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Brussels, 7 November 2008

Dear Sir/Madam,

Re: Commission's opposition to the inclusion of forest credits in the EU ETS.

We are writing to you to encourage your support for the European Commission's recommendation as detailed in its Communication on addressing the challenges of deforestation and forest degradation to tackle climate change and biodiversity loss. This recommendation is also in line with the conclusions of the Commission's impact study (SEC(2008)) 2619/2. We believe that the inclusion of forests in any carbon market will not lead to long lasting forest conservation, nor improve the world's chances of halting the climate crisis. A market mechanism for forests under the UNFCCC should therefore also be rejected.

Using forest credits to enable governments to comply with their climate commitments will also not avoid the risks outlined in the table on page 2 and should therefore be rejected. This position is in line with the above communication and impact study and supports the views of environmental and rights groups worldwide.

The arguments against forest credits are numerous and show that well intended but badly thought through decisions could easily lead to more forest loss and more carbon emissions. The suggestion that time is too short to make well-informed decisions, is dangerous and unnecessary. The uncertainties and risks related to the inclusion of forest credits into carbon markets (see table in page 2 for more details) require a vigilant approach both to ensure the stability and credibility of the carbon market and also for the future of forests and forest dependent communities.

In view of the risks, we urge you not to provide room for the inclusion of forest credits in the ETS, nor any trading agreement negotiated under the UNFCCC. We further ask that you make this position clear in the upcoming Council meeting.

We would welcome further discussion with you on this issue.

Kind regards,

Saskia Ozinga
Campaigns Coordinator

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Enclosed documents:

- NGO position paper to provide input into the EU consultation on 'Deforestation and its Impact on Climate Change and Biodiversity Loss', August 2008.
- 'Walking the Tightrope to Success'. NGO Briefing Note No.1 on Avoiding Deforestation and Degradation, May 2008.

FERN works to achieve greater environmental and social justice, focusing on forests and forest peoples' rights in the policies and practices of the European Union.

The key major dangers associated with including forests in carbon markets

Environmental

1. Not all carbon is the same: forest carbon storage cannot replace fossil carbon emissions

Forest offset credits use temporary carbon storage in trees to justify permanent releases of fossil-stored carbon into the atmosphere. Forest carbon credits cannot replace or offset the release of fossil carbon.

2. Impossibilities to accurately measure carbon stored in forests lead to 'fake' emission reductions

Data on the amount of carbon stored in forest ecosystems varies widely and the use of default values in offset project calculations is widespread. Full carbon fluxes, including soil carbon and non-timber carbon storage are rarely considered because measurements are not continuous, but in almost all cases, one-off research or sample-plot-based findings with occasional re-sampling. Error levels of 50% and more are not uncommon.(1)

3. Offset credits distract us from focusing efforts on highly polluting industries

Offering a "get-out-clause" for industries with high carbon footprints is a disincentive to investment in new clean technologies and thus delays the urgent need for «decarbonification» of the economy.

Social

4. Carbon markets are not equipped to deal with governance and rights issues

The EU has shown with its Forest Law Enforcement Governance and Trade (FLEGT) programme that it understands that good governance and recognition of tenure rights of local communities is a pre-condition for forest conservation and sustainable use. Carbon markets cannot address the underlying causes of forest destruction and are not equipped to ensure that forest climate finance does not fall into the hands of the corrupt elite that control many forest-rich-but-poor countries. Carbon markets will not finance securing land tenure rights. Including forests in the ETS now could put hard won governance reforms in danger as the "carrot" of money flow could arrive before improved governance is in place.

Economic

5. Risk of flooding and crashing the market

Including fully-fungible forest credits in the ETS at this moment would cause massive over-supply of credits in relation to demand, thereby reducing the price of carbon to below levels at which pollution abatement would be economic.(2)

(1) IIASA, 2001: Nilsson et al.; Wejun Chen, Jing Chen, Jane Liu, Josef Cihar, 2000: Approaches for Reducing Uncertainties in Regional Forest Carbon In: Global Biogeochemical Cycles 14. Page 833

(2) Leach, P, 2008: Carbon Sunk? The Potential Impacts Of Avoided Deforestation Credits On Emissions Trading Mechanisms. Rainforest Foundation UK, London.