



*Forest **Carbon Sink** Becomes  
Carbon Offsetting Credit*

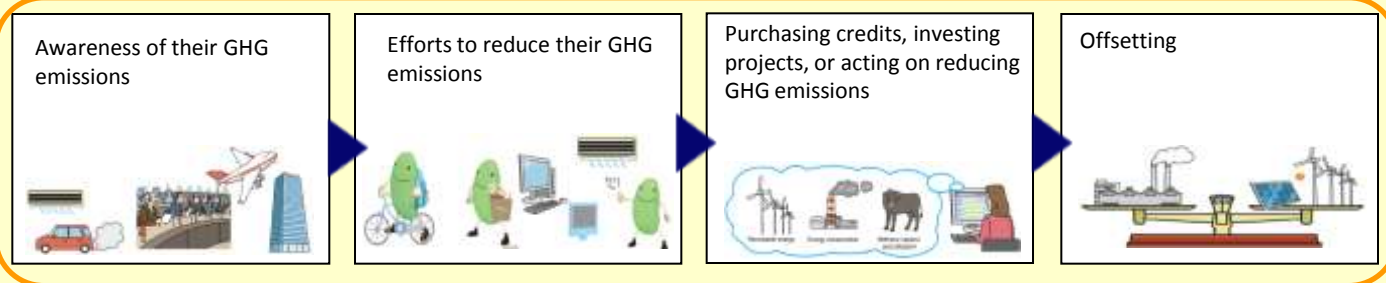
# Certification Standard For Forest Carbon Sink Credits

## Forest Carbon Sink in Japan's Climate Policy

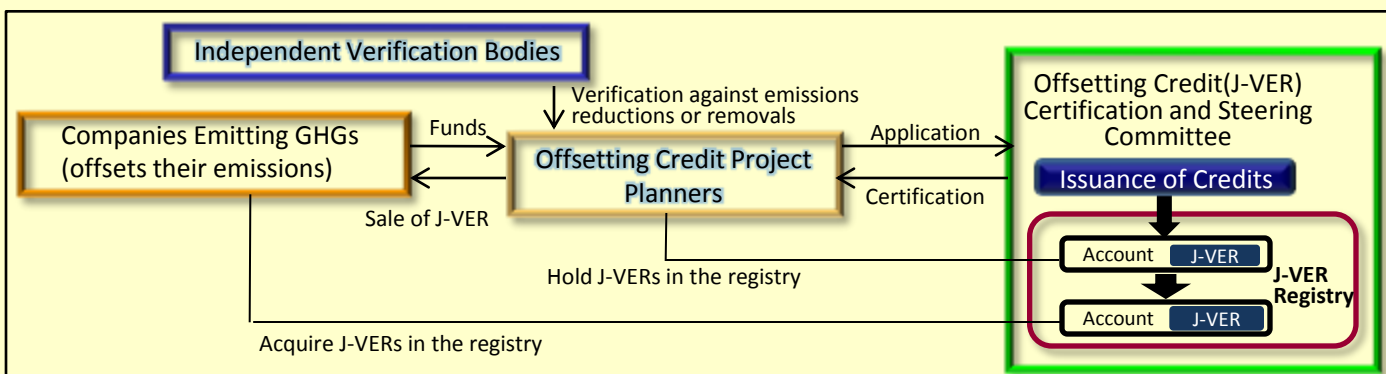
- Kyoto Protocol obliges Japan to reduce its greenhouse gas (GHG) emissions, in the first compliance period (2008-2012), by 6 percent from the level in 1990, out of which 3.8 percent is to be achieved through the carbon (CO<sub>2</sub>) sink in domestic forests, whose area accounts for around 66 percent of this country's total land area.
- Unfortunately, faced with the severe profitability situation in domestic forestry industry following the timber price decline, the thinning has not succeeded sufficiently. Therefore, policy measures to promote forest carbon removal including additional forest management of 0.2 million hectare per annum are required.

## Carbon Offsetting and Japan's Offsetting Credit (J-VER) Scheme

- Japanese government is promoting *carbon offsetting* as one of its climate change policy. Carbon offsetting is activities to offset their GHG emissions which are not been easily reduced, through the efforts including the purchase of offsetting credits. In recent years, there has been a rapid increase in the share of the products/ services under carbon offsetting program.



