Forest Carbon Ltd
Response to consultation on draft guidance on measuring and reporting greenhouse gas removals and emissions from woodland creation

Q1. Does the guidance provide a clear means of disclosing the effects on carbon abatement associated with investment in domestic woodland projects?

The guidance is clear.

Q2. Do you agree that this guidance will help promote investment in domestic woodland projects? If not, could the guidance be improved to meet this aim, or are there other barriers?

The guidance is an important step in the right direction; however it may not be enough to stimulate the desired investment.

The up-front costs of woodland creation are such that, unless there is either a significant level of speculative investment or a change in the way that the guidance proposes that businesses are allowed to report removals, then objectives may not be achieved. The Woodland Carbon Code (WCC) allows businesses to report carbon sequestration ex-ante, and we believe this guidance ought to do the same so long as a project is WCC certified. We believe that businesses would be safe to do this as the requirements of the WCC for buffering and risk management will ensure that there will always be at least as much carbon to be sequestered as has been claimed. Discussions with some of our existing investing partners suggest that this would be a vital change to the guidance, both in terms of cost and the ability to make statements about the future benefits of investments. Below (Table 1) is a worked model demonstrating the difference in up-front investment costs to a business looking to be ‘carbon balanced’ (for want of a better expression) through woodland creation over a 10 year cycle, using the scenario outlined in this guidance and the ex-ante scenario where future benefits are reported at the time of planting. We have used figures rounded to make the model simple to follow and the carbon costs and capture rates are not necessarily indicative of any real project.

The model shows an up to twenty-fold difference in the net present value of the upfront funding required to create the woodland needed to achieve this 10 year aim – and this could be a significant disincentive unless speculators fill the void (and it’s not enough to rely on them alone). It could be argued that businesses under scenario 1 could buy carbon for the first five years from existing projects, but in reality there aren’t enough of them in existence to make this a realistic prospect.

This guidance exists to incentivise businesses to invest in woodland creation – for the national good as well as business benefit – and in order to do that it needs to better align the costs and benefits to business. As it stands a business would need to invest a large sum of money now and reap the benefits over 80 years stating 5 years from now. This will be unattractive to many, particularly when coupled with the thought that business would need to be reporting emissions from woodland creation in the first handful of years.

Table 1: Investment models: guidance and ex-ante reporting

Scenario 1 - as per guidance

Year	Emissions	Ha required	Removals	Balance	Cost
1	1,000	400.0	0	1,000	2,000,000
2	1,000	0.0	0	2,000	0
3	1,000	0.0	0	3,000	0
4	1,000	0.0	0	4,000	0
5	1,000	0.0	0	5,000	0
6	1,000	0.0	2,000	4,000	0
7	1,000	0.0	2,000	3,000	0
8	1,000	0.0	2,000	2,000	0
9	1,000	0.0	2,000	1,000	0
10	1,000	0.0	2,000	0	0
Total					2,000,000
NPV					**2,000,000**

Scenario 2 - Ex-ante reporting

Year	Emissions	Ha required	Removals	Balance	Cost
1	1,000	2.5	1,000	0	12,500
2	1,000	2.5	1,000	0	12,500
3	1,000	2.5	1,000	0	12,500
4	1,000	2.5	1,000	0	12,500
5	1,000	2.5	1,000	0	12,500
6	1,000	2.5	1,000	0	12,500
7	1,000	2.5	1,000	0	12,500
8	1,000	2.5	1,000	0	12,500
9	1,000	2.5	1,000	0	12,500
10	1,000	2.5	1,000	0	12,500
Total					125,000
NPV					**96,522**

CO2	assume 5 t/yr yrs 5 - 85, 400 t/ha total, no emissions from project activity
Costs	£5000/ha
Discount rate	5%

Q3. Do you agree that the guidance on how to report on domestic woodland creation should only be used in conjunction with the Woodland Carbon Code? If you disagree, what alternative to the Woodland Carbon Code do you propose?

