

# Meeting Minutes FCA Group 2 - Activity-based accounting small group session

Date: 22nd January 2025 – 07:00, 08:00 UTC, 08:00-09:00 CET, 12:30 – 13:30 IST, 02:00 – 03:00 EST

Location: “Virtual” via Zoom

This small group session was designed for TWG members based in European and Asian time zones who had experience working with activity-based forest carbon accounting approaches. Note that some TWG members with activity-based accounting approaches were unable to attend and joined other small group sessions instead. Emails sent after the session by certain members detailing their input have been included in the meeting minutes.

## Attendees

### Technical Working Group Members

1. Antti Marjokorpi, Stora Enso Oyj

### Hosts (GHG Protocol, EY)

1. Amir Safaei, WBCSD – GHG Protocol
2. David Kennedy, EY
3. Adrien Portafaix, EY
4. Johannes Tintner-Olifiers, EY
5. Ishita Chelliah, EY
6. Weza Bombo Joao, EY

Item	Topic and Summary	Outcomes
1.	<p><b><i>Introduction</i></b></p> <p>The meeting began with a brief introduction and an overview of the agenda, focusing on discussing three use case scenarios related to forest management and corporate GHG inventory accounting perspectives.</p>	No specific outcomes.
2.	<p><b><i>Case Scenario 1: Forest Ownership in Malaysia</i></b></p> <p>A forest management company manages a pine plantation under a concession in Malaysia. The plantation is intensively managed with even-aged management, established in the 1970s with a 20–30-year rotation, covering 750 ha within Malaysia's 2.4 million ha licensed for planted forests.</p>	The variability and complexity of the activity-based accounting approach were highlighted, along with the potential for inconsistent results across companies. The need for accurate baseline data was emphasized. The strengths of gaining a fuller understanding of real-world versus hypothetical carbon were noted, as well as the weaknesses related to the lack of guarantee that the original forest would return, the impact of competing land pressures, and the variability of results across companies.
3.	<p><b><i>Case Scenario 2: Family-Owned Forest in Austria</i></b></p> <p>A family privately owns and manages a small forest area in Austria. The forest is extensively managed with selected harvests in an uneven-aged mixed forest, owned and managed by the family for the past 75 years, covering 20 ha.</p>	Understanding the history of the area, defining the baseline, and accounting for increased growth were addressed. The challenges posed by subjective assumptions, the difficulty of defining the natural state in Europe and other regions, and the complexities of accounting for changes in forest growth due to management practices were also highlighted.
4.	<p><b><i>Case Scenario 3: Forest License on Public Lands in British Columbia, Canada</i></b></p> <p>A forest management company operates according to a forest license on public forest lands in British Columbia, Canada. The forest is harvested by clearcut with reserves and replanting within a timber supply area following the provincial forest stewardship plan, with a 40–60-year rotation period, covering 15-25 ha parcels within the 2 million ha timber supply area.</p>	The feasibility of hybrid approaches, the impact of management changes on forest growth and carbon sequestration, and the challenges of defining a baseline were key elements. The limitations of hybrid approaches, the need for accurate baseline data, and the complexities of accounting for management changes were also highlighted.
5.	<p><b><i>Closing Remarks</i></b></p> <p>The meeting concluded with a reminder of the next steps, including the continuation of discussions and the collection of individual feedback on the use cases.</p>	Participants were reminded to review the summarized points and provide additional comments. The board would remain open for further input until Sunday, and the feedback would be shared with other group members for a comprehensive review.

## Summary of discussion and outcomes

### 1. Introduction

- The meeting began with a brief introduction and an overview of the agenda, focusing on discussing three use case scenarios related to forest management and corporate GHG inventory accounting perspectives.

### Summary of discussion

- The session aimed to align solutions among the different technical working group members and build consensus. Due to the timing, some TWG members were unable to join. The purpose of the call was to gather feedback on different accounting options elaborated in the provided material. The discussion included background information and the practitioner's view on forest management across different continents. The goal was to understand the pros and cons of various approaches and gather individual feedback on specific use cases.

### Outcomes (e.g. recommendations, options)

- No specific outcomes.

## **2. Case Scenario 1: Forest Ownership in Malaysia**

- A forest management company manages a pine plantation under a concession in Malaysia. The plantation is intensively managed with even-aged management, established in the 1970s with a 20–30-year rotation, covering 750 ha within Malaysia's 2.4 million ha licensed for planted forests.

### Summary of discussion

- **Perspective a):** Consideration of how the company managing the forest plantation will account for scope 1 land management net biogenic (LM) CO<sub>2</sub> emissions or removals.

#### **Selected Approach:**

- If activity-based accounting was employed, the company would compare their existing forest carbon stocks against a counterfactual estimate of the forest carbon stocks of the original forest/ecosystem that existed in that location. If there was less carbon stored in the plantation forest, the company would report the difference as an emission. If there was more carbon stored in the plantation, the difference would be reported as a removal.

#### **Strengths:**

- An opportunity of activity-based accounting is to gain a fuller understanding of the difference between the real-world carbon and that of a hypothetical world that was devoid of any human influence.

#### **Weaknesses:**

- A weakness of activity-based accounting is that there is no guarantee that the original forest/ecosystem would return to the land in the absence of forest management. Competing land pressures such as agriculture, development, or alternative land use would be more likely than a return to the forest to its "natural" state. In addition, the choice of a time frame would be incredibly impactful on the result. Another glaring risk is that the choice of counterfactual model, if left up to companies, would mean the results across companies would be incredibly variable and not comparable.

