



26 November 2018

Statement by the Ministry for Primary Industries on the current status of voluntary market pre-1990 forest carbon crediting programmes in New Zealand with regards to the potential for double-counting with New Zealand's international greenhouse gas reporting and accounting over 2013-2020

Issue

1. A question has arisen as to whether an indigenous forest carbon crediting programme developed for pre-1990 indigenous forests in New Zealand, which operates in the voluntary carbon market validated under the ISO1064-2 standard (with elements validated to the Verified Carbon Standard (VCS)) *may operate in parallel* to New Zealand's international accounting under the United Nations Framework Convention on Climate Change (UNFCCC) and/or its subsidiary agreement, the Kyoto Protocol, during the second commitment period (CP2) of the Kyoto Protocol (2013-2020), or whether this would constitute 'double counting' of emission reductions.
2. MPI has been asked to provide an update on its previous statement clarifying the situation/operating context for voluntary carbon market initiatives for pre-1990 Indigenous forests over the 2013-2020 period.

Statement

The Ministry for Primary Industries (MPI) has considered the operation of voluntary market pre-1990 forest carbon crediting programmes in New Zealand, in light of the potential for double-counting of emission reductions accounted under New Zealand's international greenhouse gas accounting over 2013-2020. It is MPI's current view that, under present Government policy settings and taking account of international VCS guidelines on double counting, an indigenous pre-1990 forest carbon crediting programme such as Rarakau does not appear to constitute double counting with New Zealand's international and national level accounting of emission reductions under the UNFCCC or its subsidiary agreement the Kyoto Protocol, over the 2013-2020 period, for the reasons outlined below.

Double counting under the Kyoto Protocol over CP2

- Forest Management accounting (covering pre-1990 forests) has now become mandatory under the Kyoto Protocol for Parties who take a commitment for the Second Commitment Period (CP2), which runs from 2013-2020. Although New Zealand is still a party to the Protocol, the Government has decided to take its 2020 international commitment under the broader Framework Convention rather than under the second Kyoto commitment period.

This means that net emissions and removals within New Zealand's pre-1990 forests during 2013-2020 will not be formally accounted for within the international compliance system under the Kyoto Protocol. Under international VCS guidelines on double counting, this means that forest crediting projects in New Zealand do not create a risk of double counting of emission reductions under the Kyoto compliance system.¹

Double counting under New Zealand's 2013-2020 Convention target

- Notwithstanding that no formal double counting appears able to occur, it is possible that a kind of *de facto* double accounting could arise, as New Zealand is voluntarily applying the Kyoto framework of forestry accounting rules to its Convention target.²
- However, MPI considers this double counting risk would be low in practice for a number of reasons, in particular because the additional effects of indigenous forest crediting projects would be unlikely to be captured in the national inventory.

Ability of the national indigenous forest inventory to capture additional project effects

- It is highly unlikely that New Zealand's national inventory of pre-1990 indigenous forests, which is used for Kyoto Protocol reporting against the forest management reference level, would be able to capture the additional effects of individual crediting projects. New Zealand's projected, business-as-usual, national indigenous forest estimate over 2013-2020 is based on the results of a re-measurement of a national plot network in indigenous forests in 2013, which was undertaken by the Land Use and Carbon Analysis System (LUCAS) team at the Ministry for the Environment (MfE). This estimate was incorporated into New Zealand's projected forest management reference level for CP2, and may be revised again in 2020 if a further re-measurement of the national plot network is undertaken at that time, to provide a national estimate of actual forest carbon stock changes over the period.
- MPI and LUCAS consider it unlikely that any 2020 plot re-measurement would capture the localised net carbon stock changes as a result of individual projects, unless these projects overlapped with the national forest plot network. This is unlikely, as the forest plots occur only every 6,400 ha nationally. If any overlaps were detected in 2020, however, then it is still unlikely that the projects' effects would be able to be distinguished at a national level from BAU carbon stock changes, unless additional information on the project boundaries and activities were supplied to Government. If not, the project effects would likely be absorbed into the BAU reference level as a technical correction to the original estimate, and no additional credits would be issued in the national accounts.
- At present, therefore, it appears very unlikely that any effects of indigenous pre-1990 forest carbon crediting projects would be captured by national indigenous forest accounting over

¹ See VCA policy update on double counting at: <http://v-c-s.org/sites/v-c-s.org/files/VCS%20Policy%20Brief,%20Double%20Counting.pdf>

² The Government has previously announced that it will apply the 'broad Kyoto Framework of rules' to this commitment See <http://beehive.govt.nz/release/new-zealand-commits-un-framework-convention>.

the 2013-2020 period, and therefore no double counting is likely to occur in practice, even where New Zealand recognises any removals from Forest Management in its accounting at the 2022 'true' up' or end-of-commitment period reconciliation of accounts. Any voluntary carbon market credits issued for the additional effects of pre-1990 indigenous forest crediting programmes would therefore be fully additional to the national accounts.

- If just considering the technical accuracy perspective of whether there would be any double counting, we would agree that this is unlikely, as at this scale New Zealand would not detect and report a change from BAU, due to avoided harvesting and protection actions, and therefore would not be accounting for it towards our international targets. But there is a risk that this could change if this activity became more widespread, and it should be noted that this is a technical avoidance of double-counting, rather than a policy outcome.
- This statement does not constitute Government policy, and only deals with the technical aspects of national accounting and the Rarakau project. The Ministry for the Environment is initiating work into voluntary units and schemes. A Government position on voluntary units and schemes could only be delivered after this work has been completed.

[STATEMENT ENDS]