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## **MEETING DOCUMENT**

From:	General Secretariat of the Council
To:	Working Party on the Environment
Subject:	Non-ETS (LULUCF): WPE 10 July - FI non-paper on accounting of Harvested Wood Products (HWP)

With a view to the WPE meeting on 10 July delegations will find attached a non-paper from Finland on the above.

## **Finnish non-paper on accounting of Harvested Wood Products (HWP)**

### **1. Summary**

The Working Party on Environment has been discussing on the treatment of Harvested Wood Products (HWP) as an integral part of EU's LULUCF Regulation. A number of Member States have supported the proposal to include Harvested Wood Products as a separate and aggregated category.

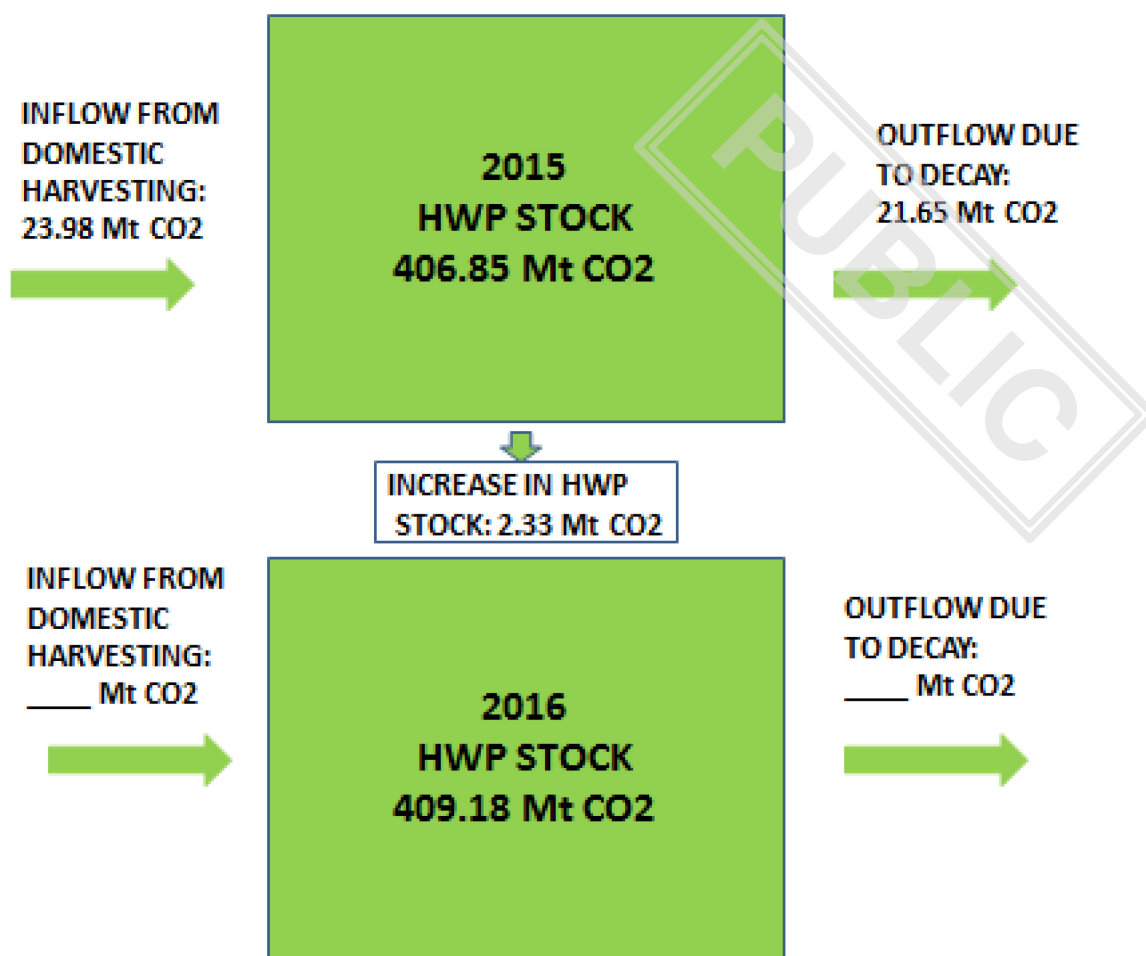
Finland reiterates its previous proposals (WK 1239/2016 INIT, WK 4960/2017 INIT and WK 5268/2017 INIT) on the treatment of HWP; mainly that **HWP should be treated as a separate accounting category/item (Article 9) while applying gross-net accounting**. Finland sees that this kind of accounting