#### **Other Options:**

- While the activity-based accounting proposal is compelling from a scientific research perspective, it is not appropriate to apply in a company inventory. These models are more suited for the carbon credit markets and/or target-setting schemes, as an additional layer on top of standard inventory approaches.

### Arguments Against:

- Applying the activity-based accounting approach would require unique considerations and guidance for each region, species, and company, making it very hard to understand how this TWG can deliver usable guidance this year if the activity-based accounting approach is pursued without a significant change in approach.

### Queries and Clarifications for Case 1:

- Queries and clarifications included the traceability of the plantation, the impact of land use change, and the challenges of setting a baseline and no management scenario.
- There were questions about how leakage and substitution are taken into account in Activity-Based Accounting, how Activity-Based Accounting distinguishes between indirect anthropogenic and direct anthropogenic removals, and how future climate-related disturbances are factored into the accounting.
- Since the introduction of the approach in the LSRG process in 2023, various methods have been suggested. These include, among others, a 20-year tracking period for the effects of the harvest and considering unharvested secondary growth as a counterfactual, the Potential Natural Vegetation (PNV) and its carbon carrying capacity, and a No-management scenario. Given the significant impact the methods have on the outcomes, comprehensive details are essential to fully comprehend the proposal under discussion.
- No feedback on perspective b) for scenario 1 was given.

### Outcomes (e.g. recommendations, options)

- The variability and complexity of the activity-based accounting approach were highlighted, along with the potential for inconsistent results across companies. The need for accurate baseline data was emphasized. The strengths of gaining a fuller understanding of real-world versus hypothetical carbon were noted, as well as the weaknesses related to the lack of guarantee that the original forest would return, the impact of competing land pressures, and the variability of results across companies.

### **3. Case Scenario 2: Family-Owned Forest in Austria**

- A family privately owns and manages a small forest area in Austria. The forest is extensively managed with selected harvests in an uneven-aged mixed forest, owned and managed by the family for the past 75 years, covering 20 ha.

### Summary of discussion

**Perspective a):** Consideration of how a pulp mill sourcing pulpwood from this and similar family forests will account for scope 3 LM CO<sub>2</sub> emissions or removals.

- The discussion included the challenges of defining the baseline scenario, accounting for increased growth, and the impact of subjective assumptions. It was noted that the history of the area and the definition of the natural state are critical factors. The challenge of defining a natural state in Europe, where natural forests are rare, was emphasized. The difficulty of accounting for changes in forest growth due to management practices was also discussed.

### Queries and Clarifications for Case 2:

- Queries and clarifications included the history of the area, baseline scenario definition, increased growth accounting, subjective assumptions, and the challenge of defining the natural state in Europe and other parts of the world.
- No feedback on perspective b) for scenario 2 was given.

#### Outcomes (e.g. recommendations, options)

- Understanding the history of the area, defining the baseline scenario, and accounting for increased growth were key elements. The challenges posed by subjective assumptions, the difficulty of defining the natural state in Europe and other regions, and the complexities of accounting for changes in forest growth due to management practices were also highlighted.

#### **4. Case Scenario 3: Forest License on Public Lands in British Columbia, Canada**

- A forest management company operates according to a forest license on public forest lands in British Columbia, Canada. The forest is harvested by clearcut with reserves and replanting within a timber supply area following the provincial forest stewardship plan, with a 40–60-year rotation period, covering 15-25 ha parcels within the 2 million ha timber supply area.

#### Summary of discussion

**Perspective a):** Consideration of how the forest management company will account for scope 1 LM CO<sub>2</sub> emissions or removals.

- The discussion included the feasibility of hybrid approaches, the impact of management changes, and the challenges of defining a baseline scenario and accounting for carbon sequestration. It was noted that hybrid approaches do not solve underlying issues but provide two parallel results. The impact of management changes on forest growth and carbon sequestration was discussed, along with the challenges of defining a baseline scenario.

#### Queries and Clarifications for Case 3:

- There were questions about how leakage and substitution are considered in Activity-Based Accounting, how it distinguishes between indirect and direct anthropogenic removals, and how future climate-related disturbances are factored in.
- Concerns were also raised about the practical applicability of these approaches, particularly regarding the assumptions and judgment calls that lead to high uncertainty margins, especially in relation to invasive species and wildfire risk mitigation through management practices.
- No feedback on perspective b) for scenario 3 was given.

#### Outcomes (e.g. recommendations, options)

- The feasibility of hybrid approaches, the impact of management changes on forest growth and carbon sequestration, and the challenges of defining a baseline scenario were key elements. The limitations of hybrid approaches, the need for accurate baseline data, and the complexities of accounting for management changes were also highlighted.

#### **5. Closing Remarks**

- The meeting concluded with a reminder of the next steps, including the continuation of discussions and the collection of individual feedback on the use cases.

#### Summary of discussion

The session emphasized the importance of gathering individual feedback on the use cases and addressing any immediate questions or concerns. Participants were encouraged to review the summarized points and provide additional comments. The board would remain open for further input until Sunday, and the feedback would be shared with other group members for a comprehensive review.

Outcomes (e.g. recommendations, options)

- Participants were reminded to review the summarized points and provide additional comments. The board would remain open for further input until Sunday, and the feedback would be shared with other group members for a comprehensive review