



## English Woodland Grant Scheme

Operations Note 20

6<sup>th</sup> May 2010

# 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](http://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 the English Woodland Grant Scheme (eWGS);
  - To outline the issues underlying the guidance provided in this Note and the rationale behind the position that has been taken;
  - 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** It is not possible at the present time for carbon offsets to be generated by forestry/tree planting projects taking place in the UK that satisfy the requirements of international carbon markets.

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

Forestry Commission England wish to encourage private funding of woodland creation. Grant-aid will continue to be administered to projects also receiving carbon funding as long as communication of the carbon benefits associated with woodland creation 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, offsetting, carbon trading or carbon credits are not used;
- That those investing in the project are not under the impression that the carbon savings have already been made.

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.

**Background** Planting trees in appropriate locations, results in the removal of carbon dioxide from the atmosphere and long-term storage of carbon in woodland biomass. As such, tree planting (and subsequent management) helps to limit climate change.

- A number of schemes that claim to help those who invest in them to reduce their 'carbon footprint' are operating in England. These are, in many cases, loosely termed (voluntary) 'carbon offsetting' schemes. 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 mistrust over woodland creation and tree planting schemes that aim to mitigate climate change.

**UK Government's position on voluntary carbon offsetting**

The Department for Energy and Climate Change has published its position on voluntary carbon offsetting and established a Quality Assurance Scheme (QAS) to support it. This defines carbon offsetting 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. The QAS has been introduced to bring clarity to the carbon offset market so that purchasers of carbon offsets can be confident that the product that they are buying is making a real contribution to the fight against climate change.

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

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. The project must not be required by legislation or to demonstrate compliance against legally binding targets;
2. **Avoiding leakage** – The project must demonstrate that it has not caused an increase in carbon emissions elsewhere;
3. **Permanence** – If the project could be impermanent (e.g. forestry projects are at risk of disease or fire) then this must be addressed by the project developer or offset provider, including by periodic independent review and replacement of temporary credits;
4. **Validation and verification** – the project must receive independent verification. The verifier must be an accredited independent third party, including approaches to monitoring to ensure that emission reductions are properly measured;
5. **Timing** – carbon credits should be ex-post; that is, they must only have been issued from the project after the emissions reduction has taken place.
6. **Avoiding double counting** – a registry must be used to register, track and permanently cancel credits to avoid double counting or double selling. The project must not be double counted against another policy or mandatory targets.
7. **Transparency** – credits should be supported by publicly available project documentation to set out the underlying projects, the quantification methodology applied and independent validation and verification procedures and reports for the project and credits.

Government's QAS for Voluntary 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 offset schemes, 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 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 (Emission Reduction Units) to be transferred. **It is therefore not possible at the present time for carbon offsets to be generated by forestry/tree planting 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 satisfy the requirement of the Kyoto Protocol in defining the location of new woodland. In principle, however, carbon uptake associated with all afforestation should be reported.

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

**To provide clarity over the issues outlined above and consistency with the Government's QAS for Voluntary Offsetting, the Forestry Commission will not administer grant-aid to projects that also receive funding by claiming that they generate tradable carbon offsets.**

However, Forestry Commission England wish to encourage private funding of woodland creation and grant-aid will continue to be administered to projects also receiving carbon funding as long as communication of the carbon benefits associated with woodland creation are consistent with the UK Government's position on carbon offsetting. The guidance provided 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 future international (and domestic) climate change commitments;
2. The terms carbon offset, offsetting, carbon trading and carbon credits are not used;
3. That those investing in the project are not under the impression that the carbon savings have already been made.

**Why has the Forestry Commission taken this position?**

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 (eWGS WCG) woodland creation, clarity will be provided.

This position on clarity supports tree planting projects receiving funding to meet stated objectives including carbon sequestration. Its intention is to define exactly what such projects do and don't achieve, so that individuals and organisations can make an informed choice as to how to account for their unavoidable greenhouse gas emissions, including through the funding of woodland creation projects.