- (i) offers MS an incentive to promote using and storing carbon in long lasting wood products;
- (ii) is coherent with the IPCC methodologies and UNFCCC reporting framework and practice;
- (iii) is coherent with the overall EU's LULUCF regulation;
- (iv) ensures environmental integrity and, thus,
- (v) offers a practical compromise solution to the EU's LULUCF regulation.

### **2. Challenges of the HWP accounting**

The accounting of HWP looks into the changes in carbon stocks in HWP pool. There is a significant carbon pool, result of historic inflow of carbon, which will continue to decay (outflow) according to calculation parameters (half-life times for different product categories). The HWP stock is either increasing or decreasing subject to the size and type of original pool (decay of past inflow) and inflow of new products.

Changes in HWP are real and a result of direct human induced activities. Inflow depends directly on the level of domestic harvesting and type of processed wood products. In case a Member State would not carry out forest harvesting at certain level, it is expected that the HWP carbon stock would decline. For example, in case of Finland, the forest harvesting level dropped due to economic recession from 2007 (64 Mm<sup>3</sup>), 2008 (58 Mm<sup>3</sup>) and to 2009 (48 Mm<sup>3</sup>), resulting HWP stock to decrease from a significant sink of -5.0 Mt CO<sub>2</sub> in 2007, to -1.2 Mt CO<sub>2</sub> in 2008 and to a source of +1.7 Mt CO<sub>2</sub> in 2009 (for details see annex).



**Figure 1.** Changes in HWP stock; case Finland 2015. The real increase of HWP stock in 2015, and as accounted gross-net, the removals were 2.33 Mt CO<sub>2</sub>. Source: Finland's GHG inventory 2017.

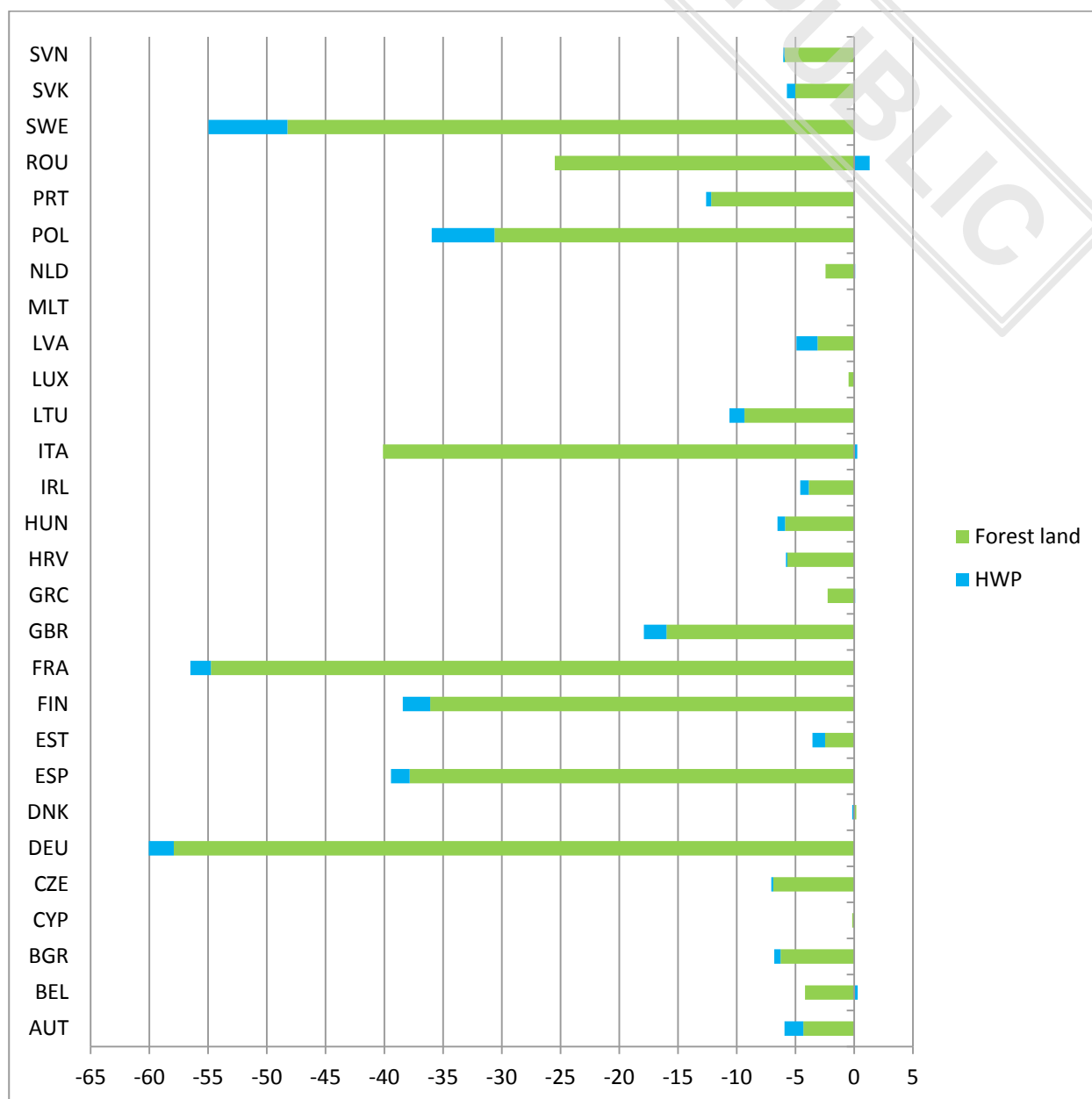
The Commission's original proposal on the treatment of HWP was unclear and problematic from technical perspectives:

