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MEETING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on the Environment
Subject:	Non-ETS (LULUCF): WPE on 27 November - Commission non-paper on HWP

With a view to the WPE meeting on 27 November delegations will find attached a non-paper from the Commission on the impact of the product category "Paper" within the Harvested Wood Products pool on multi-annual compliance accounts

Non-paper, LULUCF Regulation

Impact of the product category "Paper" within the Harvested Wood Products pool on multi-annual compliance accounts

Summary

The much longer half-lives of the categories (b) wood panels and (c) sawnwood strongly promote the use of these categories for HWP over that of category (a) paper. Increasing the carbon flow to the HWP pool in categories (b) and (c) will by the end of the 10yr compliance period still show significant benefits in the accounts. By contrast, the carbon stored in (a) paper will be mostly emitted and thus have a neutral impact on accounts across the long period.

Preferentially treating so-called long-life categories from accounting rules elsewhere in a regulatory text would likely provide for no or little additional incentivisation beyond that already existing in the international accounting rules.

Detail

"Harvested Wood Products" distinguishes three categories. Each of these categories has different default "half life" values. The half-life value means the number of years it takes for the quantity of carbon stored in the respective materials to decrease to one half of its initial value.:

(a) 2 years for paper

(b) 25 years for wood panels

(c) 35 years for sawn wood.

The distinction of these three products and the choice of the half life values follow IPCC guidance. They are also enshrined in the LULUCF decision (529/2013/EU) and have worked well.

The accounting method proposed in Article 9 of the Commission's proposal in principle shows the impact of a <u>change in the rate of the increase</u> (or decrease) of the carbon stock for Harvested Wood Products. For example, if a Member State has been storing 5M m3 of wood each year as paper for a long period of time, the carbon stock will be roughly in balance and the accounted value will be close to zero. If the Member State increases the stocking rate to 6M m3 per year, this increase will be accounted initially as a removal, in proportion to the increase (of 1M m3 of wood converted to paper).

However, the impact of increasing the (paper) carbon store in year 1, means that by year 3, half the carbon is considered to be oxidised (i.e. accounted as emissions) and by year 5, ¾ of the carbon will have been emitted. This means that a HWP carbon pool based upon paper quickly returns to equilibrium (i.e., is not changing), and the benefit of an increase of the paper flow into the HWP carbon pool is short-lived. Moreover, if the rate of HWP storage returns to its initial value (e.g. 5M m3 per year), the account will even show an emission in a fairly short (multi-annual) time frame, even balancing the removals in the earlier part of the time frame.

Consequently, and given two 5yr compliance periods, the benefit of an increase in storage through paper is relatively short-lived. If the increased level is not sustained, then almost all of the initial accounting benefit will be reversed within the compliance period. Even if the increased level is maintained, then the account will return close to equilibrium (i.e. the accounting benefit will be close to zero) within the compliance period.

The much longer half-lives of the categories (b) wood panels and (c) sawnwood strongly promote the use of these categories for HWP over that of category (a) paper. A similar increased carbon flow to the HWP pool in categories (b) and (c) will by the end of the 10yr compliance period only have partly decreased, because of the slower rate of oxidisation or emissions.

It is already highly preferable, under the Commission proposed accounting framework, for Member States to direct wood to categories (b) and (c). Preferentially treating so-called long-life categories from accounting rules elsewhere in a regulatory text would likely provide for no or little additional incentivisation beyond that already existing in the international accounting rules.