

The Danish Climate Forrest Fund

Introduction

The Danish climate forest fund (Den Danske Klimaskovfond, KSF) is an independent, state-owned administrative body under the Danish Ministry of Environment, and is managed by an independent board appointed by various ministries.

Its main objective is to contribute to the national CO2 emission reduction targets by funding afforestation projects and the extraction of carbon rich land from rotation (rewetting of peatland). KSF was established by law on the 29th of December 2020 with an initial 100 million DKK capital investment from the Danish Parliament.

KSF essentially functions as a revolving fund by selling CO2-units from the projects as contribution credits to companies, organisations and private individuals that would like to contribute to the Danish climate effort.

To enable the sale of CO2-units, KSF has developed a national standard for the voluntary carbon market, focusing on area-based climate mitigations on Danish soil.

Contributors right to claim climate actions

CO2-units from projects are included in the Danish national climate accounts. Companies that purchase contribution credits are welcome to state that they contribute to the Danish climate effort and use this in their marketing and sustainability reporting, but they are not permitted to include it in their climate accounts as carbon off-sets.

This is in line with the Beyond Value Chain Mitigation recommendations developed by the Science Based Targets Initiative (SBTI).

KSF has developed a guide that describes what claims companies can make about their specific CO2 contribution. For example, ensuring that the time horizon of the expected carbon sequestration is mentioned.

Criteria and co-benefits

To ensure robust and varied forests, afforestation projects funded by KSF will need to meet several requirements, including having between 25-75% native species and 25-75% broadleaves, both depending on soil type.

Projects use a carbon calculator with pre-defined plant and soil types that ensure a conservative carbon estimate.

Minimum 10% of the area should be reserved as "biodiversity areas", which can include natural regeneration, grassland, and open areas, including already protected areas like meadows.

Fertilisers and pesticides are not allowed to be used.

In addition, projects are scored based on their expected co-benefits related to biodiversity, groundwater protection, water environment, recreational values, and climate adaptation.

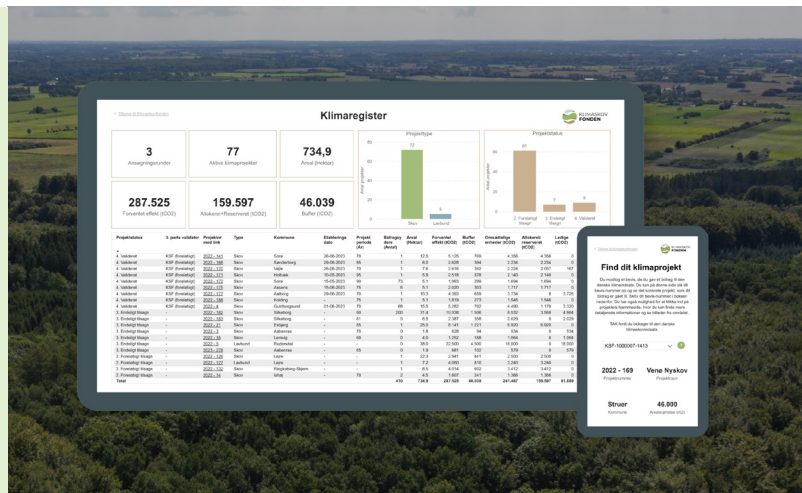
The Danish Carbon Register

All projects are entered in a public register that includes information on ex-ante and verified ex-post effects as well as information on units sold and available.

Risk abatement – buffer

A common buffer is established to account for events that may reduce the storage relative to initial estimation.

The buffer corresponds to 15% of the projects carbon. The buffer pool is noted in the register.



Climate mitigation contribution by nature-based projects

KSF has developed the first Danish standard for contributions to the national climate effort through nature-based carbon projects. The standard follows international best practise for voluntary carbon market standards.

Permanence of the projects

All projects adhere to the Danish Forest law and are registered as forest, implying that it cannot later be converted to other land uses (some exceptions but will require compensation forests)

The project description (PDD) includes an overall management plan and the subsidy from KSF can be demanded reimbursed if not complying to the forest law.

Test of additionality

All projects undergo four tests to identify non-additionality[10]:

1. Legal test: Conflict with laws and regulations that prescribe the realization of the project, e.g. planting a replacement forest, are not allowed
2. Subsidy test: Subsidies for climate activities from other funds are not allowed
3. Financial test: The climate activity of the project shall not be the most economically viable use of the land
4. Common practice test: Projects considered common practice are not allowed

Leakage

There is no account for international leakage as the projects contribute only to national targets. KSF calculates with a 100% national leakage rate by not accounting for reduced emission from stopping agricultural production.

MRV and third-party validation and verification

After one year the project is validated by an independent auditor. The purpose is to identify if the project has been implemented in accordance with the PDD.

After 2.5-3.5 years a verification of the project is carried out by an independent auditor, to verify that the project will turn into a robust forest.

Every 10 year a verification of the carbon stock (not finally programmed – potentially using remote sensing technology) will take place.

Time horizon of the projects

The time horizon is the length of a tree rotation (when the forest will reach the long-term average storage of carbon, calculated from year 100-200) and will depend on forest type. Often between 60 - 100 years.

Carbon pools included in the calculation contribution credits



Forest

- Above and below ground carbon
- Litter and deadwood
- Soil
- Harvested wood and the substitution effect are not included



Rewetting of Peatland

- CO2 in the peat layer from 12,5cm to min 30 cm and max 100cm
- The avoided emission of nitrous oxide (N2O)
- Methan emissions are subtracted

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Status of nature-based projects

146 nature-based projects



1.302 ha reforestation
275 ha validated currently



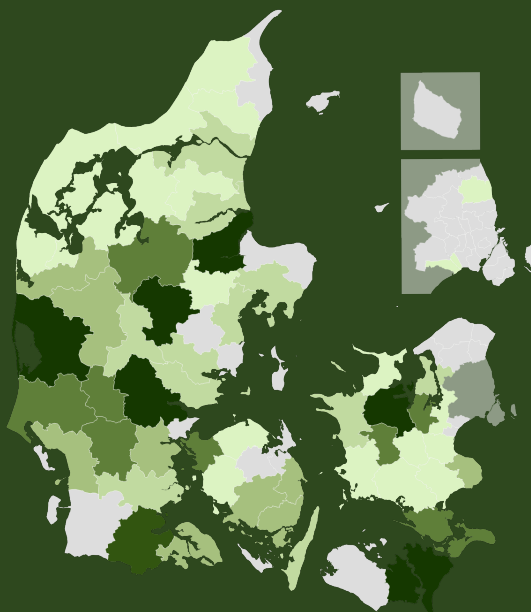
75 hektar peatland



Estimated effect of
497.307 tons CO2e (ex ante)

Projects all over Denmark

■ 1 projekt ■ 2 projekter ■ 3 projekter ■ 4 projekter ■ 5 projekter ■ 6 eller flere



Different kinds of landowners are project holders

- Private landowners
- Municipalities/local governments
- Churches

