

# Leaked paper exposes EU countries' abuse of climate loophole

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Forests remove CO2 from the atmosphere. [Frida/Flickr]

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**EXCLUSIVE/ European Union countries exploited loopholes in United Nations forestry rules to pocket carbon credits worth €600 million and the equivalent of global-warming emissions from 114 million cars.**

European Commission analysis, obtained by EURACTIV.com, exposed how by overstating their logging targets, governments scooped up carbon credits. These can be used to offset emissions from polluting sectors under the UN's Kyoto Protocol.

Forests remove CO2 from the atmosphere. Countries were rewarded for undercutting their exaggerated UN felling targets, which were reported to the European Commission.

Forestry is not regulated under the bloc's Emissions Trading System (ETS), the world's largest carbon market. But efforts are underway to bring them under EU oversight in the draft Effort-Sharing Regulation.

The Commission "non-paper" was prepared in a bid to convince some EU member states to drop their opposition to the new rules. It revealed that the problem was potentially up to 30% worse than first suspected.

In 2013-2014, the most recent years available, member states picked up a windfall of 120 million tonnes worth of carbon credits.

Those free credits, worth about €5 each at today's EU carbon price, represent the same CO2 as the annual emissions of the four most polluting coal stations in Europe.

The document said that leaving the loophole open risked 133 million tonnes of unearned carbon credits falling into governments hands.

133 million tonnes is worth €665 million at today's carbon price and is equivalent to 127 million cars on the road.



## Forestry carbon credit loophole could be used to game climate commitments

EXCLUSIVE / Weaknesses in the oversight of the European Union's forestry sector has exposed it to the risk of being used to game government climate commitments and scoop up millions of euros worth of carbon credits.

### LULUCF

Land use, Land Use Change and Forestry (LULUCF) is used to describe the impact of land use and forestry on greenhouse gas emissions.

The European Commission wants to include LULUCF in its Effort-Sharing Regulation bill. The draft law must be agreed by both the European Parliament and member states in the Council of Ministers before it can enter into force.

Kyoto Protocol rules give or deduct carbon credits, using a "business as usual" baseline submitted by member states to the European Commission. By overstating business as usual, member states can exploit the loophole.

Rather than basing calculations on predictions of future logging, the Commission wants credits to be calculated on maintaining past harvesting and forest management levels.

In the non-paper, it argues "strong divergence" between actual and predicted harvesting means keeping the loophole in EU rules would carry the risk of compromising "the credibility of EU climate goals".

The EU has a target of reducing greenhouse gas emissions by at least 40% by 2030, which is part of its commitment to the United Nations' Paris Agreement to cap global warming. The landmark international deal aims to cap global warming at not more than two degrees above pre-industrial levels.

In return for supporting the change, the executive has offered to allow member states to use the credits earned to offset emissions from polluting sectors, such as transport and agriculture. This flexibility is not possible under current EU laws but is under the UN Kyoto Protocol, which is the predecessor to the Paris Agreement.

While powerful countries such as Germany support the change, Austria and Finland want the loophole to be kept open.

The two countries are also pushing for their own national policy decisions to become part of the calculations, which green campaigners said would be open to abuse.

This could mean that the CO2 emissions from the burning of wood for energy, which the EU defines as renewable, goes uncounted

No other sector has a business as usual reference level regarding greenhouse gas emissions. Most use levels from a given year, usually 2005 or 1990.

"This scam has gone on too long. Member states need to get serious about their forests and properly count the impact their management practices are having on our climate" Hannah Mowat, campaigner for Fern, the forest and rights group

EU environment experts will meet in Brussels on Monday (27 March) to discuss the bill. The talks will be chaired by Malta, the largely forest-less member state, holding the rotating Presidency of the EU.

MEPs in the Environment Committee will vote on their amendments to the bill on 22 June.

### BACKGROUND

The European Commission has this to say on LULUCF:

LULUCF (Land use, Land Use Change and Forestry) covers greenhouse gas emissions into the atmosphere and removal of carbon from the atmosphere resulting from our use of soils, trees, plants, biomass and timber.

Forests and agricultural lands currently cover more than three-quarters of the EU territory and naturally hold large stocks of carbon, preventing its escape into the atmosphere. But the draining of peat land, felling of forest or ploughing up grassland generates emissions; rewetting of organic soils, afforestation, conversion of arable land into grassland can result in protection of carbon stocks or even carbon sequestration.

The efforts of farmers and forest owners and their good practices for securing carbon stored in forests and soils have only partly been included in international agreements primarily due to the difficulty of collecting robust carbon data from forests and soils and the lack of common rules on how to account for emissions and removals.

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