

Rickels, Wilfried; Rehdanz, Katrin; Oschlies, Andreas

**Working Paper**

## Accounting aspects of ocean iron fertilization

Kiel Working Paper, No. 1572

**Provided in Cooperation with:**

Kiel Institute for the World Economy (IfW)

*Suggested Citation:* Rickels, Wilfried; Rehdanz, Katrin; Oschlies, Andreas (2009) : Accounting aspects of ocean iron fertilization, Kiel Working Paper, No. 1572, Kiel Institute for the World Economy (IfW), Kiel

This Version is available at:

<http://hdl.handle.net/10419/30037>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*



*Kiel*

## **Working Papers**

**Kiel Institute  
for the World Economy**



**Accounting aspects of ocean iron  
fertilization**

**by Wilfried Rickels, Katrin Rehdanz  
and Andreas Oschlies**

**No. 1572 | December 2009**

**Web: [www.ifw-kiel.de](http://www.ifw-kiel.de)**

Kiel Working Paper No. 1572 | December 2009

## **Accounting aspects of ocean iron fertilization \***

Wilfried Rickels, Katrin Rehdanz, Andreas Oschlies

Diminishing emission budgets and increasing risks of catastrophic damages from climate change require analyses of rapid response options including geoengineering options such as ocean iron fertilization (OIF). To decide whether or not OIF might be such an option an assessment of its potential as an abatement option as well as its possible side effects is required. To explore the potential of OIF knowledge on the change of carbon stocks over time is needed. However, economic aspects including accounting of carbon credits need to be considered as well. In our analysis we use data from OIF modeling experiments for different years and analyze how many carbon credits would be generated and could be used for compliance. The amount of credit varies with the accounting method applied. Applying an accounting method which measures the net effect of OIF for the duration of 100 years leads to an annual carbon uptake of 0.56 to 1.69 GtC. For a shorter fertilization period, e.g. ten years the upper range increases to 2.57 GtC per year. Offsets due to other GHGs, especially N<sub>2</sub>O, as well as operational carbon emissions can be addressed by a discount factor. Considering all experiments and all accounting methods we find a maximum discount factor of 15 percent and an average value of 9 percent. From an economic as well as from an environmental perspective issuing temporary carbon credits which have to be replaced in the next commitment period seems most appropriate for short-term OIF and would provide the largest amount of credits at an early stage. This is equivalent to the existing tCER regulation under the Kyoto Protocol.

Keywords: climate change, ocean iron fertilization, permanence, carbon accounting

JEL classification: Q51, Q54, Q56

### **Wilfried Rickels**

Kiel Institute for the World Economy  
24105 Kiel, Germany  
E-mail: wilfried.rickels@ifw-kiel.de

### **Andreas Oschlies**

IFM-Geomar, Leibniz Institute of Marine  
Sciences  
24105 Kiel, Germany  
E-mail: aoschlies@ifm-geomar.de

### **Katrin Rehdanz**

Kiel Institute for the World Economy  
24105 Kiel, Germany  
E-mail: katrin.rehdanz@ifw-kiel.de

\* The DFG provided financial support through the Excellence Initiative Future Ocean. The usual caveats apply

*The responsibility for the contents of the working papers rests with the author, not the Institute. Since working papers are of a preliminary nature, it may be useful to contact the author of a particular working paper about results or caveats before referring to, or quoting, a paper. Any comments on working papers should be sent directly to the author.*

*Coverphoto: uni\_com on photocase.com*

# 1 Introduction

Today, most countries have accepted a 2°C temperature increase above preindustrial levels as maximum tolerable limit for global warming. An exceedance probability of below 20 percent for this limit implies an emission budget of less than 250 GtC from 2000 until 2049, of which more than one third has already been emitted by now. Extrapolating the current global CO<sub>2</sub> emissions this budget will only last until 2024 (Meinshausen et al., 2009). These numbers emphasize that all options including geoengineering options need to be considered to mitigate climate change (Buesseler et al., 2008).

Geoengineering options include the enhancement of carbon sinks to reduce atmospheric carbon concentration by removing past emissions and, thereby, extending the remaining carbon emission budget. The terrestrial carbon sink can be enhanced by means of forestation, the oceanic sink can be enhanced by means of iron fertilization. Some authors have general doubts about the potential of mitigating climate change by sink enhancement due to its partially temporary characteristics (Kirschbaum, 2006; Meinshausen and Hare, 2000). Nevertheless, terrestrial vegetation sinks have entered the Kyoto Protocol (KP) as offsets for anthropogenic greenhouse gas emissions, but ocean sinks have not.

The potential of ocean iron fertilization (OIF) to enhance the oceanic carbon sink is questioned in particular due to its uncertain efficacy and side effects (e.g., Strong et al., 2009). We challenge this view and think that further research about the geoengineering potential of OIF is necessary. Even courageous climate polices may run the risk that catastrophic climate change takes place, although expected to happen with a low probability. If this risk increases, OIF may become one of the options of last resort and needs to be explored in a timely manner (Kousky et al., 2009).

Exploring the potential of OIF requires not just to consider its scientific aspects, but as well to address the question of how many carbon credits are generated and can be used for compliance. This paper assesses the value of partially temporary storage from OIF by providing an overview of the effect of the various accounting methods to assign carbon credits on the number of credits that can be generated. This is particularly important since analysis on the economic potential of OIF related to other mitigation options is not possible without information on the amount of credits that could be generated by OIF. Our results are based on modeled OIF experiments for different years.

To address the problem of temporary storage, various accounting methods have been proposed in the literature (see e.g., Dutschke, 2002; Fearnside et al., 2000; Fearnside, 2002; Marland et al., 2001; Costa and Wilson, 2000). They can be grouped into three categories: issuing either permanent credits, temporary credits, or a mixture of permanent and temporary credits. There are numerous publications on the various accounting methods, but studies providing a comprehensive overview over accounting methods from all three categories are rare. In particular, quantitative analyses comparing the number of carbon credits generated are missing. One exemption is the study of Phillips et al. (2001), applying three accounting methods that issue permanent credits and one that issues temporary credits to an afforestation project, showing that the amount of carbon credits issued through time varies significantly for the various accounting methods. There are as well few studies about the inclusion of OIF into an international climate agreement. To our knowledge, the rare exemptions are Sagarin et al. (2007), Leinen (2008), and Bertram (in press) providing non-technical overviews about the scientific, legal, and economic issues related to OIF, and the requirements that carbon markets put on the generation of carbon credits by OIF. However, all three studies discuss OIF more in general, but neither provides an explicit application of accounting methods to OIF nor the inclusion of OIF carbon credits within a global climate agreement. To our knowledge, this is the first paper that quantitatively assesses all relevant accounting methods discussed in the literature covering all three categories with an application to OIF.

In this paper we start by discussing the role of temporary storage in mitigating climate change in general (Section 2). The comprehensible assessment of temporary storage requires clarifying assumptions about the value of time and future path of carbon prices. These assumptions are seldomly made explicit but are implicitly included in all studies that investigate the effect of assigning carbon

credits to temporary storage projects. Section 3 provides an overview over the relevant accounting methods. OIF projects might lead to changes in carbon emissions outside the enhancement region as well as to changes in emissions of other GHGs than carbon. These changes are referred to as leakage. We analyze how leakage can be addressed by a discount factor. In Section 4 we apply the various accounting methods to results of modeled OIF experiments taken from Oschlies et al. (2009) and investigate appropriate discount factors based on the model outcome. A discussion and conclusion is provided in Section 5.

## 2 The role of temporary carbon storage in mitigating climate change

Storing carbon in non-atmospheric reservoirs is an important option in managing and limiting atmospheric carbon concentration. Non-atmospheric reservoirs include underground geologic formations, trees, soils, and the deep ocean (Herzog et al., 2003). From these reservoirs carbon may be released intendedly or unintendedly and leak back to the atmosphere. Due to this potential non-permanent characteristic of the reservoirs, both the storage as well as the carbon emission offsets generated are perceived as temporary. Therefore, temporary carbon storage, although providing climate benefits in the short run, could lead to higher atmospheric carbon concentration in the future and might aggravate climate damages in the long run. For that reason some authors argue that temporary storage has no value at all (Kirschbaum, 2006; Meinshausen and Hare, 2000). Before investigating the effect of various accounting methods in Section 3 on the number of credits that can be generated for a particular project, we first address the question what kind of implicit assumptions are made when assessing temporary carbon storage.

Next to storing carbon in non-atmospheric reservoirs, avoiding carbon emissions by not burning a ton of fossil fuels can be perceived as temporary carbon emission reduction as well. This ton can be mined and burned in the future and would increase carbon emissions then (Noble et al., 2000). Without an absolute global quantity constraint through time and without a perfect backstop technology in place, an avoided ton of carbon emission today implies lower carbon emissions now but higher carbon emissions in the future (Herzog et al., 2003; Sinn, 2008). Considering the situation where the removal and the release of carbon within a storage project are separate events, which provide and require carbon credits, temporary carbon storage can be compared to avoided carbon emissions, if a permanent liability for the owner of the carbon storage project can be established (Noble et al., 2000). The atmosphere is indifferent between avoided and stored carbon emissions as long as the path of carbon emissions through time is not changed. This is assured if on the one hand at the point in time when carbon is stored, an equivalent amount of carbon is released by other sources and if on the other hand at the point in time when stored carbon is released, an equivalent amount of carbon emission is saved by other sources. The carbon concentration gradient between the atmosphere and the terrestrial and oceanic sink does not change compared to the situation without temporary storage. Therefore, in this situation temporary storage does not lead to higher atmospheric carbon concentration in the future and does not aggravate climate damages.