Forest Carbon does not agree that reporting should be restricted to projects that meet the WCC, although we are support the WCC and are actively participating in its development.

Companies should be free to report any woodland creation activity as long as they are clear on what it is that they are reporting. Guidance should be issued about the claims that can be made about woodland carbon projects – for example transparency on carbon measurement methodologies, credentials of project partners, detailed information about location, statement of additionality. Public, market and stakeholder scrutiny will ultimately ensure that organisations are only developing credible projects with credible developers.

Q4. Is the guidance on identifying ownership and the roles and responsibilities of the different parties in Step 1 clear?

This is both important and clear.

Q5. Do you agree that companies should be able to invest in existing projects (as well as new projects) where they meet the criteria under the Woodland Carbon Code?

Companies should be able to invest in existing projects that can demonstrate compliance/registration under the WCC, or in those that don't, provided that their claims are clear and that there is a transparent record of ownership and clarity as to what has happened to any CO2 rights that have accrued since the project was implemented (e.g. were they 'retired' for any purpose, or were they held for resale).

Q6. Do you agree that you should use the carbon assessment tools available from the Woodland Carbon Code website in Step 2? If not, what models and methodologies would you suggest?

We are happy that projects should use the models available in the WCC, or any others that are credibly peer reviewed and supported. We have developed our own peer reviewed model and will submit it to the WCC for assessment, and should it gain approval we would hope to be able to use it either within or outside of the WCC process. Organisations and project developers will use only models that the market accepts in any case, and we would expect stakeholders to be aware of the guidance offered by the WCC (for example with respect to which carbon pools are included).

Q7. Is it clear in Step 4 who can report carbon removals (as deductions from their overall gross emissions) from a woodland creation project?

The language here is slightly unclear. It may not be necessary to stipulate which of the three parties may report the removals; merely that only one of the parties may do so. It isn't clear why the wording in step 1 under project investor is: "the project investor *should* report..." (my italics). It may be more appropriate to have something more general in the guidance, e.g.: "Only one of these three parties may report the removals for a given period, and they may choose to report them in their company accounts in line with the rest of this guidance, and other relevant guidance."

Q8. Do you agree that:

a. GHG emissions from woodland creation projects and woodland removal should be included in gross GHG emissions;

b. That GHG removals from woodland creation projects should not be included within the gross figure but instead should be listed alongside other emission reduction activities, i.e. offsets or green tariffs.

Point (a) needs clarifying. If this refers to emissions from deforestation as part of a business's activities then this should be included where it is (1) reasonable for a business to be aware that this may be an indirect or direct consequence of its activities, and (2) where this is not part of sustainably managed forestry activity that is part of the organisation's supply chain and will be subject to replanting. This latter point is important: businesses should not report the creation of non-additional woodlands (e.g. those that are part of their supply chain) and therefore should not report the deforestation of such woodlands.

If point a. refers to the removals that may occur as part of the creation of a project then they should be reported as part of the net removals of the project, but only if the guidance does not accept ex-ante reporting.

Q9. We welcome your comments on the attached impact assessment for this policy. We welcome information on costs and benefits outlined in the impact assessment.

We cannot comment on the costs to businesses using the guidance.

The impact on our business as project developers, and therefore carbon prices and carbon demand, could be significant if annual reporting, instead of ex-ante, is required. At present the WCC has no requirement for annual reporting, only for a credible monitoring plan. In order to report annual removals we would need to conduct annual inspections of hundreds of projects and thousands of hectares all over the UK – a significant cost that needs to be passed on to the carbon buyer but which provides no added value and, couple with the costs of verification under the WCC, could make woodland carbon too costly to be of interest to many businesses.

Q10. Does the guidance provide enough detail? Are there any issues on which you would welcome further guidance or greater clarity?

It would be interesting to see details of any market research/consultation conducted to support the development of the guidance in its current version.

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