.

Timeframe

The ambitious aim is to formally launch the Code of Good Practice in April 2010.



Participation by Forest Carbon Projects

The following features would apply to participation:

- Participation would be voluntary
- Conformant projects would be required to meet the requirements of the UK Forestry Standard to clearly demonstrate industry best practice for sustainable forest management
- Project proponents would have to meet the costs of initial validation and ongoing scheme/project verification
- Project proponents would commit to renew or replace any loss of net carbon emissions reductions. This would be linked to the land title.

Issues & Questions

Responding to the Consultation

The following sections highlight a number of issues and topics on which your views are particularly welcome. You are also welcome to comment on any other aspect. If you are replying to the questions below please number your replies accordingly.

The Business Model

1. What are your views on who should be involved in managing the Code and verification process to ensure its effectiveness in providing confidence to UK forestry carbon market customers?

Scheme/Project Types

2. What are your views on the intention to encompass both captured carbon (ex-post) and future carbon (ex-ante) projects within the scope of the Code?

Verification of Compliance

3. In your view, do the proposed procedures for scheme & project verification strike the right balance in terms of transparency and rigour, whilst not creating undue entry barriers? If not, please outline how they might be amended.

Risk Management

4. What are your views on how the risks associated with forestry carbon projects should be managed? If you feel there are practical and more effective ways in which this can be achieved, please outline what these are.

Estimation & Measurement Methodologies

5. We would welcome your views on carbon measurement methodologies, the carbon pools that should be included, and the proposed buffer limits to be applied. eg. do you consider that Harvested Wood Products should be included as a measurable carbon pool component?

Additionality

6. In your view, are the proposed tests for additionality appropriate. If not, please outline how you consider additionality issues might be most effectively handled in the Code to ensure they are sufficiently robust and transparent?

Registry

7. What are your views on the proposal to require the details of the land area to be used for forest carbon project transactions to be registered with the Forestry Commission, alongside any existing arrangements for emissions reduction and/or carbon credit registration?

Grant Aid

8. In your view, is the proposal to set a reduced rate of grant contribution for co-funded forest carbon projects a reasonable approach to ensuring project additionality?. ie. that projects are over and above 'business-as-usual'.

Linkage with other Carbon Schemes & Standards

9. To what extent do you consider dovetailing the methodologies used in the Forest Carbon Code of Practice and those used by existing carbon standards to be necessary? If you do feel that this is important, please outline how this might best be achieved.

Small Projects

10. Evidence of compliance with the UK Woodland Assurance Standard would be an effective way of carbon projects providing evidence of sustainable forest management under the Code. In your view, should this be a core requirement of the Code? If you feel it might create a barrier to small schemes, should the Code include specific compliance requirements for small forest carbon schemes?

Non Compliance

11. In your view, what would you consider to be an effective way of dealing with non-compliance under the Code?

The Consultation Process

Please reply by **1st October 2009**.

Your comments may be sent by email to
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or by post to:

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We would be grateful if you could clearly indicate in your response the questions to which you are responding as this will help our analysis of the responses.