Without a permanent liability, the future path of carbon emission might increase so that the atmosphere is not any longer indifferent. Consider a situation where just the path of carbon emissions changes. At the point in time when carbon is stored, no additional carbon is released and at the point in time when stored carbon is released, no additional carbon is saved. As a result, carbon emissions are postponed in time. The carbon concentration gradient between the atmosphere and the terrestrial and oceanic sink is changed compared to the situation without temporary storage. As a consequence, the atmospheric carbon content is reduced by less than the stored amount. When the stored carbon is released, the atmospheric carbon concentration is higher compared to the situation without temporary storage (Kirschbaum, 2006). Whether or not climate damages are aggravated by temporary storage depends on the damage measure applied and the shape of the future path of carbon emissions.

Consider a situation the path of future carbon emissions for the time period from year 2000 until

year 2100, as specified by the IPCC SRES scenarios (Nakicenovic et al., 2000), is given. If temporary storage is evaluated on changes in temperature for single years all depends on the emission scenario chosen. In this situation, storing carbon and releasing it shortly before the maximum change in temperature occurs would be the worst thing to do (Dornburg and Marland, 2008). On the contrary, based on a given emission path, temporary storage could also be used beneficially. Under the SRES A2 Scenario, the maximum impact would occur at the end of the artificially truncated time horizon in 2100 and the release of stored carbon should take place after 2100. Applying the SRES B1 Scenario would imply implementing storage such that the release takes place after 2050. However, the application is limited as it requires knowing in advance when the maximum impact would occur. Additionally, this kind of damage measure implies a discontinuous value of time, because no value is assigned to postponing climate impacts within the 100 year time horizon. Only postponing climate impacts beyond this time horizon has a value (Dornburg and Marland, 2008). If instead temporary storage is evaluated on cumulative changes in temperature, there is always a positive value no matter when and how long the carbon is stored (Dornburg and Marland, 2008). Considering cumulative changes in temperature addresses both the duration and the magnitude of climate change and takes into account consequences of a continuous increase in temperature such as sea-level rise (Kirschbaum, 2006). Consequently, even if temporary storage results in higher atmospheric carbon concentration in the future compared to the situation without temporary storage, it does not necessarily aggravate climate damages.

The above discussion reveals that for the assessment of temporarily avoided emissions, either by delayed fossil fuel burning or non-permanent storage, assumptions about the value of time and about the future path of carbon emissions (or rather of carbon prices) need to be well defined. This is rarely or only implicitly done in the literature as pointed out by Herzog et al. (2003). In the following we briefly discuss the issue.

The value of time is expressed by a discount rate, the social rate of time preference, which measures how society values future abatement costs and climate damage costs. The determination of an appropriate discount rate is a central issue within the climate change debate and beyond the scope of this paper. However, it should be noted, that an increasing consumption path in the future still implies a positive social rate of time preference, even if the pure rate of time preference has been set to zero due to ethical considerations.<sup>1</sup> For a recent discussion on this topic see Heal (2009) and Dasgupta (2008). Considering a finite time horizon, which is perceived to be permanent, implies an infinite discount rate after the end of this time horizon. Therefore, assuming a finite time horizon, as it is done when calculating for example the Global Warming Potentials (GWP) of different greenhouse gases, creates a value of time, even if a zero discount rate is applied (Fearnside et al., 2000). The future path of carbon prices reflects assumptions about the path of marginal costs of carbon emission abatement (marginal abatement costs) and of marginal costs of climate change damages (marginal damage costs). This includes assumptions about technological progress and the development of backstop technologies as well as possible thresholds of climate change and carbon fluxes in the global carbon cycle.

As mentioned above, the atmosphere is indifferent between avoided and stored emissions, as long as a permanent liability is established. In this situation the future path of carbon emissions is not changed and therefore exogenous and the value of temporary storage projects is only determined by the development of the marginal abatement costs. Temporary carbon storage has a positive value, if marginal abatement costs at the point in time of carbon removal are larger than the present value of the marginal abatement costs at the point in time of carbon release. It requires that the rate of change in marginal abatement costs is below the discount rate. If carbon prices remain constant or if a backstop technology exists that caps the abatement costs in the near future, temporary storage with a permanent liability can achieve an almost equivalent value to permanent storage (Herzog et al., 2003). Without a permanent liability, temporary storage results in additional carbon

---

<sup>1</sup>The social rate of time preference,  $r$ , depends on the pure rate of time preference,  $\rho$ , the growth rate of consumption,  $g$ , and the elasticity of marginal utility,  $\eta$ .

emissions. In this situation the future path of carbon emissions is changed and therefore endogenous and the value of temporary projects is determined by the development of marginal damage costs as well. Temporary storage has a positive value, if marginal abatement costs at the point in time of carbon removal are larger than the present value of the marginal damage costs at the point in time of carbon release. Note, that the calculation of the present value of the marginal damage costs is not just based on the discount rate. Exchange fluxes with the oceanic and the terrestrial sink to which the stored amount of carbon has not been exposed before its release are relevant as well. A higher discount factor implies a lower present value of the marginal damage costs, higher exchange fluxes imply a higher present value of the marginal damage costs. The value of temporary storage without a permanent liability is based on the additional use of fossil fuels in the present, while delaying the associated additional damages into the future (Rickels and Lontzek, 2008). Irrespective of liability issues, the value of temporary storage, is therefore increasing in the value of time and consequently in duration of storage time (Herzog et al., 2003; Rickels and Lontzek, 2008).

Since marginal damage costs are highly uncertain, the level of maximum tolerable global warming can be determined by limiting the increase in global average temperature, which requires a carbon emissions budget for a given period of time. The carbon emission budget is calculated, e.g. from 2000 until 2050, assuring that a defined change in global average temperature is not exceeded (Meinshausen et al., 2009). Once an overall budget is agreed, the time preference distributes the much more certain mitigation costs over time and not the more uncertain damages (Edenhofer and Kalkuhl, 2009). The budget framework requires that temporary carbon storage does not lead to additional carbon emissions. However, temporary carbon storage allows shifting of carbon emissions between various commitment periods. As stated above, this is beneficial, if marginal abatement costs at the point in time of carbon removal are larger than the present value of the marginal abatement costs at the point in time of carbon release. If the carbon budget in a given commitment period is almost exhausted, the prevailing carbon price is high. If the budget in a future commitment period is less tight, because the atmospheric carbon concentration is already decreasing or technological change has lead to lower fossil fuel demand, the discounted carbon price from that period may be lower than in the actual one. In this situation temporary storage is beneficial, because it allows lending of carbon emission from the future commitment period for usage in the actual commitment period, lowering thereby overall abatement costs.

Under the Kyoto Protocol, potential temporary storage issues arise only for Land-Use, Land-Use Change, and Forestation (LULUCF) projects. The issue of permanence does not arise for projects within Annex I countries (Phillips et al., 2001; Ellis, 2001). Carbon credits (Emission Reduction Units) are awarded to activities which increase the stored amount of carbon and carbon credits (e.g. Assigned Amounts or Certified Emission Reductions) are required for activities which decrease the stored amount of carbon. The link between the National Inventories and the compliance with Assigned Amounts establishes a permanent liability for the owner of the carbon storage project, if the Protocol is prolonged. However, Non-Annex I countries have no binding emission reduction targets and will not compensate for any reduction in carbon stocks within storage projects, because they have no Assigned Amounts with which to comply (Phillips et al., 2001; Ellis, 2001). The non-permanence problem for projects within Non-Annex I countries is addressed by temporary carbon credits, which transfer the permanent liability to the buyer of the carbon credits. They have to be replaced no matter if the storage turns out to be permanent or not (UNFCCC, 2003). This concept of temporary carbon credits, as it is described in more detail in Section 3, provides “a suitable framework for awarding and trading carbon credits” (Dornburg and Marland, 2008, p.212).

Considering further storage projects in the KP such as geological or oceanic storage, will probably raise again questions about the appropriateness of accounting methods. These storage projects differ from LULUCF projects regarding the possibilities of intendendly or unintendedly release of stored carbon. Also, they partly take place in international territory (oceanic storage). Consequently, further accounting methods than those applied to LULUCF projects need to be discussed. Additionally, the question might arise what the relevant amount of carbon is that should be accounted

for. Accounting methods have so far solely been applied to the stored amount of carbon, neglecting the changed concentration gradient between the atmosphere and the terrestrial and oceanic sink in the situation of a changed carbon emissions path. In consequence, carbon is not only removed from the atmosphere but as well from other sinks, so that the amount of atmospheric carbon removal is lower than the amount of carbon storage (Oschlies et al., 2009).

### 3 Assignment of carbon credits

In general, the assignment of carbon credits towards carbon sink enhancement for means of carbon storage requires the fulfillment of certain criteria. The KP established such criteria for Clean Development Mechanism (CDM) and Joint Implementation (JI) projects. The projects have to be measured by an approved methodology, the storage has to be additional, the credits have to be verified by a third party, the storage has to be permanent, and the number of carbon credits has to take into account leakage (Grubb et al., 1999). Leinen (2008) discusses the fulfillment of these criteria for carbon sink enhancement through OIF. Following her line of reasoning, the criteria regarding methodology and additionality are easily fulfilled by OIF. The requirement of an appropriate methodology to assess the impact of large scale iron fertilization can be fulfilled by applying models like the one discussed by Oschlies et al. (2009) for OIF experiments. The requirement of additionality is fulfilled because sink enhancement is the only reason to do OIF. The criterion of verification by a third party does apply in particular to projects between single firms or single countries in the context of CDM and JI. We consider large-scale OIF, realized within an international project as an element of an international Post-Kyoto climate regime. Consequently, the criteria of verification would already be fulfilled by the decision to realize it. The remaining two criteria are the requirement of taking into account the issue of permanence and leakage. The degree of fulfillment of both criteria determines the number of carbon credits assigned to the sink enhancement project.

As discussed in the previous section, the assessment of permanence requires a positive value of time. Without this positive value, permanence would extend to near eternity (Fearnside, 2002) and would therefore prevent an empirical assessment of carbon storage. Various carbon accounting methodologies have been proposed to assess the value of different temporary storage projects (e.g., Dutschke, 2002; Fearnside et al., 2000; Fearnside, 2002; Marland et al., 2001; Costa and Wilson, 2000). A common assumption of these approaches is to assess permanence over the time period of 100 years, following the IPCC's definition of permanence for sequestration projects (UNFCCC, 1997).<sup>2</sup> The choice of the time horizon includes a value of time, even if applied with a zero discount rate, as it is done when calculating the Global Warming Potentials (GWP) of different greenhouse gases. Fearnside et al. (2000) points out, that a 100 year time horizon with zero discount rate is equivalent to a 1000 year time horizon with 0.9 percent discount rate.

