Regulatory challenges in practice: LULUCF projects
The French Case

Creation of a national carbon certification framework for domestic projects in forestry and agriculture

Workshop - Leveraging domestic offset projects for a climate-neutral world

Berlin - 27 September 2016

Julia GRIMAULT
Common observations

- Challenges which prevent carbon certification of mitigation projects in France: both in compliance and voluntary frameworks
- National demand for local carbon credits
- Growing expertise of project holders in forestry and agriculture sectors
- Innovative initiatives in other Annex B countries
Carbon certification challenges in France

Challenges linked to the compliance framework: domestic JI

- Dependence on international negotiations: AAUs availability
- Absence of legal documents for IFM projects

Challenges linked to the voluntary framework

- Double-counting issues: no private standards certification

Challenges linked to diffuse sectors

- High transaction costs

Challenges linked to demand

- Low/inexistent compliance demand
- Transparency issue on voluntary markets
Carbon certification scheme for emissions reduction projects

Monitoring, Reporting and Verification

National Framework: French Environment Ministry validation
Voluntary

Forestry and agriculture sectors
Project description

- National initiatives overview
- Market study
  - Drivers of national demand for carbon credits
- Code
- Methodologies
- Pilot Projects
- Forest supply study
  - Capacity and needs of forest owners for carbon projets implementation
Project considered characteristics

Methodologies and project types:

- **Afforestation/Reforestation**
- **Improved Forest Management**: conversion from coppice to high stand forest
- **Improved Forest Management**: clear cut avoidance
- **Cattle**: improved grazing management, manure management, etc.
- **Crops**: reduction of nitrogen fertilisation

Additionnality: classic tests

Double-counting: no AAUs cancellation and contribution to national mitigation action

Type of credits: ex-post and ex-ante

Registry: hold by the French Ministry for Environment
Project Schedule

2015

- Market analysis
- Forest owners study
- National initiatives overview

2016

- Legal and financial study
- Code development
- Methodologies development

2017

- Code validation
- Methodologies validation

Pilot projects
Partners and stakeholders
Market analysis first results (1/6)

Methodology

- Online Survey: 1700 organisations – 11% answers
- Interview: 25 organisations

Current market description

- 30% of the organisations already offset all or part of their greenhouse gases emissions.
- Among the 59% who never offset, 36% consider to offset their emissions.

<table>
<thead>
<tr>
<th>Market size</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td>Market size</td>
<td>1,688,588 TéqCO₂</td>
<td>1,772,421 TéqCO₂</td>
</tr>
<tr>
<td>Credit price</td>
<td>5.13€/TéqCO₂</td>
<td>4.23€/TéqCO₂</td>
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Motivation

- Act in favor of the environment or climate
- Meet customers or consumers expectations
- Show leadership on climate change issues
- Communicate on climate change
- Achieve a carbon neutrality objective
- Anticipate a regulatory constraint on GHG...
- Other
- Meet the users and citizens expectations
- Meet the suppliers expectations
Market analysis first results (3/6)

Projects location: a local preference

- In the region where the organization activities are implemented
- In Metropolitan France
- In developing countries
- In Europe
- In overseas territories (France)

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<tr>
<th>Préférence 1</th>
<th>Préférence 2</th>
<th>Préférence 3</th>
<th>Préférence 4</th>
<th>Préférence 5</th>
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<tr>
<td>0%</td>
<td>20%</td>
<td>40%</td>
<td>60%</td>
<td>80%</td>
<td>100%</td>
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Market analysis first results (4/6)

Co-benefits, sine-qua non criteria

- Presence of environmental co-benefits
- Presence of social co-benefits
- Presence of economic co-benefits

Legend:
- Essential
- Very important
- Rather important
- Little importance
- Without importance
- No opinion
Market analysis first results (5/6)

Interest in forestry and agriculture

Current offset sectors

Renewable energies
Forest and land use
Energy efficiency and change in fuel
Agriculture
Waste
Domestic equipments
Industrial process

Desired offset sectors wished

Renewable energies
Forest and land use
Energy efficiency and fuel change
Agriculture
Waste
Domestic equipments
Industrial process
Unknown
No preference
Other
Market analysis first results (6/6)

Criteria importance for project selection

- Transparency/information: on certification
- Transparency/information: on the project
- Reliability and quality of the certification standard
- Transparency/information: on the financial... (trimmed)
- Carbon price
- Location: local project (in France, in the region...)
- Relevance for the organization sector or territory
- Location: Project in France
- Innovative aspect of the project
- Location: International project (out of France)
- Presence of financial operator

Legend:
- Essential
- Very important
- Rather important
- Little importance
- Without importance
- No opinion
Thank you for your attention

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I4CE’s contribution to double-counting discussions:
http://www.i4ce.org/download/note-contribution-from-i4ce-on-how-to-address-double-counting-within-voluntary-projects-in-annex-b-countries/
Who are we?

« I4CE – Institute for Climate Economics » is an initiative of Caisse des Dépôts and Agence Française de Développement. The think tank provides independent expertise and analysis on economic issues linked to climate & energy policies in France and throughout the world.

I4CE aims at helping public and private decision-makers to improve the way in which they understand, anticipate, and encourage the use of economic and financial resources to promote the transition to a low-carbon resilient economy.