

**Annex 7****DRAFT CONSIDERATION OF NATIONAL AND/OR SECTORAL POLICIES AND CIRCUMSTANCES IN THE BASELINE SCENARIO FOR AFFORESTATION AND REFORESTATION PROJECT ACTIVITIES**

1. A baseline scenario shall be established taking into account relevant national and/or sectoral policies and circumstances, such as historical land use practices and the economic situation in the project sector.
2. As a general principle, national and/or sectoral policies and circumstances are to be taken into account on the establishment of a baseline scenario, without creating perverse incentives that may impact host Parties' contributions to the ultimate objective of the Convention.
3. The Working group agreed that:
  - (i) National and/or sectoral land-use policies or regulations, which give comparative advantages to afforestation/reforestation activities and that have been implemented since the adoption by the COP of the CDM M&P (**decision 17/CP.7, 11 November 2001**), need not be taken into account in developing a baseline scenario (i.e. the baseline scenario could refer to a hypothetical situation without the national and/or sectoral policies or regulations being in place);
  - (ii) National and/or sectoral policies or regulations that give comparative advantages to land use practices, which lead to a decrease in carbon pools, over afforestation/reforestation and have been implemented before adoption of the Kyoto Protocol by the COP (**decision 1/CP.3, 11 December 1997**) shall be taken into account when developing a baseline scenario. If such national and/or sectoral policies were implemented since the adoption of the Kyoto Protocol, the baseline scenario should refer to a hypothetical situation without the national and/or sectoral policies or regulations being in place.