Carbon accounting methodologies differ regarding the kind of credits they issue and can therefore be divided in three categories. Within the first category, permanent credits are issued. Once issued, these credits are equivalent to other carbon credits like e.g. Assigned Amounts, regardless if the stored carbon is released in the future. Within the second category, temporary credits are issued. These temporary credits can be used for compliance within a commitment period, but have to be replaced in a later period. Temporary credits can be renewed, if the carbon is still stored. The third category is a mixture of permanent and temporary credits. Temporary carbon credits are replaced by permanent carbon credits, if the carbon is stored for a sufficient period of time. In the following Sections 3.1 to 3.3 we explain existing accounting methods related to the three categories and assess how they could be applied to OIF. Following the IPCC's definition of permanence, we consider a time horizon of 100 years as permanent.

To account for leakage two issues need to be addressed. OIF might lead to changes in carbon emissions outside the enhancement region as well as to changes in emissions of other GHGs than

---

<sup>2</sup>The choice of 100 years is not based on scientific rationale but was rather a policy decision (Leinen, 2008)



carbon. Both changes might result in a lower amount of net uptake by the sink enhancement than initially assumed when considering only the gross effect of OIF. Evaluating the true potential of OIF requires accounting for such offsets as requested by the recent London Convention (2007). In Section 3.4 we explain how leakage related to OIF can be addressed.

### 3.1 Carbon accounting schemes with permanent carbon credits

Four carbon accounting methods exist that assign permanent carbon credits: the *net* method, the *average* method, the *discount* method, and the *equivalence* method (equ). Applying the first method, it makes no difference when the stored carbon is released within the permanence time period of 100 years. As a consequence, the first method does not value time within the 100 year time horizon. The remaining three methods do. For the application of the accounting methods to OIF we assume that a cap on the cumulative amount of carbon credits is implemented, because no permanent liability can be established. The cap guarantees that the release of carbon in later periods is taken into account when calculating the maximum amount of carbon credits that can be generated by OIF.

#### 3.1.1 The *net* method

In the literature this method is also referred to as the flow summation method (Richard and Stokes, 2004), carbon stocks change method (Ellis, 2001) or the ideal accounting system (Cacho et al., 2003). This method accounts for the annual changes in carbon storage stocks, no matter when they occur over the permanence time period of 100 years. Consequently, this method considers the removal and the storage as separate events, providing carbon credits when carbon is stored and requiring carbon credits when carbon is released, presuming a permanent liability exists. The overall amount of carbon credits is only positive, if carbon is stored beyond the 100 year permanence time horizon. We refer to this amount as  $Cap_{net}$ . For a storage project that stores one ton C in year 1 and releases it in year 99 the  $Cap_{net}$  would be 0 t C, releasing it in year 101,  $Cap_{net}$  would be 1. Applying the method to OIF, carbon credits are provided when carbon stocks increase, but only up to the amount of  $Cap_{net}$ .

#### 3.1.2 The *average* method

This method accounts for the annual changes in carbon stocks, but only up to the amount of the average carbon stored over a defined period of time (Phillips et al., 2001; Marland et al., 2001; Ellis, 2001; Richard and Stokes, 2004). We refer to this amount as  $Cap_{avs}$ . For a storage project that stores one ton carbon in year 1 and releases it in year 99,  $Cap_{avs}$  would be 0.99 t C for the permanence time period of 100 years. For the application to OIF, we assume that carbon credits based on annual changes in carbon stocks can only be issued up to the amount of  $Cap_{avs}$ .

#### 3.1.3 The *discount* method

This method accounts for the annual changes in carbon stocks over a defined period of time, applying the social rate of time preference (SRTP) to discount future carbon to the present. The result is called present tons equivalents (PTE) (Thompson et al., 2009; Richard and Stokes, 2004). Even though the concept of discounting a physical unit is not intuitive, van Kooten and Sohngen (2007, p.244) point out that “the idea of weighting physical units accruing at different times is entrenched in the natural resource economics literature, going back to economists’ definition of conservation and depletion (Ciriacy-Wantrup, 1968)”. We refer to the present tons equivalents as  $Cap_{dis}$ . For a storage project that stores one ton carbon in year 1 and releases it in year 99, the  $Cap_{dis}$  would be 0.9448 t C for a SRTP of 3 percent. Applying this approach to OIF, we assume that carbon credits based on annual changes in carbon stocks can only be issued up to the amount of  $Cap_{dis}$ .

### 3.1.4 The equivalence method

This method accounts for the annual carbon stocks, but weighted with the equivalence factor. The method is based on the idea, that carbon should be stored for a fixed period of time, the equivalence time, to be perceived as permanently stored. If the amount of carbon is stored until the end of the equivalence time, the full amount of carbon is credited. For this reason the method is also called ton-year accounting (e.g., Costa and Wilson, 2000; Fearnside et al., 2000). For the application of the method the equivalence time needs to be determined. According to various studies, the equivalence time varies between 42 and 150 years (Marland et al., 2001; Ellis, 2001), indicating a kind of arbitrariness, which cannot be explained by scientific evidence, but rather by policy considerations (Dutschke, 2002; Cacho et al., 2003; Marland et al., 2001). For this reason, the *equivalence* method is discussed quite controversially. Nevertheless, it has a certain appeal, because it provides a pragmatic and simple accounting method for various carbon storage projects of different length (van Kooten and Sohngen, 2007; Murray, 2003).

Costa and Wilson (2000) and Fearnside et al. (2000) propose to calculate the equivalence time related to the calculation of the GWP. The so calculated equivalence time in years yields the required storage time to offset the GWP of one ton of carbon released in year 1 measured as well in ton-years. However, differences exist regarding the tracking of emissions. Costa and Wilson (2000) track the amount of carbon in the biosphere (MCW Approach), Fearnside et al. (2000); Fearnside (2002) track the amount of carbon in the atmosphere (Lashof Approach). The MCW Approach determines the equivalence time by integrating over the time decaying abundance of a ton of carbon over the permanence time horizon of 100 years, measured in ton-years. Storing one ton of carbon for this equivalence time provides one carbon credit. Within the MCW Approach the equivalence factor is determined as the reciprocal of the equivalence time. The stored amount of carbon is multiplied with this equivalence factor to obtain the annual amount of carbon credits. The Lashof Approach assigns carbon credits according to the area of the integral over the time decaying abundance of a ton of carbon shifted beyond the permanence time horizon of 100 years, measured as well in ton-years. The full amount of carbon credits is therefore only obtained if the carbon is successfully stored until the permanence time horizon. Two possibilities exist to determine the annual carbon credits for the Lashof Approach. Either the amount of annual carbon credits is obtained by linearly approximating the decay pattern of atmospheric carbon, which would again allow calculating an equivalence factor, or by calculating the amount of ton-years shifted beyond the permanence time horizon. We use the second possibility, because the decay pattern of atmospheric carbon is not well represented by a linear approximation.

We refer to the total amount of carbon credits for the two approaches as  $Cap_{equ}^M$  and  $Cap_{equ}^L$ . Applying the Revised Bern model (Fearnside et al., 2000), we obtain an equivalence time of 46 years<sup>3</sup> for the MCW Approach. For a storage project that stores one ton carbon in year 1 and releases it in year 99,  $Cap_{equ}^M$  is 0.9782. Even though the equivalence time is 46 years, implying that a storage of 46 years would be sufficient to earn a full carbon credit,  $Cap_{equ}^M$  is below 1, because we consider a permanence time period of 100 years in our analysis. That implies that the positive carbon stock from year one can only be accounted for up to the equivalence time (46 years). At that point in time the stock is set to zero again and remains zero until the year 99. In year 99 it turns negative, adding to total amount, but again weighted with the equivalence factor and only for the remaining year within the permanence period. Applying again the Revised Bern Model, we obtain 0.9596 carbon credit for  $Cap_{equ}^L$  for the same storage project.

### 3.1.5 Intermediate results

The analysis showed so far the impact of assessing time within the permanence period of 100 years. While the *net* method does not assign credits to the idealized storage project (storage in year 1

---

<sup>3</sup>How the equivalence time has been derived is explained in more detail in Section 4 below

and release in year 99), the remaining methods assign different amounts of credits. Within the remaining methods, the amount is highest for the *average* method and lowest for the *discount* method. However, applying a different SRTP the results would change. The *average* method is similar to the *equivalence* method, applying an equivalence time of 100 years. For this method the amount of annual carbon credits could be obtained by multiplying with an equivalence factor of 1/100, if carbon credit issue within the average storage method would not be based on carbon stocks change, but on the carbon stocks. However, we distinguish the two methods, because the *equivalence* method covers approaches which derive the equivalence time based on the atmospheric carbon decay pattern.

Note, if the release in the idealized storage project would take place in year 101, all methods would provide a full carbon credits. For the last three methods this would imply a modest increase in carbon credits, for the *net* method we would observe an increase from zero to full crediting.

### 3.2 Carbon accounting schemes with temporary carbon credits

Two carbon accounting methods which assign temporary carbon credits are discussed in the literature. Applying the first method, temporary credits are valid for a fixed period of time but can be renewed, if the carbon is still stored. Applying the second method, temporary credits are valid for a fixed period of time, but cannot be renewed, even if the carbon is still stored (Phillips et al., 2001). Decision 5/CMP.1 of the UNFCCC (2003) refers to the first method as temporary certified emission reductions (tCER) and to the second as long-term certified emission reductions (lCER). tCERs expire at the end of the commitment period, following the period in which they were issued, while lCERs expire at the end of the crediting period of the project for which they were issued (UNFCCC, 2003; Olschewski et al., 2005). This is important since the crediting period is generally longer than the commitment period. Decision 5/CMP.1 regulates the modalities and procedures for afforestation and reforestation project activities under the CDM mechanism in the first commitment period of the Kyoto Protocol and therefore serves as a guideline for the general modalities of temporary carbon credits for temporary storage projects. It is important to note, that the maximum project duration is either 30 or 60 years<sup>4</sup> (UNFCCC, 2003). The maximum crediting period is shorter than the permanence time period of 100 years and all temporary carbon credits (tCER and lCER) have to be replaced during that time, no matter if the storage is permanent or not.

