



English Woodland Grant Scheme

Operations Note 20

21 November 2011

Co-funding of woodland creation through EWGS and carbon finance

Important note: The Information given here represents the position of Forestry Commission (England) at the time of publication. This position may change in response to UK Government policy and developments in international climate change negotiations and carbon markets. This Note will be amended accordingly and Applicants should ensure that they are using the current version of this note by consulting www.forestry.gov.uk/ewgs.

- Purpose**
- To provide clear guidance on the treatment of carbon finance as co-funding for woodland creation receiving grant-aid through EWGS;
 - To outline the issues underlying the guidance provided in this Note;
 - To clarify the position of Forestry Commission (England) on its endorsement of, or association with, woodland carbon projects;
 - To ensure that uncertainty over the interactions between grant-aid and carbon funding does not act as a barrier to woodland creation.

Summary Currently, it is not possible for **carbon offsets** to be generated by forestry/tree planting projects taking place in the UK that satisfy the requirements of international carbon offset markets.

To provide clarity over the Government's position on carbon offsetting, the Forestry Commission will not offer grant-aid to projects that also receive funding by **claiming** that they generate carbon offsets.

FCE wish to encourage private funding of woodland creation. Grant-aid will continue to be offered to projects also receiving carbon funding if communication of the carbon benefits are consistent with the UK Government's position on carbon offsetting, as outlined below:

- It is acknowledged that the project will contribute to the UK meeting its future climate change commitments;
- The terms carbon offset and offsetting are not used for UK projects;
- That those investing in the project are not under the impression that the carbon savings have already been made¹.

Accreditation of projects to the Woodland Carbon Code and reporting of their carbon benefits under the terms of new guidance² in support of Defra's guidance for businesses on '*How to Report your Greenhouse Gas Emissions*' is compatible with EWGS co-funding, subject to the conditions laid out in this Note.

The submission of a WCG application will be taken as acceptance of the requirements outlined in this Operations Note as a condition of contract. The conditions apply to applications for grant-aid received after its publication and do not apply retrospectively.

¹Forestry projects often receive funding at the beginning of the project with an indication of its total lifetime carbon uptake of the project indicated at this time. It is important for investors to be aware that the carbon savings have not been made at the time of funding, and will only accrue as the woodland grows.

² <http://archive.defra.gov.uk/environment/business/reporting/pdf/110727-woodland-reporting-guidance.pdf>

Background Trees remove carbon dioxide from the atmosphere through photosynthesis which is then converted to and stored as wood. As such, tree planting and subsequent management helps to limit climate change.

- The Read report (*Combating Climate Change – a Role for UK Forests*), published in July 2009, highlighted the important role that woodland creation could make in reducing the UK's net greenhouse gas emissions. The Government has signalled its support for woodland creation in the Natural Environment White Paper and given the Forestry Commission's Woodland Carbon Task Force a mandate to establish conditions to achieve it. These initiatives are consistent with the position outlined in this Operations Note.
- A number of schemes that claim to help those who invest in them to reduce their 'carbon footprint' are operating in England. Some offer high quality products and do contribute to climate change mitigation. Others are of lower quality and their contribution to climate change mitigation is debatable. This has led to confusion over forestry and tree planting schemes that aim to mitigate climate change.

UK Government's position on carbon offsetting

The Department of Energy and Climate Change has published its position on carbon offsetting, which is defined as 'the purchase of credits for carbon emissions reductions that have already been achieved to compensate for the continuing emissions that an individual or organisation has not been able to reduce further through energy efficiency, changing practice or changing lifestyle'.

Rules for carbon offset schemes are highly complex and high quality schemes must conform to a number of criteria:

1. **Additionality** – projects must demonstrate that they have produced a saving in carbon that would not have happened otherwise i.e. the project could not take place without the carbon finance;
2. **Avoiding leakage** – the project must demonstrate that it has not caused an increase in carbon emissions elsewhere;
3. **Permanence** – the carbon must not be released to the atmosphere at a later date. If there is a risk of subsequent release³, the project developer must identify how this risk will be addressed;
4. **Validation and verification** – the project must receive independent verification to ensure that emission reductions are properly measured;
5. **Timing** – carbon credits should only be issued after the emissions reduction has taken place;
6. **Avoiding double counting** – a registry must be used to avoid double counting or double selling. The project must not be double counted against another policy or mandatory target;
7. **Transparency** – the details of the project should be outlined in publicly available project documentation.

Government's position on voluntary carbon offsetting currently only recognises those schemes that are 'compliant with the Kyoto protocol and its flexible mechanisms'. **As a result of the complexities of carbon markets and associated carbon accounting, this excludes UK-domestic projects, whether or not they are forestry-related.**

Under the Kyoto Protocol's Joint Implementation (JI) mechanism, offset credits generated by a project which reduces emissions (or enhances carbon sinks) in an Annex 1 ('developed') country must be transferred

³ In the case of forestry projects, carbon might subsequently be lost due to fire, pest/disease outbreak or felling.

from the host country registry to the project sponsor. In common with the majority of Annex 1 countries, the UK does not host JI projects and there is not, therefore, an established mechanism to allow JI credits to be transferred. **It is therefore not possible at the present time for carbon offsets to be generated by forestry projects taking place in the UK that satisfy the requirements of international carbon markets.**

International reporting of carbon uptake associated with UK tree planting

The UK Government is **required** by the United Nations Framework Convention on Climate Change's (UNFCCC) Kyoto Protocol to report greenhouse gas removals or emissions resulting from afforestation, reforestation and deforestation as part of its greenhouse gas inventory. For this purpose, afforestation in the UK is reported as the increase in woodland area resulting from grant-aid (EWGS Woodland Creation Grant (WCG) in England) and direct planting of woodland by the Forestry Commission. These two sources of information are used because they define the location of new woodland. In principle, however, carbon uptake associated with all afforestation should be reported.

