
Proposed changes to CDM rules will give incentive to clear forest and provide subsidy for plantations industry

To the disappointment of some and the relief of others, tree plantation projects, particularly those involving large-scale monocultures, have been struggling to access a new subsidy offered by the Kyoto Protocol's Clean Development Mechanism: in the three years since the rules for afforestation and reforestation projects were adopted, and after twelve rounds of baseline methodology submissions, only one plantation, in China, has been registered as a CDM project.

This is set to change with a recent recommendation from the CDM Working Group responsible for such tree planting projects. The changes put forward by the Working Group (1) will make substantive areas used for controversial large-scale plantation management eligible as CDM projects. The proposed changes also introduce the perverse incentive to clear land that was actually forested after 1990: a proposed CDM project would pass the new land eligibility criteria if it took place on land that may not have been forest on 31 December 1989 but where a secondary forest has developed since. Nothing in the proposed new rules would prevent the clearing of the secondary forest that had developed since 31 December 1989 and then a plantation company could establish thereafter a monoculture tree plantation that is credited under the CDM. In addition to risking negative social and environmental impacts and providing a subsidy to the plantations industry, allowing for such practise would also not result in emission reductions, since in the absence of the project the secondary forest would have continued to exist.

In addition to providing an incentive to clear areas that have developed into forests since 31 December 1989, the proposed changes to the CDM rules would also make replanting after regular rotational timber harvest eligible as a CDM project. If the new rules are approved by the CDM Executive Board it would be possible for a plantations company to carry out regular harvesting operations, pass the new CDM land eligibility procedures and be able to increase profit margins by selling CDM carbon credits for re-establishment of the plantation after such a regular harvest. The text requires that the company demonstrate that "the land was not intentionally converted to non-forest land for the purpose of implementing an A/R CDM project activity", but this requirement would certainly be possible to fulfil.

How would this work?

A plantations company carries out a regular rotational harvest of its plantations. It then puts forward a proposal to the CDM arguing that without additional funding it would not be able to replant (as V&M Florestal and Plantar did in their proposals to the CDM in 2003-2005). The plantation company's argument would persuade the CDM experts that replanting of the plantation would not deliver sufficiently attractive economic returns and would only be replanted if extra CDM finance was made available. The CDM project – the establishment of a monoculture plantation – would likely be considered additional, and the CDM would provide extra funding to plantation companies for the very activities they are doing anyway: re-establishing plantations after regular rotational harvesting.

There is no shortage of land that was cleared before 1990, where community-based forest restoration

would provide both environmental and social benefits. Judging from the list of proposed CDM tree planting projects, this is not where the interest of most CDM project proponents' lies. The large majority of proposals involve establishing commercial, large-scale timber plantations. The proposed new rules – if adopted in their current form by the Executive Board – will open up large areas of land currently not eligible for the CDM plantations subsidy. Such a CDM subsidy from the sale of carbon credits may increase the economic return of plantations in locations where other land uses might make much more economic, social and environmental sense and where land use conflicts between local communities and plantation companies are frequently a reality. The 2003 CIFOR report "Fastwood" concluded that "[t]he sooner subsidies to commercial plantations are phased out, or at least dramatically reduced, the better." It would be ironic if the CDM, not least in light of its objective to promote sustainable development, were to provide the very kind of subsidy the CIFOR report, numerous WRM publications and others have shown to cause a raft of negative social and environmental impacts.

(1) Available at http://cdm.unfccc.int/public_inputs/EB31_ARWG_Land_eligibility/index.html

By Jutta Kill, FERN, e-mail: jutta@fern.org