- In November 2008, Japanese government established *Offsetting Credit (J-VER) Scheme* to certify the emissions reductions or removals generated from domestic activities as a credit used for carbon offsetting. Although Kyoto mechanism credits (CER) are commonly used for carbon offsetting, this scheme creates a market for credits from domestic projects and realizes the flow of finance for purchasing such credits into domestic projects.



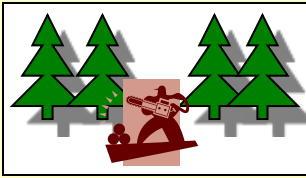
## Carbon Offsetting and J-VER Scheme for Further Forest Carbon Sink Efforts

- On the basis of the circumstance including growing concern in local governmental level regarding certification scheme for forest carbon removals and the initiative taken by Environmental Deputy Minister Masayoshi Yoshino in September 2008, Ministry of the Environment developed the *Certification Standard for Forest Carbon Sink in J-VER Scheme*, with collaboration with Forestry Agency.
- Through the market penetration of forest carbon sink credits and increase of carbon offsetting activities, it is expected that the funds for carbon offsetting flow to domestic forestry industry, hence domestic forestry industry grows and forest management and conservation as a climate change policy gets promoted.

# Targeted Projects In J-VER Scheme

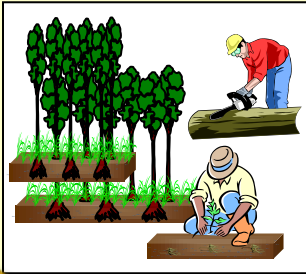
## (1) Forest Management Project

1) **Accelerated Thinning**: intensively expand thinning activities to achieve carbon sink target under Kyoto Protocol (3.8 percent)



- Applicable forests fall under the target of the Forest Plan under the Forest Act.
- Thinning shall be performed in its project area in fiscal 2007 or later.
- The thinning rate of the projects shall comply with the Forest Plan.
- J-VER is not issued if there is final cutting or changeover of land use in the project area.

2) **Accelerated Sustainable Forest Management**: preserve long-term carbon sink through continuous forest management operation.



- Applicable forests fall under the target of the Forest Plan under the Forest Act.
- Thinning, final cutting, and planting shall be performed in its project area in fiscal 1990 or later.
- The operation including final cutting in its project area shall comply with the Forest Plan.
- Thinning and final cutting shall be performed during the credit period.
- Final cutting in the project area is regarded as carbon emissions corresponding to the amount of logged timbers.
- J-VER shall not be issued if there is a changeover of land use in its project area.

## (2) Forestation Project



- Applicable forests neither fall under the target of the Forest Plan under the Forest Act nor meet the definition of forests listed in Kyoto Protocol, as of 1 April 2008.
- Forestation shall be performed in its project area in fiscal 2008 or later.
- Measures shall be taken to fall under the Forest Plan under the Forest Act.

# Measures to Ensure Permanence of Carbon Sink

- Applicable forest management project shall comply with one of the following conditions.

### 1) Forest Operation Plan Under the Forest Act



- Targeted project shall be certified under the Forest Act by organizations including municipal governments.
- Targeted project is updated every 5 years.
- Documents shall be submitted for cutting or afforestation .

### 2) Forest Certification Scheme



- Sustainable forest management is certified by independent certification bodies.
- Annual review and continuous certification is performed.
- Recovery of the land after cutting shall be secured.

### 3) Corporate Forest Management Scheme At Local Governmental Level



- Forest conservation agreement certified by organizations including prefectural governments shall be signed between forest owners and corporations.
- Continuous operation shall be secured through forest operation plan and forest certification.