The Woodland Carbon Code (WCC)

The Forestry Commission recognised the difficulty that the lack of access to carbon offset markets presented to the UK forestry sector. As a response it has developed the Woodland Carbon Code. The WCC outlines the requirements of high quality forest carbon projects operating in the UK. It includes methodologies for projecting carbon uptake and measuring carbon storage, approaches to reporting and includes third party verification through the UK Accreditation service. **The Woodland Carbon Code does not support the generation of carbon offsets.**

The Code sets a minimum contribution from carbon finance to total project costs of 15% in order to demonstrate additionality. Although this threshold may change following a period of the WCC being fully operational, it is unlikely that the current level of grant available through the EWGS WCG would prevent the condition being met.

Accreditation to the Woodland Carbon Code is not a requirement for EWGS schemes receiving carbon co-funding, although it is recommended that they do so to demonstrate their credibility.

Reporting carbon savings through woodland creation

Defra published '*Woodland Guidance*' in 2011 as supplementary guidance to the more general guidance for companies on '*How to Report your Greenhouse Gas Emissions*'. The woodland guidance provides guidance on reporting greenhouse gas removals and emissions from domestic woodland creation and should be consulted when investing in, and/or maintaining, any UK-based woodland project for carbon purposes. This guidance sets out who should report on woodland emissions/removals and how to report them. It does not cover how to report removals or emissions associated with ongoing management of existing woodland. Reporting under the terms of this guidance is consistent with co-funding through EGWS WCG.

Defra's guidance on '*How to Report Your Greenhouse Gas emissions*' allows businesses, for the first time, to report the carbon benefits of UK-based woodland creation projects as part of their 'carbon footprint'.

Position on co-funding of woodland creation projects through EWGS and carbon finance

To provide consistency with the Government's position on carbon offsetting, the Forestry Commission will not offer grant-aid to projects that also receive funding by claiming that they generate carbon offsets.

However, FCE wish to encourage private funding of woodland creation, including through the Woodland Carbon Code. Grant-aid will continue to

be offered to projects also receiving carbon funding if communication of the carbon benefits associated with the project are consistent with the UK Government's position on carbon offsetting. The guidance, below, outlines the basis of schemes for which EWGS WCG co-funding **would** be viewed as acceptable:

1. It is acknowledged that the project will contribute to the UK meeting its climate change commitments;
2. The terms carbon offset and offsetting are not used for UK projects;
3. That those investing in the project are not under the impression that the carbon savings have already been made⁴.

The Forestry Commission supports the objective of bringing certainty and credibility to carbon markets. We believe that through defining this position on carbon finance and the co-funding of grant-aided woodland creation, clarity will be provided.

The guidance given in this Operations Note may change in line with wider Government policy. Its content will be updated accordingly.

Legal status The position outlined in this document is for guidance and is not enforceable by law. However, submission of a WCG application will be taken as acceptance of the requirements outlined in this operations note as a condition of contract, if carbon funding is also received. The position and requirements laid out in this Operations Note only apply to applications for grant-aid received after its publication and do not apply retrospectively.

FCE Endorsement of tree-planting schemes that receive carbon finance As a general rule, FCE will endorse projects that are certified to the Woodland carbon Code. However, some projects may not wish or be unable to gain certification to the WCC. Although FCE encourage such projects to seek certification to the WCC, they may still be willing to endorse them if certain conditions are complied with, including that the project does not sell itself as a 'carbon offset scheme'.

The most common occurrence is likely to be FCE working with organisations that contribute significant funding to woodland creation projects. FCE will endorse such initiatives, but it is important that the text is drafted to reflect what is acceptable to FCE. An illustrative acceptable example is given first, followed by an unacceptable example:

- ✓ *In a bid to help reduce its unavoidable environmental impact Company X are investing £Y to create a new woodland that, over time, will take in Z tonnes of carbon while providing both a high quality site for recreation and biodiversity.*
- X *Company X have funded the planting of a new woodland to offset the Z tonnes greenhouse gas emissions associated with their transport fuel and energy usage.*

FCE will consider the wording of any statements of support and endorsements on a case by case basis.

⁴Forestry projects often receive funding at the beginning of the project with an indication of its total lifetime carbon uptake of the project indicated at this time. It is important for investors to be aware that the carbon savings have not been made at the time of funding, and will only accrue as the woodland grows.

Further Advice The EWGS website <http://www.forestry.gov.uk/ewgs> contains all the information needed to apply for grant support. If you do not have access to the internet, you can request any of the information from your local Forestry Commission office.

We recommend getting professional advice on woodland management and grants. A list of national and regional professional organisations is listed at <http://www.forestry.gov.uk/england-advice> – or available from your local FC office.

DECC (Department of Energy and Climate Change) have published Government's position on carbon offsetting at http://www.decc.gov.uk/en/content/cms/emissions/co2_offsetting.

Defra have published guidance for businesses on '*How to Report your Greenhouse Gas Emissions*'. Annex L provides guidance on how the carbon benefits of woodland creation can be reported by companies responsible for or investing in such projects. The guidance is available from <http://www.defra.gov.uk/environment/business/reporting>.

The Forestry Commission has published the Woodland Carbon Code for UK-domestic forest carbon schemes. Details, including guidance on how to apply, are available from <http://www.forestry.gov.uk/carboncode>.

Versions Version 1.0 issued 6 May 2010
Version 1.1 issued 16 November 2011
Version 1.2 issued 21 November 2011