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.

B.   Exclude Only Forest Preservation Projects. An alternative to option A. 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 projects have been considered risky not only due to the permanence problem that is common to all forestry projects (i.e., the fact that once carbon is sequestered or stored by these projects, it can be emitted due to unforeseen circumstances), but also 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.

As with other types of forestry projects, 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. In addition, once a baseline is defined, the GHG benefits of forest preservation projects are relatively simple to measure (assuming the forest is mature and relatively uniform ecologically). For these reasons, there has already been a fair amount of interest and activity in this type of project on the part of NGOs and several developing countries through the AIJ pilot program. Also, forest preservation 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, and would eliminate a potential cost effective mechanism for reducing future global net GHG emissions. Conversely, including forestry projects would help promote and provide incentives for sustainable forestry management practices.

C.   Exclude all Land-Use Change 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. This is especially true for forestry projects. For example, the carbon sequestration benefits of afforestation and reforestation projects can be lost due to accident (e.g., forest fire) or inadequate protection against human intervention (e.g., illegal logging or clearing). 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).

The measurement of emission reductions, or measuring net annual GHG flux under both the baseline and the project scenario, is more difficult for projects that involve *area* sources or sinks (e.g., forestry and other land-use and land-use change projects) than for

11