The UK Low Carbon Transition Plan, published in July 2009, highlighted the important role that a step-change in the rate of woodland creation could make in reducing the UK's net greenhouse gas emissions and announced Government's support for a new drive to encourage private funding for woodland creation. A Woodland Carbon Task Force has been established by the Forestry Commission to further these aims, which are consistent with the position outlined in this Operations Note.

The guidance given in this Operations Note may change in line with wider Government climate change 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. 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.

**Code of Good Practice for Forest Carbon Projects** The Forestry Commission has, working with stakeholders, developed a Code of Good Practice for Forest Carbon projects that was consulted on in autumn 2009. The Code outlines the requirements of high quality forest carbon projects operating in the UK, including methodologies for projecting carbon uptake, measuring carbon storage, approaches to reporting and third party verification. The Code will provide confidence in UK-based forest carbon projects.

The draft Code will be published in summer 2010 and undergo a pilot phase prior to publication of the final version in early 2011. The pilot phase will include accreditation of third party verifiers through the UK Accreditation Service.

The Code may set a minimum contribution from carbon finance to total project costs in order to demonstrate additionality. Although this has not been confirmed at the time of publication of this Operations Note, it is unlikely that the current level of grant available through the eWGS WCG would prevent the condition being met, assuming that the additional project costs were covered by carbon finance.

Conformance with the Code of Good Practice for Forest Carbon Projects is not a requirement for eWGS schemes receiving carbon co-funding, although it is recommended that they do so to demonstrate their credibility.

**Forestry Commission England Endorsement of tree-planting schemes that receive carbon finance** Forestry Commission England's association – whether intentional or not – with projects that promote themselves as offset schemes but do not comply with Government's QAS for Voluntary Carbon Offset Schemes poses a risk to its reputation. However, Forestry Commission England are willing to be seen to support the many Community Woodlands and other woodland creation projects that also receive carbon finance if the following guidance is adhered to:

1. It is not acceptable for Forestry Commission England to appear to be involved with or endorse any tree planting project that sells itself as a 'carbon offset scheme' or is involved in carbon trading or states that it generates carbon credits.
2. It is, however, acceptable for Forestry Commission England to be associated with, and to endorse, tree planting schemes that acknowledge the following generic statements/approaches:
  - Woodland creation (and management) can contribute to climate

- Woodland creation (and management) can make a contribution to the UK's future climate change (emissions reduction) commitments;
- Absorbing carbon is one of many benefits associated with woodland creation.

The most common occurrence is likely to be Forestry Commission England working with organisations that contribute significant funding to woodland creation projects. It is acceptable for Forestry Commission England to endorse such initiatives, but it is important that the text is drafted to reflect what Forestry Commission England is prepared to endorse. An illustrative example of acceptable phraseology is given in the first example, 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.*
- ✗ *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.*

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

**Further Advice** The EWGS website [www.forestry.gov.uk/ewgs](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 [www.forestry.gov.uk/england-advice](http://www.forestry.gov.uk/england-advice) – or available from your local FC office.

DECC (Department of Energy and Climate Change) have published a Quality Assurance Scheme for Voluntary Carbon Offsetting. Details of the scheme and updates to its scope and requirements are available from [offsetting.decc.gov.uk](http://offsetting.decc.gov.uk).

Defra have published guidance for businesses on 'How to Report your Greenhouse Gas emissions'. Annex G provides guidance on the reporting of domestic carbon reduction projects, including woodland creation. The guidance is available from [www.defra.gov.uk/environment/business/reporting/](http://www.defra.gov.uk/environment/business/reporting/).

The Forestry Commission are developing a Code of Good Practice for UK-domestic forest carbon schemes. Updates on progress are available from [www.forestry.gov.uk/carboncode](http://www.forestry.gov.uk/carboncode).

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