Applying the concept of temporary carbon credits to OIF, we follow Decision 5/CMP.1 and distinguish between short-term temporary carbon credits and long-term temporary carbon credits. We refer to this two methods as *shorttemp* and *longtemp* method. We assume that short-term temporary carbon credits are issued based on the carbon stocks at the end of a commitment period and have to be replaced in the next commitment period. For the *shorttemp* method no cap is required. We assume further that long-term temporary carbon credits are issued also based on the carbon stocks at the end of a commitment period, but are valid until the end of the crediting period (60 years). Therefore, the carbon stocks at the end of the crediting period constitute a cap for issuing carbon credits. This implies that the amount of long-term temporary carbon credits issued in the earlier commitment periods can be smaller than the actual change in carbon stocks observed during the first commitment period. We refer to the cap for the *longtemp* method as  $Cap_{ltemp}$ .

### 3.3 Carbon accounting schemes with permanent and temporary credits

Carbon accounting schemes which assign a mixture of permanent and temporary credits are rarely discussed in the literature. A carbon accounting scheme could assign permanent credits to the amount of carbon stored permanently (as discussed in Section 3.1) and assign in addition temporary carbon credits to the amount of carbon stored temporary (as discussed in the Section 2).

---

<sup>4</sup>20 years with two renewable periods of 20 years, if certain requirements are fulfilled.

However, regarding the renewal of temporary carbon credits further accounting methods are possible. Dutschke (2002) propose that the underlying carbon stocks for the renewal of expired credits can only be taken as a basis at diminishing rates. The underlying amount of carbon depreciates according to the atmospheric carbon decay pattern, but only for a fixed period of time. Thereafter the remaining amount of carbon is considered to be stored permanently.

Applying this method to OIF, we assume that temporary carbon credits are issued based on the carbon stocks at the end of a commitment period and have to be replaced in the next commitment period. To calculate the underlying carbon stocks takes into account the time decaying abundance of carbon in the atmosphere. Therefore, the amount of carbon credits issued within a commitment period is smaller than the actual amount of carbon stored. Assume for example a storage project, where in each year one ton of carbon is added to the stored carbon stocks. Further assume that the commitment period is five years. Applying the Revised Bern Model, the amount of carbon credits is not 5, but only 4.35502, because the one ton added in the first year has already decayed for four years, the one ton added in the second year has decayed for three years, and so on.

The UNFCCC framework does not provide any guidance on applying this method. In our analysis we assume that the crediting period is equal to the permanence period of 100 years and carbon credits issued in the final commitment period have not to be replaced. We refer to this method as the *mixed* method.

### 3.4 Considering leakage within the carbon accounting methodologies

Leakage addresses all potential offsets that have to be taken into account to obtain the net amount of carbon credits. Potential offsets arise due to carbon emissions outside the enhancement region and due to changes in emissions of other GHGs than carbon. A third potential offset is generally not considered in sink enhancement and carbon storage projects, the source of the stored carbon. As already pointed out in Section 2, storage projects that change the path of future carbon emissions change the concentration gradient between the atmosphere and the terrestrial and oceanic sink as well. Therefore, carbon is not only removed from the atmosphere but as well from other sinks (Oschlies et al., 2009).

To account for carbon emissions outside the enhancement region of the OIF experiments we apply the accounting methods to global data for oceanic carbon uptake instead of local data. We introduce discount factors to account for emissions of other GHGs than carbon. The discount factor deducts the gross amount of carbon credits to a net amount which then can be used for compliance. The deducted amount of carbon credits can be retained in a buffer account and can be released later if no leakage has been observed (Ellis, 2001). Additionally, we apply the accounting methods to global data on atmospheric carbon removal. Since atmospheric carbon removal is lower than oceanic carbon uptake, this would allow to calculate a further discount factor. However, as accounting method have so far solely been applied to the stored amount of carbon, we concentrate in the main analysis on oceanic carbon uptake to allow comparability to other sink enhancement projects in the literature.

## 4 Results

### 4.1 Accounting methods applied to OIF

We apply the various accounting methods to model experiments of OIF. Within the model experiments, OIF is realized by increasing the phytoplankton growth rate in the Southern Ocean (south of 30°) for 1, 7, 10, 50, and 100 years, while the carbon emissions are represented by the IPCC SRES A2 Scenario. We refer to these experiments as experiments 1 to 5. The maximum phytoplankton growth rate is increased from 0.13 per day at 0° C to either 10.0 or 0.26 per day. The first growth rate corresponds to a scenario with high effectiveness of iron fertilization (high fertilization effective-

ness), while the second growth rate corresponds to a scenario a low effectiveness of iron fertilization (low fertilization effectiveness). The model outcome is summarized by the annual global oceanic carbon uptake and the annual global atmospheric carbon removal over 100 years for each experiment for both growth rates. The oceanic carbon uptake is always larger than the atmospheric removal, indicating that oceanic carbon uptake is a composite of atmospheric and terrestrial carbon. Table A.1 in the Appendix shows the annual changes in carbon stocks for oceanic uptake measured in GtC compared to the baseline for each experiment for both growth rates. It indicates that carbon uptake is sufficiently larger in the years of fertilization than in the baseline, but at diminishing rates. When fertilization stops, carbon uptake is smaller than in the baseline, but again at diminishing rates through time. For further details about the OIF model experiments see Oschlies et al. (2009).

For the application of the different accounting methods we assume that each experiment starts in 2012 so that the permanence period lasts until 2112. We assume further that the first commitment period is from 2012 until 2020, because in 2012 the first commitment period of the Kyoto Protocol ends. A second commitment period with new reduction targets is currently negotiated and should cover the period from 2012 to 2020 (e.g., European Union, 2009a). Following the literature we assume from 2020 onwards commitment periods of 5 years until 2115 and a final commitment period of 7 years, which ends in 2112. For the *discount* method we assume a SRTP of 3 percent. For the *equivalence* method as well as for the mixed method we use an impulse response function for the time decaying abundance of CO<sub>2</sub>,  $F(CO_2(t))$ , with parameter values from the Revised Bern Model (Fearnside et al., 2000):

$$\begin{aligned}
 F[CO_2(t)] &= 0.175602 + 0.258868e^{-0.292794t} + 0.242302e^{-0.0466817t} \\
 &+ 0.185762E^{-0.014165t} + 0.137467e^{-0.00237477t} .
 \end{aligned}
 \tag{1}$$

Based on these parameter values, we obtain an equivalence time of 45.7556 years for the MCW approach (equivalence method) and consequently an equivalence factor of 0.0219.

Table 1 shows for each accounting method, for each experiment, and for both growth rates the gross amount of carbon credits generated in the first commitment period (2012-2020) as well as the caps, which take into account the release in later periods. The numbers are based on oceanic carbon uptake according to Table A.1 in the Appendix. Table A.2 in the Appendix shows the corresponding numbers based on the atmospheric carbon removal. Comparing the caps related to the *net* method presented in Table 1 and A.2 indicates that most of the carbon stored in the ocean originates from the atmosphere, roughly 9/10 of oceanic carbon uptake. Comparing the caps related to the *net* method for the two growth rates in Table 1 indicates that for short-term OIF (experiments 1 to 3) oceanic carbon uptake with low fertilization effectiveness is only 1/5 of oceanic carbon uptake with high effectiveness. For long-term OIF (experiments 4 and 5) this ratio increases to 1/3.

Comparing the caps for the permanent credits in Table 1, the *net* method provides the lowest cap for the short-term experiments, because all years are equally weighted. The other methods assume a value of time and, therefore, weight later years less. They provide larger caps for the short-term experiments, because later years with lower uptake than in the benchmark count less. However, later years with higher uptake than in the benchmark count less as well. Therefore, for the 100 year fertilization experiment, the *net* method provides the largest cap. For the short-term experiments, the *discount* method provides the largest cap, followed by the *average* method and the *equivalence* method with the Lashof Approach. Decreasing the SRTP to 1 percent, the cap of the *discount* method is in the same order of magnitude as the two other methods, again for the short-term experiments.

