



## News Releases



Jun. 14, 2006

### Application for New Afforestation / Reforestation CDM Methodology -Sink CDM Industrial Forest Plantation in Madagascar-

Oji Paper has submitted a new afforestation / reforestation CDM methodology regarding industrial forest plantation in east Madagascar to the CDM Executive Board, the international body overseeing CDM (Clean Development Mechanism) projects under the United Nations Framework Convention on Climate Change.

The company has for some time been investigating the possibility of obtaining carbon credits, as permitted by the Kyoto Protocol, through a so-called sink CDM project\*1 involving forest plantation. The company would be able to use the carbon credits towards meeting its own CO<sub>2</sub> emission reduction targets, while also strengthening its supply of paper raw materials. For the region concerned, the project would mean much needed investment, job creation and technology transfer opportunities.



**Project territory:**  
Degraded tropical forests that were turned into grassland by human activity. We expect that this project will become the recommended model for afforestation in such areas.

If approved, the project will be the first such effort implemented by a Japanese company on its own initiative. The proposal, named **New Methodology and Project Design Document (Draft)**, will soon be available on the United Nations Framework Convention on Climate Change website\*2.

A key step is to gain approval for the project's CO<sub>2</sub> absorption volume measurement methodology. Compared to other emission reduction CDM, it is relatively difficult to obtain approval for sink CDM methodologies\*3. However, based on our principles "harmony with the environment," "participation in social contribution activities" and "coexistence with the international community," our aim is to be a pioneer in this field as a company deeply involved in afforestation.

The **New Methodology and Project Design Document (Draft)** will likely be reviewed at the 10th sink CDM working group meeting in September 2006. If the methodology is approved, the project design document will next be submitted to the CDM Executive Board, where it will undergo a review concerning its eligibility as a CDM project.

Our proposal was prepared with the cooperation of a number of CDM advisors, including the Japan Overseas Plantation Center for Pulpwood. Also, a pre-assessment review was carried out by the Japan Quality Assurance Organization, a Designated Operational Entity (DOE).

#### Overview of the submitted New Methodology and Project Design Document (Draft)

- \* The project's methodology uses satellite data to measure the CO<sub>2</sub> absorption volume from afforestation and reforestation activities in degraded land areas
- \* The subject area in the Brickaville region on the east coast of Madagascar, which covers approximately 15,000 ha, has been classified as non-forest land (grassland, degraded land, etc.) since at least 1989
- \* Each year, Oji Paper will plant an area of land with eucalyptus and other tree species, while also engaging in sustainable logging, chip production, and reforestation
- \* Active implementation of measures (local employee, nurture of technical personnel, supporting with establishment of community forests, etc.) aimed at helping local residents become self-supporting
- \* Anticipated carbon credits to be acquired through this project over 30 years equal approximately 1.1 million tons of CO<sub>2</sub>

#### Anticipated Environmental and Social Contribution

As a result of factors such as slash-and-burn agriculture and excessive tree-cutting for firewood, Madagascar's forest land is decreasing and its devastated grasslands are expanding. If our company begins afforestation operations in Madagascar, we believe that we can make a large contribution to the country's society and environment through sustainable forest management in disused,

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degraded land areas. In particular, the continuous creation of employment opportunities in an area where there is no electricity or running water and little chance to earn cash income will lead to opportunities for children to attend school and improvements in the living conditions of local people.

Oji Paper has engaged in overseas tree plantation projects in 11 locations in the six countries of New Zealand, Australia, Vietnam, China, Laos, and Brazil, across a total area of approximately 150,000 ha. We plan to further expand these efforts in the future and plant trees on 300,000 ha by fiscal 2010. Afforestation projects are the core of the "Forest Recycling" initiatives of Oji Paper. In addition, by contributing to the improvement of people's lives in the local community through job creation, Oji Paper is endeavoring to put into practice the principles set forth in the Oji Paper Group Corporate Code of Conduct: "harmony with the environment," "participation in social contribution activities," and "coexistence with the international community."

#### CDM Advisors

- Japan Overseas Plantation Center for Pulpwood
- Mitsubishi Research Institute, Earth Science and Technology Group
- ChuoAoyama PwC Sustainability Research Institute
- Climate Experts (ClimeX)

▶1 CDM (Clean Development Mechanism) is an arrangement under the Kyoto Protocol. Companies in advanced countries obliged to reduce greenhouse gas (CO<sub>2</sub> and five other gases) emissions can, in line with strict rules, acquire carbon credits for the amount of greenhouse gas reduction/absorption resulting from CDM projects in developing countries. CO<sub>2</sub> absorption activities carried out through afforestation and reforestation are referred to as sink CDM, or afforestation/reforestation CDM. Companies from advanced countries are able to utilize the resulting carbon credits in meeting their own CO<sub>2</sub> emission reduction goals.

▶2 URL of the United Nations Framework Convention on Climate Change website: <http://cdm.unfccc.int/methodologies/ARmethodologies/>

▶3 A CDM project must use a "greenhouse gas absorption/emission reduction volume measurement method," a methodology that has been approved by the CDM Executive Board. In cases where an already approved methodology cannot be applied to the project being planned, the organization wishing to implement the project must submit an application for a new methodology to the CDM Executive Board and, following a rigorous screening, obtain its approval.

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