- There was no clear justification why to separate accounting of HWP from afforested land and HWP from sustainably managed forests.
- There was no justification to account HWP from afforested land by using gross-net accounting and HWP from forest land by using reference level approach.
- There was no explicit approach how the HWP, especially the historical inherited emissions originating from afforested lands should be calculated and accounted for. The transparency of including HWP in forest reference level is questionable.

Finland believes that by not including HWP in the forest reference level, the overall LULUCF and forest accounting will be more transparent and robust.

#### 4. Quantitative implications of HWP

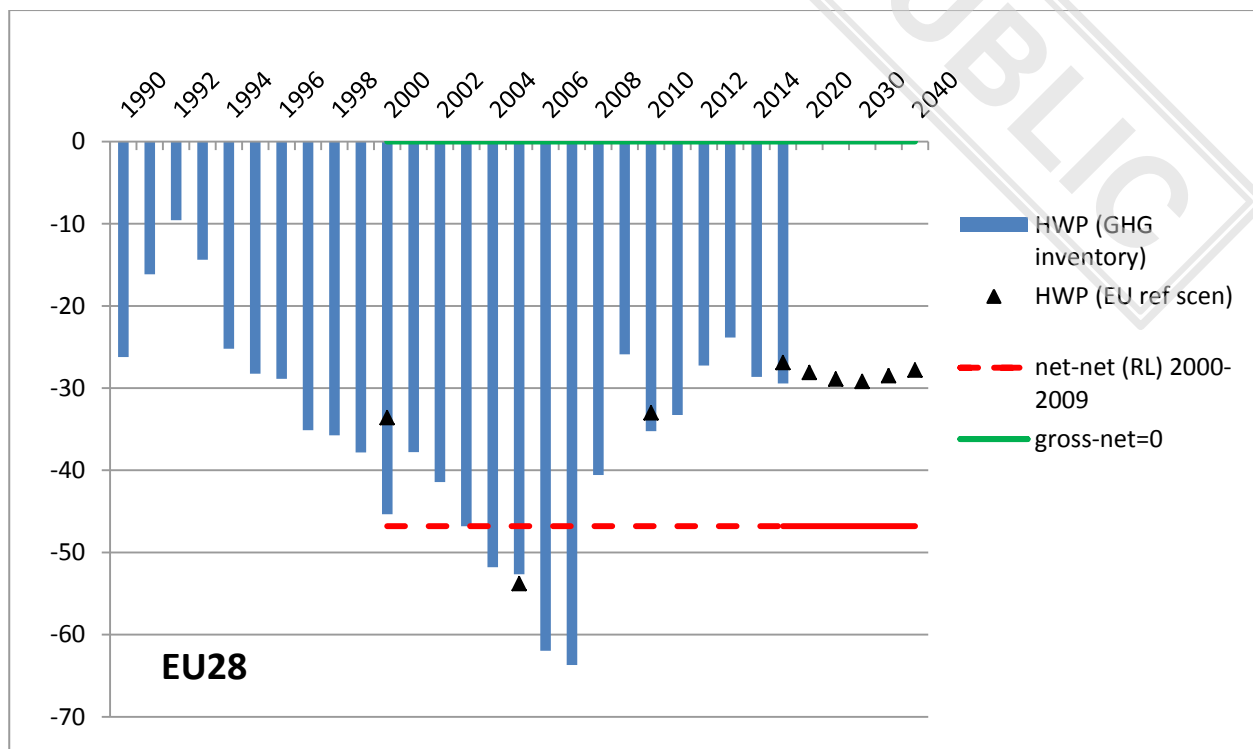
The quantitative magnitude of forests and HWP varies significantly between different Member States (Figure 2).