Table 1: Caps and cumulative gross carbon credits in commitment period 2012-2020 based on additional oceanic carbon uptake in GtC

High fertilization effectiveness										
	Exp. 1 1 year OIF		Exp. 2 7 year OIF		Exp. 3 10 year OIF		Exp. 4 50 year OIF		Exp. 5 100 year OIF	
Accounting method	Cap	Cumulative credits 2012-2020	Cap	Cumulative credits 2012-2020	Cap	Cumulative credits 2012-2020	Cap	Cumulative credits 2012-2020	Cap	Cumulative credits 2012-2020
<i>net</i>	3.33	3.33 <sup>a</sup>	13.56	13.56 <sup>a</sup>	17.96	17.96 <sup>a</sup>	74.60	35.00	169.30	35.00
<i>average</i>	4.87	4.87 <sup>a</sup>	18.54	18.54 <sup>a</sup>	24.13	24.13 <sup>a</sup>	77.44	35.00	104.69	35.00
<i>discount</i>	6.05	6.05 <sup>a</sup>	21.26	21.26 <sup>a</sup>	26.84	26.84 <sup>a</sup>	63.68	35.00	76.26	35.00
<i>equ-Lash.</i>	4.56	0.54	17.62	1.36	23.05	1.38	78.90	1.38	114.84	1.38
<i>equ-MCW</i>	3.64	1.60	14.83	4.04	19.71	4.10	85.34	4.10	144.26	4.10
<i>shorttemp</i>	no	8.06	no	32.22	no	35.00	no	35.00	no	35.00
<i>longtemp</i>	3.94	3.94 <sup>a</sup>	16.03	16.03 <sup>a</sup>	21.33	21.33 <sup>a</sup>	95.90	35.00	122.40	35.00
<i>mixed</i>	no	5.22	no	24.43	no	27.21	no	27.21	no	27.21
Low fertilization effectiveness										
<i>net</i>	0.61	0.61 <sup>a</sup>	2.50	2.50 <sup>a</sup>	3.53	3.53 <sup>a</sup>	19.02	11.32	56.47	11.32
<i>average</i>	0.76	0.76 <sup>a</sup>	4.06	4.06 <sup>a</sup>	5.65	5.65 <sup>a</sup>	23.43	11.32	34.92	11.32
<i>discount</i>	0.95	0.95 <sup>a</sup>	5.14	5.14 <sup>a</sup>	6.92	6.92 <sup>a</sup>	20.08	11.32	25.34	11.32
<i>equ-Lash.</i>	0.72	0.09	3.74	0.41	5.24	0.42	23.33	0.42	38.31	0.42
<i>equ-MCW</i>	0.61	0.28	2.78	1.22	3.97	1.26	23.38	1.26	48.11	1.26
<i>shorttemp</i>	no	1.21	no	9.58	no	11.32	no	11.32	no	11.32
<i>longtemp</i>	0.61	0.61 <sup>a</sup>	3.09	3.09 <sup>a</sup>	4.44	4.44 <sup>a</sup>	28.10	11.32	40.94	11.32
<i>mixed</i>	no	0.72	no	7.17	no	8.91	no	8.91	no	8.91

<sup>a</sup> The amount of carbon credits is determined by the already binding cap.

Table 2: Gross carbon credits with *equivalence* method based on additional oceanic carbon uptake and high fertilization effectiveness in GtC

<i>Equivalence</i> method						
	Lashof Approach			MCW Approach		
	Exp. 1 1 year OIF Cap 4.56	Exp. 2 7 years OIF Cap 17.62	Exp. 3 10 years OIF Cap 23.05	Exp. 1 1 year OIF Cap 3.64	Exp. 2 7 years OIF Cap 14.83	Exp. 3 10 years OIF Cap 19.71
Commitment period	Carbon credits			Carbon credits		
2012 - 2020	0.5364	1.3583	1.3789	1.5994	4.0384	4.0992
2020 - 2025	0.2764	1.1031	1.4572	0.8065	3.2188	4.2515
2025 - 2030	0.2495	0.9942	1.3419	0.7153	2.8499	3.8465
2030 - 2035	0.2314	0.9231	1.2397	0.5160	2.5962	3.4866
2035 - 2040	0.2183	0.8726	1.1690	0	2.1309	3.2212
2040 - 2045	0.2085	0.8359	1.1182	0	0	0.8076
2045 - 2050	0.2017	0.8093	1.0818	0	0	0
2050 - 2055	0.1968	0.7901	1.0558	0	0	0
2055 - 2060	0.1922	0.7774	1.0373	0	0	0
2060 - 2065	0.1905	0.7716	1.0278	0	0	0
2065 - 2070	0.1899	0.7707	1.0259	0	0	0
2070 - 2075	0.1907	0.7756	1.0319	0	0	0
2075 - 2080	0.1929	0.7865	1.0456	0	0	0
2080 - 2085	0.1965	0.8026	1.0672	0	0	0
2085 - 2090	0.2019	0.8256	1.0976	0	0	0
2090 - 2095	0.2097	0.8580	1.1406	0	0	0
2095 - 2100	0.2214	0.9039	1.2012	0	0	0
2100 - 2105	0.2399	0.9781	1.2984	0	0	0
2105 - 2112	0.4128	1.6824	2.2291	0	0	0

For the *equivalence* methods, the Lashof Approach provides larger caps than the MCW Approach comparing results for the short-term experiments. This is not intuitive as 46 years of storage is sufficient to earn a full carbon credit under the MCW Approach, whereas a time-period of 100 years is required under the Lashof Approach. It can be explained by the fact that applying the MCW Approach not only higher uptakes but as well lower uptakes than in the benchmark for the years 0 to 54 count as full carbon credits.<sup>5</sup> Under the Lashof Approach only the change in carbon stocks in the first year fully counts, because the time decaying abundance is integrated over the complete permanence time period of 100 years. For all later years, the time decaying abundance is integrated over a shorter period (less than 100 years) and neither full positive nor negative carbon credits are generated.

Applying the *shorttemp*, *longtemp*, and *mixed* methods, a cap is required only for long-term temporary credits. The other two require no cap. The cap is determined by the carbon stocks after 60 years (2072) and is therefore higher than the cap of the net method for experiments 1 to 4 and lower for experiment 5. The amount of carbon credits for short-term OIF experiments is limited for most methods by the binding cap. The only non-binding caps for short-term OIF experiments arise for the *equivalence* methods, because they generate only a fraction of the actual carbon stocks due to the inclusion of an equivalence measure. Table 2 shows the gross amounts of carbon credits for the two *equivalence* methods for short-term OIF experiments but high iron fertilization effectiveness.

<sup>5</sup>This is the permanence period of 100 years minus the equivalence time of 46 years

Table 3: Gross short-term temporary carbon credits based on additional oceanic carbon uptake and high fertilization effectiveness in GtC

<i>Shorttemp</i> method						
Commitment period	Exp. 1 1 year OIF		Exp. 2 7 years OIF		Exp. 3 10 years OIF	
	Carbon credits	Replacement	Carbon credits	Replacement	Carbon credits	Replacement
2012 - 2020	8.06	0	32.22	0	35.00	0
2020 - 2025	6.99	1.07	27.86	4.36	37.81	0
2025 - 2030	6.28	0.71	25.03	2.83	33.69	4.12
2030 - 2035	5.76	0.52	22.99	2.04	30.83	2.86
2035 - 2040	5.34	0.42	21.40	1.59	28.65	2.18
2040 - 2045	5.02	0.32	20.13	1.27	26.92	1.73
2045 - 2050	4.77	0.25	19.09	1.04	25.52	1.40
2050 - 2055	4.52	0.25	18.19	0.90	24.30	1.22
2055 - 2060	4.31	0.21	17.44	0.75	23.25	1.05
2060 - 2065	4.15	0.16	16.80	0.64	22.38	0.87
2065 - 2070	3.99	0.16	16.23	0.57	21.60	0.78
2070 - 2075	3.94 <sup>a</sup>	0.05	16.03	0.20	21.33	0.27
2075 - 2080	0	3.94	0	16.03	0	21.33

<sup>a</sup>Carbon credits issued only according to the stock change until 2072

Applying the Lashof Approach, carbon credit issuance extends until the final commitment period. The cap is achieved in the final commitment period and therefore never binding. Applying the MCW Approach, carbon credit issuance ends already after some commitment periods due to a binding cap. Comparing the amount of credits, the MCW Approach provides much earlier larger amounts of credits. Note, applying the Lashof Approach, the amount of carbon credits is first decreasing but then slightly increasing over the commitment periods. One reason is the pattern of carbon change for the short-term OIF experiments. Another is the non-linear time decaying abundance of carbon in the atmosphere. The first years after a pulse of carbon to the atmosphere show higher decay rates, followed by later years of slightly declining decay rates. Consequently, the increase in ton-years is larger if e.g. the storage is extended from 80 to 90 years compared to an extension from 50 to 60 years.

The *shorttemp* method provides the largest amount of carbon credits in the first commitment period for OIF experiments 1 to 3. These carbon credits have to be replaced in the next commitment period, either by new short-term temporary carbon credits or by other carbon credits, e.g. Assigned Amounts. Table 3 shows the gross amount of short-term temporary carbon credits generated in each commitment period over the crediting period of 60 years. It shows as well the necessary replacement of credits in each commitment period by other carbon credits. In the commitment period 2075-2080 all short-term temporary credits from the previous commitment period have to be replaced by other carbon credits. These amounts are equal to the caps for the long-term temporary carbon credits.

The amount of carbon credits in the first commitment period (2012-2020) for the long-term OIF experiments is not limited by the caps. Therefore, all methods provide the same amount of carbon credits within the first commitment period, except for the *equivalence* method and the *mixed* method (see Table 1). For the *equivalence* method the reason is given above. As they are based on an equivalence measure they generate only a fraction of the actual carbon stocks as carbon credits as carbon credits. For the *mixed* method, the effect is not caused by an equivalence measure but rather by a lower basis on which credits are generated. The basis is not determined by the actual carbon stocks, but by calculating the time decaying abundance of atmospheric carbon for



Table 4: Gross amount of carbon credits with *mixed* method based on additional oceanic carbon uptake and high fertilization effectiveness in GtC

<i>Mixed</i> method						
	Exp. 1 1 year OIF		Exp. 2 7 years OIF		Exp. 3 10 years OIF	
Commitment period	Carbon credits	Replacement	Carbon credits	Replacement	Carbon credits	Replacement
2012 - 2020	5.22	0	24.43	0	27.21	0
2020 - 2025	3.87	1.34	17.01	7.43	24.63	0
2025 - 2030	3.12	0.75	13.43	3.57	18.80	5.83
2030 - 2035	2.61	0.51	11.19	2.24	15.48	3.32
2035 - 2040	2.22	0.39	9.56	1.63	13.17	2.31
2040 - 2045	1.94	0.28	8.33	1.23	11.44	1.73
2045 - 2050	1.73	0.21	7.37	0.96	10.11	1.33
2050 - 2055	1.53	0.20	6.59	0.78	9.02	1.10
2055 - 2060	1.38	0.15	5.98	0.61	8.13	0.88
2060 - 2065	1.27	0.11	5.49	0.49	7.45	0.68
2065 - 2070	1.16	0.11	5.07	0.42	6.87	0.58
2070 - 2075	1.09	0.07	4.75	0.32	6.42	0.45
2075 - 2080	1.02	0.07	4.47	0.28	6.02	0.39
2080 - 2085	0.97	0.05	4.21	0.26	5.68	0.34
2085 - 2090	0.92	0.05	4.01	0.20	5.39	0.29
2090 - 2095	0.88	0.04	3.84	0.17	5.16	0.23
2095 - 2100	0.87	0.01	3.71	0.13	4.97	0.19
2100 - 2105	0.85	0.02	3.62	0.09	4.83	0.14
2105 - 2112	0.83	0.01	3.52	0.10	4.68	0.15

these carbon stocks. Therefore, the amount of carbon credits is lower, because the carbon uptake in the years between 2012 and 2020 has already decayed to some extent. Similar to the short-term temporary accounting method carbon credits have to be replaced in the following commitment period. Table 4 shows for the *mixed* method the amount of carbon credits generated and the necessary replacement by other carbon credits. The *mixed* method generates more carbon credits in the first commitment period than e.g. the net method, but the fraction of these credits which turn out to be permanent at the end of the permanence period is rather low (14 to 17 percent for the short-term OIF experiments). Compared to the *shorttemp* method less carbon credits are generated in the first commitment period, but the necessary replacement in the second commitment period is larger due to the calculated decay of the underlying carbon stocks.