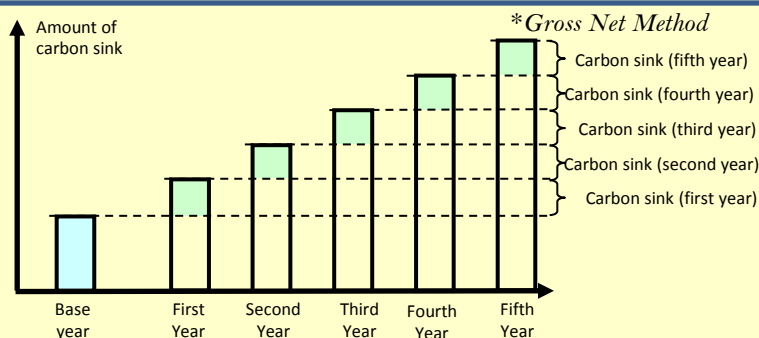
In order to secure permanent carbon sink amount, the following measures will be taken until 10 years pass since the end of the credit period.

- 3 percent of issued credits will be managed by the scheme owner as buffer credits, and a certain amount of the credits will be annually cancelled by the Certification Center on Climate Change Japan, the scheme secretariat. This measure will help compensate the loss of carbon sink effect due to natural disturbance, the changeover of land use, etc..

- The countermeasures will be taken against the loss of carbon sink due to inappropriate final cutting and the changeover of land use, in accordance with the contractual conditions.

## Calculation Method of Issued Credits

- Pursuant to the calculation method of carbon sink under Kyoto Protocol, the J-VER scheme adapts *Gross Net Method* (\*).



- Different from Baseline & Credit Method, which takes the difference value with the amount of carbon sink in BAU scenario in a certain project year as the annual amount of credit in that year, *Gross Net Method* calculates the annual amount of carbon sink at the project area.

- In the project for accelerated sustainable forest management, carbon emissions are deducted in accordance with the scale of final cutting area.

- Calculation method for the amount of carbon sink is based on the methods and factors used for the calculation based on Kyoto Protocols. Current annual increment of the forests is calculated in accordance with the age of the forests, using the corresponding guidance tool for each region.

(Example of calculation of issued credits)

- Around 60 tons per year will be issued if the project planner thins 50 hectare of Japanese cedar under the project for accelerated thinning.

- Around 120 tons per year will be issued if the project planner adequately manages 200 hectares of Japanese cedar and performs final cutting of 2 hectares of the cedar simultaneously under the project for accelerated sustainable forest management.

\* These examples adapt fixed parameters. The real amount of issued credits depends on the parameters of each project.

## FAQ

Q1: Can I apply even if my project has been already subsidized by the Forest Agency or any prefectural government?

→A1: No matter if the project be subsidized or not, the credit is not reduced or rejected.

Q2: Is J-VER issued from fiscal 2007 if I have thinned since the year?

→A2: The credit period is between any date on 1 April 2008 or later and the end of 1<sup>st</sup> compliance period of Kyoto Protocol.

Q3: Can I apply jointly with other forest owners?

→A3: The organizations including Center for Mountainous Village Reconstruction Support established by the Forestry Agency, and forestry cooperatives may jointly apply for the project by small forest owners.

Q4: Is J-VER issued if I replace fossil fuels by thinned woods gained from the forest management?

→A4: In present, J-VER Scheme accepts the project in which the fossil fuels in a boiler are replaced by woody biomass remaining in forests. Moreover, the targeted project type will expand to cover the thinned wood. In these cases, credits are issued in accordance with the amount of emissions reductions resulted from the fuel substitution.

Q5: What is the relationship between J-VER Scheme and the carbon sink certification scheme operated by the prefecture?

→A5: The schemes other than J-VER Scheme are the targets of *Program Accreditation Protocol* (in review), in which schemes consistent with J-VER Scheme are permitted to issue J-VERs which substitute the credits certified by the scheme followed by an additional procedure.

Q6: Is the forest carbon sink credit issued under J-VER Scheme accepted in Japanese Experimental Emissions Trading Scheme?

→A6: Japanese government is permitted to use up to 13 million carbon tons of domestic forest carbon sink per annum to achieve the national Kyoto reduction target, and the government acquires all of 13 million carbon tons in accordance with the Kyoto Protocols Target Achievement Plan. For this reason, the credits are not accepted in the Japanese Experimental Emissions Trading Scheme in order to avoid double counting with the government's credit and that by a corporation participating in the experimental emissions trading scheme.

## <Contacts>

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