**Figure 2.** Reported emissions and removals on managed forest land and Harvested Wood Products in 2015 by EU Member States. Source EU submissions to UNFCCC 2017, GHG inventory.

[https://unfccc.int/national\\_reports/annex\\_i\\_ghg\\_inventories/national\\_inventories\\_submissions/items/10116.php](https://unfccc.int/national_reports/annex_i_ghg_inventories/national_inventories_submissions/items/10116.php)

Furthermore, the size of HWP varies significantly between different years. At the EU level (Figure 3) the net removals in HWP was at the highest level, over 60 Mt CO<sub>2</sub>/yr, in 2006 and 2007 while it dropped quickly to the level of 30 Mt CO<sub>2</sub>/yr due to economic recession. Scenarios indicate that Member States will need to increase their forest harvesting levels in order to maintain the net removals at the current level (approx. 30 Mt CO<sub>2</sub>/yr) also in the future.



**Figure 3.** Reported emissions and removals on Harvested Wood Products 1990 - 2015, and projections up to 2040 for EU28. Sources EU submissions to UNFCCC 2017, GHG inventory and EU 2016 Reference scenario

[https://unfccc.int/national\\_reports/annex\\_i\\_ghg\\_inventories/national\\_inventories\\_submissions/items/10116.php](https://unfccc.int/national_reports/annex_i_ghg_inventories/national_inventories_submissions/items/10116.php)

[https://ec.europa.eu/energy/sites/ener/files/documents/ref2016\\_report\\_final-web.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/ref2016_report_final-web.pdf)

In the annex, there are indicative data for individual Member States.

## 5. Way forward

**Finland recalls its text proposals on article 9, accounting for harvested wood products (HWP).** It is recognized that the treatment of HWP is closely connected with articles 6 and 8. Also some additional consolidation of text may be needed in order that framework/text would be coherent; e.g. with articles 2, 5 and Annex V will need to be checked as part of final elaboration of the text.

In case the accounting of HWP is problematic to any Member State or in a view of finding a compromise agreement, Finland is open to consider:

- an alternative that a Member State would be allowed to choose to include or not to include HWP as a separate category in their LULUCF accounting: HWP as a voluntary accounting category;

- other technical features e.g. the starting year (1900, 1960 or 1990) of the first order decay function;
- expansion or restriction of product categories to be included in the accounting system; e.g. that only long-life wood products (wood panels and sawn wood) would be included in the accounting.

### Annex: Indicative implications of HWP accounting to EU member states

The following pictures provide an illustrative country specific data on Harvested Wood Products. Sources EU submissions to UNFCCC 2017, GHG inventory and EU 2016 Reference scenario.

[https://unfccc.int/national\\_reports/annex\\_i\\_ghg\\_inventories/national\\_inventories\\_submissions/items/10116.php](https://unfccc.int/national_reports/annex_i_ghg_inventories/national_inventories_submissions/items/10116.php)

[https://ec.europa.eu/energy/sites/ener/files/documents/ref2016\\_report\\_final-web.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/ref2016_report_final-web.pdf)