## 4.2 Leakage discount factors for N<sub>2</sub>O

We use discount factors to address offsets through emissions of other GHGs than carbon by deducting the gross amount of carbon credits to a net amount which then can be used for compliance. Stipulating vertical oceanic carbon transport by OIF influences the production of a range of trace gases, in particular methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), and dimethylsulphide (DMS) (e.g., Fuhrman and Capone, 1991; Jin and Gruber, 2003; Law, 2008). Enhanced CH<sub>4</sub> and N<sub>2</sub>O emissions, both more powerful GHGs than carbon, would offset the climate change mitigation potential of OIF (Fuhrman and Capone, 1991). Enhanced DMS emissions would potentially contribute to climate change miti-

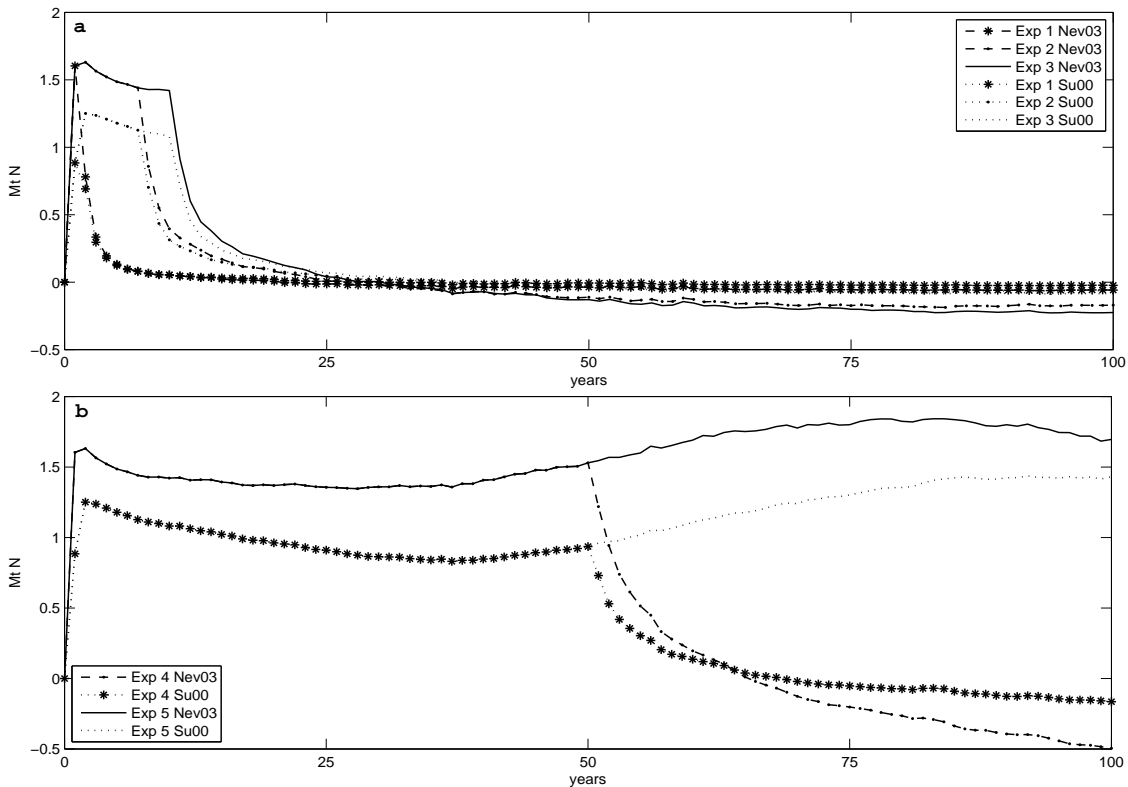


Figure 1: Path of released N compared to the baseline (without OIF) for high fertilization effectiveness in Mt N, Nev03 and Su03 abbreviate calibration based on Nevison et al. (2003) and Suntharalingam and Sarmiento (2000), respectively: **a** short-temp experiments (1, 7, and 10 years OIF), **b** long-term experiments (50 and 100 years OIF)

gation by increasing the earth's albedo (Law, 2008).<sup>6</sup> Recent coupled physical-biogeochemical ocean models have shown that OIF might lead in particular to enhanced  $N_2O$  emissions (Jin and Gruber, 2003). Changes in  $CH_4$  emission are negligible (less 1 percent) and knowledge on changes in DMS emission is rather limited, however the effect of changes in DMS emissions is expected to be positive (Oschlies et al., 2009). For those reasons we focus on  $N_2O$  emissions only when determining the appropriate discount factors.

$N_2O$  is relatively long-lived in the atmosphere and has a GWP 310 times that of  $CO_2$  (Forster et al., 2007). To take this into account we use data from Oschlies et al. (2009) on the annual N emissions relative to the baseline without fertilization, applying two calibrations for modeling N emissions, Suntharalingam and Sarmiento (2000) and Nevison et al. (2003).

Figure 1 shows that if the calibration is based on Nevison et al. (2003), the N emissions are larger during the fertilization period but decrease faster compared to a calibration based on Suntharalingam and Sarmiento (2000). The plots indicate as well that with the calibration to Nevison et al. (2003) the N emissions of experiments 1 to 4 are negative towards the end of the permanence time period. For experiment 5 the N emissions are first decreasing, then increasing, reaching a peak after 84 and 92 years for the two calibrations, respectively, before starting decreasing again.

To account for the mitigation offset we convert the annual N emissions into  $N_2O$  emissions and use the relativ GWP for  $N_2O$  to obtain the equivalent amount of annual  $CO_2$  emissions, which we

<sup>6</sup>Dimethylsulfide (DMS), that might be produced by stimulated OIF blooms, is the principal natural source of sulfur to the atmosphere. It influences climate by its role in cloud formation and therefore changes the radiative properties (Cullen and Boyd, 2008).

Table 5: Range of discount factors with respect to overall N<sub>2</sub>O offset in percent

Accounting method	Exp. 1 1 year OIF	Exp. 2 7 years OIF	Exp. 3 10 years OIF	Exp. 4 50 years OIF	Exp. 5 100 years OIF
<i>net</i>	0.23 - 7.44	3.66 - 8.19	4.84 - 8.33	6.32 - 11.88	4.74 - 12.44
<i>average</i>	6.53 - 8.43	5.97 - 9.78	5.91 - 9.91	5.18 - 9.76	4.54 - 9.61
<i>discount</i>	5.48 - 8.24	4.63 - 8.51	4.60 - 8.55	4.31 - 8.43	4.10 - 8.42
<i>equ-Lash.</i>	6.17 - 7.76	6.21 - 9.64	6.17 - 9.85	5.45 - 10.05	4.62 - 10.11
<i>equ-MCW</i>	5.20 - 8.67	7.68 - 9.78	7.66 - 10.33	6.58 - 11.67	4.87 - 10.97
<i>shorttemp</i>	7.18 - 11.34	6.65 - 11.70	6.39 - 11.47	4.21 - 8.50	3.96 - 8.07
<i>longtemp</i>	8.05 - 10.29	8.58 - 13.10	8.40 - 13.26	6.14 - 11.74	4.84 - 9.53
<i>mixed</i>	4.28 - 11.82	5.71 - 13.02	6.30 - 12.98	6.18 - 11.43	4.50 - 10.03

measure in C.<sup>7</sup> These emissions represent the annual carbon offsets induced by N<sub>2</sub>O emissions. We subtract the annual carbon offsets from the annual oceanic carbon uptake, obtaining annual N<sub>2</sub>O corrected oceanic uptake.

In a next step, we use the corrected amount of oceanic uptake and apply again the various accounting methods. We do this for low and high OIF effectiveness scenarios as well as for both calibrations, Suntharalingam and Sarmiento (2000) and Nevison et al. (2003), obtaining four different scenarios for carbon credits based on corrected oceanic uptake. By comparing the four scenarios to the gross amount of carbon credits from Section 4, we are able to obtain the potential discount factors, which reduce the gross amount of carbon credits to net carbon credits with respect to N<sub>2</sub>O emissions. We obtain discount factors for the amount of carbon credits in each commitment period as well as for the various caps. The first indicate the N<sub>2</sub>O offset through time, the latter indicate the overall N<sub>2</sub>O offset. We refer to the first as the actual discount factors and to the second as the overall discount factors. Two accounting methods exist that have no cap, the *shorttemp* and the *mixed* method. For both methods we calculate the average discount factors over the commitment periods to obtain information on the overall offset. The average for the *shorttemp* method is calculated only for the commitment periods until 2075, when the last credits are issued. Table 5 shows the range of possible discount factors for each experiment and each accounting method. The lowest discount factor is obtained for experiment 1 and the *net* accounting method, 0.23 percent, the largest discount factor is obtained for experiment 3 and the *longtemp* accounting method, 13.26 percent, while the average discount factor is 7.85 percent. The average range between the lower and upper bound for the discount factors is 3.97 percent. The average range would be lower if the presentation would be restricted to one effectiveness scenario; 3.5 percent for low and 1.91 percent for high fertilization effectiveness.

