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Fixing a Critical Climate Accounting Error

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Rules for applying the Kyoto Protocol and national cap and trade laws contain a major, but fixable, carbon accounting flaw in assessing bioenergy.

The accounting now used for assessing compliance with carbon limits in the Kyoto Protocol and in climate legislation contains a far-reaching but fixable flaw that will severely undermine greenhouse gas reduction goals (1). It does not count CO₂ emitted from tailpipes and smokestacks when bioenergy is being used, but it also does not count changes in emissions from land use when biomass for energy is harvested or grown. This accounting erroneously treats all bioenergy as carbon neutral, regardless of the source of the biomass, which may cause large differences in net emissions. For example, the clearing of long-established forests to burn wood or to grow energy crops is counted as a 100% reduction in energy emissions despite causing large releases of carbon.

Several recent studies estimate that this error, applied globally, would create strong incentives to clear land as carbon caps tighten. One study (2) estimated that a global CO₂ target of 450 ppm under this accounting would cause bioenergy crops to expand to displace virtually all the world's natural forests and savannahs by 2065, releasing up to 37 gigatons (Gt) of CO₂ per year (comparable to total human CO₂ emissions today). Another study predicts that, based solely on economic considerations, bioenergy could displace 59% of the world's natural forest cover and release an additional 9 Gt of CO₂ per year to achieve a 50% "cut" in greenhouse gases by 2050 (3). The reason: When bioenergy from any biomass is counted as carbon neutral, economics favor large-scale land conversion for bioenergy regardless of the actual net emissions (4).

The potential of bioenergy to reduce greenhouse gas emissions inherently depends on the source of the biomass and its net land-use effects. Replacing fossil fuels with bioenergy does not by itself reduce carbon emissions because the CO₂ released by tailpipes and smokestacks is roughly the same per unit of energy regardless of the source (1, 5). Emissions from producing/refining biofuels also typically exceed those for petroleum (1, 6). Bioenergy

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therefore reduces greenhouse emissions only if the growth and harvesting of the biomass for energy captures carbon above and beyond what would be sequestered anyway, thereby offsetting emissions from energy use. This additional carbon may result from land management changes that increase plant uptake or from the use of biomass that would otherwise decompose rapidly. Assessing such carbon gains requires the same accounting principles used to assign credits for other land-based carbon offsets.

For example, if unproductive land supports fast-growing grasses for bioenergy, or if forestry improvements increase tree growth rates, the additional carbon absorbed offsets emissions when burned for energy. Energy use of manure or crop and timber residues may also capture “additional” carbon. However, harvesting existing forests for electricity adds net carbon to the air. That remains true even if limited harvest rates leave the carbon stocks of regrowing forests unchanged, because those stocks would otherwise increase and contribute to the terrestrial carbon sink (1). If bioenergy crops displace forest or grassland, the carbon released from soils and vegetation, plus lost future sequestration, generates carbon debt, which counts against the carbon the crops absorb (7, 8). The Intergovernmental Panel on Climate Change (IPCC) has long realized that bioenergy’s greenhouse effects vary by source of biomass and land-use effects. It also recognizes that when forests or other plants are harvested for bioenergy, the resulting carbon release must be counted either as land-use emissions or energy emissions, but not both.

To avoid double-counting, the IPCC assigns the CO₂ to the land-use accounts and exempts bioenergy emissions from energy accounts (5). Yet it warns, because “fossil fuel substitution is already ‘rewarded’” by this exemption, “to avoid underreporting . . . any changes in biomass stocks on lands . . . resulting from the production of biofuels would need to be included in the accounts” (9).

This symmetrical approach works for the reporting under the United Nations Framework Convention on Climate Change (UNFCCC) because virtually all countries report emissions from both land and energy use. For example, if forests are cleared in Southeast Asia to produce palm biodiesel burned in Europe, Europe can exclude the tailpipe emissions as Asia reports the large net carbon release as land-use emissions.

However, exempting emissions from bioenergy use is improper for greenhouse gas regulations if land-use emissions are not included. The Kyoto Protocol caps the energy emissions of developed countries. But the Protocol applies no limits to land use or any other emissions from developing countries, and special crediting rules for “forest management” allow developed countries to cancel out their own land-use emissions as well (1, 10). Thus, maintaining the exemption for CO₂ emitted by bioenergy use under the Protocol (11) wrongly treats bioenergy from all biomass sources as carbon neutral, even if the source involves clearing forests for electricity in Europe or converting them to biodiesel crops in Asia.

This accounting error has carried over into the European Union’s cap-and-trade law, and the climate bill passed by the U.S. House of Representatives (1, 12, 13). Both regulate emissions from energy but not land use and then erroneously exempt CO₂ emitted from bioenergy use. In theory, the accounting system would work if caps covered all land-use emissions and sinks. However, this approach is both technically and politically challenging as it is extremely hard to measure all land-use emissions or to distinguish human and natural causes of many emissions (e.g., fires).

The straightforward solution is to fix the accounting of bioenergy. That means tracing the actual flows of carbon and counting emissions from tailpipes and smokestacks whether from fossil energy or bioenergy. Instead of an assumption that all biomass offsets energy emissions, biomass should receive credit to the extent that its use results in additional carbon from enhanced plant growth or from the use of residues or biowastes. Under any crediting

system, credits must reflect net changes in carbon stocks, as well as emissions of non-CO₂ greenhouse gases, and leakage emissions resulting from changes in land-use activities to replace crops or timber diverted to bioenergy (1).

Separately, Europe and the United States have established legal requirements for minimum use of biofuels, which assess greenhouse gas consequences based on life-cycle analyses that reflect some land-use effects (1, 14). Such assessments vary widely in comprehensiveness, but none considers biofuels free from land-based emissions. Yet the carbon cap accounting ignores land-use emissions altogether, creating its own large, perverse incentives.

Bioenergy can provide much energy and help meet greenhouse caps, but correct accounting must provide the right incentives.

References and Notes

1. Additional references supporting the themes of this Policy Forum can be found in the supporting online material.
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15. The authors express thanks to the support of the German Marshall Fund of the United States.