Option A: Include all Land-Use and Forestry Projects

Article 12 is silent on whether eligible projects include enhancing or removal of sinks. Several points argue for the inclusion of land-use change and forestry projects:

- these projects are typically cost effective, so attractive for investors;
- in addition to GHG reductions, these projects provide significant ancillary benefits for the host country,
- certain developing countries and NGOs already hold a strong interest in this class of projects
- it makes sense to include a wide range of options in the CDM, thereby increasing the flexibility and cost-effectiveness from potential investors; and
- a significant number of land-use change and forestry projects have already been implemented under the AIJ pilot program, and this on-the-ground experience can used as a foundation from which to build an even stronger program of GHG reduction projects in developing countries under the CDM.
- However, all of these arguments must be weighed against the aspects of these projects that make them risky GHG reduction investments: their GHG benefits *can* be lost, measurement of emission reductions is complex, and the development of credible baselines is difficult.

Option B: Exclude Only Forest Preservation Projects

An alternative to would be to exclude forest preservation projects from the CDM, i.e., agree that paragraph 3 of Article 3 of the Protocol governs Article 12.

- Forest preservation is risky due that is common to all forestry projects and due to difficulties associated with the development of credible baselines.
- Projecting deforestation rates with certainty, especially over long time frames, is difficult at best. This is due to numerous complex, interactive, and often poorly understood controlling factors, as well as unreliable or unavailable historical data.
- However, it is important to keep in mind that developing credible baselines for energy projects, as well as other forestry projects, is not straightforward either.
- forest preservation projects tend to be low cost and to produce significant, and attractive, ancillary benefits for the host country.
- Generation of ecotourism revenue is a particularly attractive, and unique, ancillary benefit of forest preservation projects.
- Once a baseline is defined, the GHG benefits of such projects are relatively simple to measure (assuming the forest is mature and relatively uniform ecologically).
- such projects are uniquely relevant to the tropical developing countries because this group of countries that is currently experiencing the highest deforestation rates.
- Excluding this type of project might discourage certain developing countries from participating in CDM,
- Conversely, including forestry projects would help promote and provide incentives for sustainable forestry management practices

Option C: Exclude Land-Use and Forestry Projects

- Under the AIJ pilot phase, certain types of emission reduction projects have been considered to be more risky than others due to questionable permanence of the expected GHG benefits and to difficulties associated with accurate measurement of emission reductions. Conversely, once an energy project achieves emission reductions, those reductions can never be lost (although these projects, as well as forestry projects, are subject to leakage).
- Area sources and sinks typically involve several flux pathways, such as soil carbon accumulation, biomass growth, and decay of wood products, all of which vary in space and time due to factors such as rainfall, soil type, and land management techniques.
- Estimates of net annual flux for such projects are usually quite uncertain, and accurate measurement of flux once a project begins, while not difficult, is often labor intensive, and therefore, may be relatively expensive.
- For these reasons, some countries, NGOs, and other groups have argued that land-use change and forestry activities should be excluded from measures that may be used to meet national emission reduction commitments.
- However, forestry projects, especially in developing countries, are often low cost (on a per unit of GHG reduction basis), and have attractive ancillary benefits, including biodiversity conservation, watershed protection, and revenue generation through the production of wood and non-wood products.