Overall, the *net* method shows lower values for the upper bound of discount factors for short-term experiments, but larger values for long-term experiments compared to other methods which generate permanent credits as well. The reason is again based on the fact, that the *net* method does not distinguish between earlier and later years. All years are equally valued. Therefore, for short-term experiments later years with negative N<sub>2</sub>O emissions count relatively more. The other methods put a lower weight on later years. Therefore, later years with higher N<sub>2</sub>O emissions for long-term experiments count less. The highest discount factors for the short-term experiments are calculated for the *longtemp* method for which the carbon stocks after 60 years constitutes the cap (see section 3.2 and 4) and, therefore, later years with low or even negative N<sub>2</sub>O emissions are not taken into account. For the long-term experiments the *longtemp* method provides discount factors in the same order of magnitude as the other methods.

<sup>7</sup>Converting N to N<sub>2</sub>O requires multiplying with  $\frac{44.0128}{2 \times 14.0067}$ . Converting N<sub>2</sub>O to equivalent CO<sub>2</sub> requires multiplying with 310, which is the relative GWP of N<sub>2</sub>O to CO<sub>2</sub>. Converting CO<sub>2</sub> to C requires multiplying with  $\frac{12.0107}{44.0095}$ .

Table 6: Range of discount factors corresponding to N<sub>2</sub>O emissions for the shorttemp method in percent

<i>Shorttemp</i> method			
Commitment period	Exp. 1 1 year OIF	Exp. 2 7 years OIF	Exp. 3 10 years OIF
2012 - 2020	3.87 - 7.76	2.44 - 5.43	2.22 - 5.00
2020 - 2025	5.05 - 9.88	3.96 - 8.12	3.48 - 7.27
2025 - 2030	5.94 - 11.56	5.06 - 10.02	4.67 - 9.38
2030 - 2035	6.66 - 12.44	5.92 - 11.40	5.59 - 10.94
2035 - 2040	7.24 - 12.74	6.56 - 12.30	6.29 - 12.01
2040 - 2045	7.69 - 12.71	7.02 - 12.85	6.80 - 12.71
2045 - 2050	8.00 - 12.61	7.42 - 13.23	7.22 - 13.17
2050 - 2055	8.31 - 12.32	7.73 - 13.42	7.55 - 13.42
2055 - 2060	8.58 - 11.84	8.09 - 13.59	7.83 - 13.48
2060 - 2065	8.59 - 11.32	8.43 - 13.61	8.20 - 13.62
2065 - 2070	8.22 - 10.57	8.59 - 13.34	8.38 - 13.42
2070 - 2075	8.05 - 10.29	8.58 - 13.10	8.40 - 13.26
Average	7.18 - 11.34	6.65 - 11.70	6.39 - 11.47

Table A.3 in the Appendix shows for experiment 5 and high fertilization effectiveness the evolution of discount factors for accounting methods which assign permanent credits. The results illustrate that for all methods the actual discount factors are lower than the overall discount factors for the cap at least until the third commitment period (2025-2030). For some methods this holds true even for a even longer period, for example the *equivalence* method with the Lashof Approach has lower discount factors until the 14th commitment period (2080-2085). Using the overall discount factor for discounting carbon credits ensures that already in early commitment periods sufficient carbon credits are deducted to balance the overall offset, even though actual offset is lower in early commitment periods. Applying the actual discount factors of the commitment periods would result in lower carbon credit deduction in the early commitment periods and higher carbon credit deduction in the later commitment periods compared to applying the overall discount factor to the cap. However, for the short-term experiments no difference exists among the accounting methods for which the cap is already binding in the first commitment period. However, deducted permanent carbon credits are not necessarily lost, but they can be retained within buffer accounts, from which they could be released later, if leakage turns out to be lower than expected (Ellis, 2001). Consequently, applying the overall discount factor ensures that sufficient carbon credits are stored in the buffer account, if leakage turns out to be higher than expected.

The situation is different for temporary credits, which have to be replaced anyway. If leakage turns out to be higher than expected, less carbon credits will be issued and a larger fraction of existing temporary carbon credits has to be replaced. Consequently, temporary carbon credits might be deducted by the actual discount factor in each commitment period than by the overall discount factor. For the short-term experiments, this situation only applies for the *shorttemp* and *mixed* method. For the *longtemp* method the cap is already binding in the first commitment period. Table 6 shows for the *shorttemp* method and short-term OIF experiments the range of discount factors through time until the final commitment period when credits are issued, 2070-2075. The range is based again on scenarios for high fertilization effectiveness and both calibrations. Applying the actual discount factors to the amount of carbon credits in each commitment period for the *shorttemp* method would result in lower deductions of carbon credits in at least the first two commitment periods. In turn, replacement by other carbon credits would be higher in the following commitment periods.

Considering all experiments and all accounting methods we find a maximum discount factor of 13.26 percent and an average value of 7.85 percent to address the offset by enhanced N<sub>2</sub>O emissions. Additionally, implementing OIF leads to CO<sub>2</sub> emissions during the fertilization period from operation, in particular from fossil fuel burning to power ships. Climos, a company proposing commercial OIF, estimates the discount factor for this operating emission to be approximately 1 percent.<sup>8</sup> Consequently, the appropriate average discount factor sums up to 9 percent and the maximum discount factor to 14 percent. To include an additional buffer to account for the potential of enhanced CH<sub>4</sub> emissions we set the maximum discount factor equal to 15 percent. However, the offset through CH<sub>4</sub> emissions might be overcompensated by the positive effect through enhanced DMS emissions.

## 5 Discussion and conclusion

Our main objective was to address the question of how many carbon credits could be generated by OIF and could be used for compliance, if OIF would be considered a mitigation option in the future. Our results are based on OIF model experiments, which assume fertilization in the Southern Ocean (south of 30°) for 1, 7, 10, 50, and 100 years.

Since carbon might not be stored permanently, we discussed the value of temporary storage. A crucial aspect is if temporary storage changes the path of carbon emissions through time. Overall, we pointed out that temporary storage can be beneficial, depending on the value of time and the path of carbon prices through time.

For the determination of the amount of carbon credits generated, we applied all relevant carbon accounting methods, grouped into three categories according to the kind of credit they issue. In the first category we summarized accounting methods which issue permanent carbon credits: the *net* method, the *average* method, the *discount* method, and the *equivalence* method (permanent methods). Two *equivalence* methods exist (the Lashof and the MCW Approach) based on the equivalence time. In the second category we summarized accounting methods which issue temporary carbon credits: the *shorttemp* and the *longtemp* method (temporary methods). The carbon credits issued are comparable to tCER and lCER for LULUCF projects under the KP. In the third category we described a method which issues temporary carbon credits, which are replaced by permanent carbon credits, if the carbon is stored for a sufficient period of time. The method is rarely discussed in the literature, we referred to it as the *mixed* method. Applying the various accounting methods to OIF, we supplemented all but the *shorttemp* and *mixed* method with caps. These caps ensure that carbon credits are issued only up to an upper bound and no credits are required in commitment periods with negative carbon emissions compared to the baseline. The *shorttemp* and *mixed* method do not require a cap, because these methods entail carbon credit replacement in each commitment period.

For the short-term OIF experiments (1, 7, and 10 years of fertilization) the *discount* method provided the largest amount of permanent carbon credits, using a SRTP of 3 percent. The *average* and the *equivalence* method with the Lashof Approach provided the second and third largest amounts of permanent carbon credits, respectively. However, with the *equivalence* method carbon credits are spread out over a longer time period, providing only a fraction of the total credits in the first commitment period. All other methods provided the full amount of permanent carbon credits in the first commitment period, so that these are more beneficial from an economic perspective. The *shorttemp* method provided the largest amount of temporary carbon credits, followed by the *mixed* method and the *longtemp* method. For the *longtemp* method the amount of carbon credits are determined as well by the binding cap which is calculated on a shorter time period than the caps of the permanent periods. Overall, the *shorttemp* method provided the largest amount of carbon credits in the first commitment period. The short-term temporary carbon credits have to be replaced in the next commitment period. However, short-term temporary carbon credits issued in the following

---

<sup>8</sup><http://www.climos.com/faq.php>

commitment period implied that just a fraction had to be replaced by other carbon credits. This fraction was declining over the crediting period so that the stream of short-term temporary carbon credits was constantly larger than the total amount of carbon credits provided by the net method. Consequently, an amount of carbon credits, larger than the amount of permanent carbon credits had not to be replaced until the end of the crediting period. Furthermore, the *shorttemp* method provided additional temporary carbon credits during this period. Given constant or slowly increasing carbon prices a sufficient high SRTP this might result in economic benefits which overcompensate economic losses due to complete replacement after the end of the crediting period.

Increasing the duration of OIF, the gap in carbon credits between the *net* method and the other methods decreased. Since the *net* method does not value time, late years have an equal weight compared to early years. The remaining permanent methods value late years less. For a duration of 50 years the *net* method provided an amount of carbon credits in the same order of magnitude than the other permanent methods. For a duration of 100 years the *net* method provided the largest amount of carbon credits. The results for the application of the *shorttemp* and *longtemp* method to long-term OIF are limited, because the crediting period for these methods was set to 60 years. However, for a duration of 50 years the *longtemp* method provided the largest cap. The cap for the *longtemp* method is equal to credit issue in the *shorttemp* method in the final commitment period before the crediting period ends. Consequently, the *shorttemp* method provided again larger amounts of carbon credits, even though temporary, than the permanent methods.

For the long-term experiments (50 and 100 years) the *mixed* method led to a lower amount of credits than most other methods, as it accounts for atmospheric carbon decay. Temporary carbon credits within this method have to be replaced in each commitment period, however, the carbon credits issued in the final commitment period are permanent. For the short-term experiments on average only a fraction of 15 percent of carbon credits issued in the first commitment period were permanent in the end. We assumed that the crediting period for this method is equal to the permanence period. Decreasing the credit period would therefore increase the fraction of permanent carbon credits which turn to be permanent. This method is rarely discussed in the literature and we did not explore it in great detail but rather included it for completeness. Therefore analyses on the effect of other assumptions regarding the crediting period is deferred to future research.

To answer the question of how many carbon credits can be generated potential leakage needs to be accounted for. To address spatial leakage of carbon outside the enhancement region, we used global data for oceanic carbon instead of local. To address leakage by other GHGs, we discussed discount factors, which deduct the gross amount of carbon credits to the net amount. Only the net amount can be used for compliance. Considering all experiments and all accounting methods we found a maximum discount factor of 15 percent and an average value of 9 percent to address the offset by enhanced GHG emissions other than carbon and operational emissions. The discount factors were mainly determined by enhanced N<sub>2</sub>O emissions. The calculated discount factors correspond to the overall amount of carbon credits. It is also possible to use the discount factors of each commitment period. These discount factors were lower in earlier periods compared to the overall discount factors and would, therefore, led to larger amounts of carbon credits in the beginning. However, applying the overall discount factor ensures that a sufficient number of carbon credits is deducted in early periods to balance the offset. An exemption is the *shorttemp* method, because the corresponding carbon credits have to be replaced in each commitment period. Therefore, if leakage would be higher than expected, less new temporary carbon credits would be issued and a larger fraction of already issued temporary carbon credits would have to be replaced.

The results indicate that overall, and from an economic perspective, the *shorttemp* method seems most appropriate for short-term OIF. This method provided the largest amount of carbon credits and allows the lowest discount factors at an early state. Also, the fraction which is permanently provided until the end of the crediting period is larger compared to the other methods. From an environmental perspective, the *shorttemp* method seems most appropriate as well as no additional carbon emissions will be released, because all credits have to be replaced at some point in time.

Instead, even permanently stored carbon has to be replaced so that the application of the *shorttemp* method would provide extra climate benefits.

According to the scientific literature, the total effect of OIF is described by the *net* method. The model experiments showed, that about 90 percent of the carbon sequestered in the ocean as result of OIF originates from the atmosphere (and the rest from the terrestrial vegetation). However, it should be noted that the remaining 10 percent imply in some sense leakage as well for which is not accounted in current sink enhancement projects. The model experiments resulted in a large range regarding the effectiveness of OIF. If the OIF effectiveness is high, the model experiments showed an annual uptake of 1.69 GtC for fertilization duration of 100 years. If the OIF effectiveness is low, the corresponding value is reduced to 0.56 Gt C.

Today, only small-scale experiments have been carried out with varying results on the effectiveness. The results of our analysis are based on large-scale OIF model experiments. The knowledge on the effectiveness of large-scale OIF is still limited, which we addressed by two rates of fertilization effectiveness. OIF will only be considered a geoengineering option if the potential is large enough compared to other options so that further research about its sequestration efficiency, its side effects as well as the economic prospects is necessary. All this is deferred to future research.

## References

- Bertram, C., in press. Ocean iron fertilization in the context of the Kyoto protocol and the post-Kyoto process. *Energy Policy*, doi:10.1016/j.enpol.2009.10.065.
- Buesseler, K., Doney, S., et al., D. K., 2008. Ocean iron fertilization - moving forward in a sea of uncertainty. *Science* 319, 162.
- Cacho, O. J., Hean, R. L., Wise, R. M., 2003. Carbon-accounting methods and reforestation incentives. *The Australian Journal of Agricultural and Resource Economics* 47 (2), 153–179.
- Ciriacy-Wantrup, S., 1968. *Resource conservation. Economics and policies*, 3rd Edition. University of California, Division of Agricultural Sciences, Agricultural Experiment Station, Berkeley.
- Costa, P. M., Wilson, C., 2000. An equivalence factor between CO<sub>2</sub> avoided emissions and sequestration - description and applications in forestry. *Mitigation and Adaptation Strategies for Global Change* 5 (1), 51–60.
- Cullen, J. J., Boyd, P. W., 2008. Predicting and verifying the intended and unintended consequences of large-scale ocean iron fertilization. *Marine Ecology Progress Series* 364, 295–301.
- Dasgupta, P., 2008. Discounting climate change. *Journal of Risk and Uncertainty* 37, 141–169.
- Dornburg, V., Marland, G., March 2008. Temporary storage of carbon in the biosphere does have value for climate change mitigation: a response to the paper by miko kirschbaum. *Mitigation and Adaptation Strategies for Global Change* 13 (3), 211–217.
- Dutschke, M., 2002. Fractions of permanence - squaring the cycle of sink carbon accounting. *Mitigation and Adaptation Strategies for Global Change* 7 (4), 381–402.
- Edenhofer, O., Kalkuhl, M., 2009. Diskurs Klimapolitik. Vol. 6 of *Jahrbuch Ökologische Ökonomie*. Metropolis, Ch. Das grüne Paradoxon - Menetekel oder Prognose.
- Ellis, J., 2001. Forestry projects: Permanence, credit accounting and lifetime. Information Paper COM/ENV/EPOC/IEA/SLT(2001)11, OECD Environment Directorate and International Energy Agency.

- European Union, 2009a. Directive 2009/29/EC of the European Parliament and of the Council amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community. Tech. rep.
- Fearnside, P. M., Lashof, D. A., Moura-Costa, P., 2000. Accounting for time in mitigating global warming through land-use change and forestry. *Mitigation and Adaptation Strategies for Global Change* 5 (3), 239–270.
- Fearnside, P., 2002. Why a 100 year time horizon should be used for global warming mitigation calculations. *Mitigation and Adaptation Strategies for Global Change* 7, 19–30.
- Forster, P., Ramaswamy, V., Artaxo, P., Berntsen, T., Betts, R., Fahey, D., Haywood, J., Lean, J., Lowe, D., Myhre, G., Nganga, J., Prinn, R., Raga, G., Schulz, M., Dorland, R. V., 2007. *Climate Change 2007: The Physical Science Basis. Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change*. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA, Ch. Changes in Atmospheric Constituents and in Radiative Forcing, pp. 129–234.
- Fuhrman, J., Capone, D., 1991. Possible biogeochemical consequences of ocean fertilization. *Limnology and Oceanography* 36 (8), 1951–1959.
- Grubb, M., Vrolijk, C., Brack, D., 1999. *The Kyoto Protocol: a guide and assessment*. Royal Institute of International Affairs, Earthscan, London.
- Heal, G., 2009. Climate economics: A meta-review and some suggestions for future research. *Review of Environmental Economics and Policy* 3 (1), 4–21.
- Herzog, H., Caldeira, K., Reilly, J., 2003. An issue of permanence: Assessing the effectiveness of temporary carbon storage. *Climatic Change* 59, 293–310.
- Jin, X., Gruber, N., 2003. Offsetting the radiative benefit of ocean fertilization by enhancing N<sub>2</sub>O emissions. *Geophysical Research Letters* 30 (24), 2249.
- Kirschbaum, M., 2006. Temporary carbon sequestration cannot prevent climate change. *Mitigation and Adaptation Strategies for Global Change* 11 (5), 1151–1164.
- Kousky, C., Rostapshova, O., Toman, M., Zeckhauser, R., 2009. Responding to threats of climate change mega-catastrophes. Policy Research Working Paper 5127, The World Bank.
- Law, C., 2008. Predicting and monitoring the effects of large-scale ocean iron fertilization on marine trace gas emissions. *Marine Ecology Progress Series* 364, 283–288.
- Leinen, M., 2008. Building relationships between scientists and business in ocean iron fertilization. *Marine Ecology Progress Series* 364, 251–256.
- London Convention, 2007. Statement of concern regarding iron fertilization of the oceans to sequester CO<sub>2</sub>. 13 July 2007 LC-L P1(C):irc12, International Maritime Organization.
- Marland, G., Fruit, K., Sedjo, R., 2001. Accounting for sequestered carbon: the question of permanence. *Environmental Science and Policy* 4, 259–268.
- Meinshausen, M., Hare, B., 2000. Temporary sinks do not cause permanent climatic benefits. achieving short-term emission reduction targets at the future’s expense. Greenpeace background paper.
- Meinshausen, M., Meinshausen, N., Hare, W., Raper, S. C., Frieler, K., Knutti, R., Frame, D. J., Allen, M. R., 2009. Greenhouse-gas emission targets for limiting global warming to 2° C. *nature* 458, 1158–1162.



- Murray, B. C., 2003. Forest in a Market Economy. Kluwer Academic Publishers, Dordrecht, Netherlands, Ch. Economics of Forest Carbon Sequestration, pp. 221–242.
- Nakicenovic, N., Davidson, O., Davis, G., Grübler, A., Kram, T., Rovere, E. L. L., Metz, B., Morita, T., Pepper, W., Pitcher, H., Sankovski, A., Shukla, P., Swart, R., Watson, R., Dadi, Z., 2000. IPCC Special Report on Emission Scenarios. Cambridge University Press, New York.
- Nevison, C., Butler, J. H., Elkins, J. W., 2003. Global distribution of  $N_2O$  and the  $\delta n_2o$ -aou yield in the subsurface ocean. *Global Biogeochemical Cycles* 17 (4), 1119.
- Noble, I., Apps, M., Houghton, R., Lashof, D., Makundi, W., Murdiyarso, D., Murray, B., Sombroek, W., Valentian, R., et al, 2000. Land Use, Land Use Change, and Forestry. Cambridge University Press, Cambridge U.K., Ch. Implications of different definitions and generic issues, pp. 53–166.
- Olschewski, R., Benitez, P. C., de Koning, G., Schlichter, T., 2005. How attractive are forest carbon sinks? economic insights into supply and demand of certified emission reductions. *Journal of Forest Economics* 11, 77–94.
- Oschlies, A., Rehdanz, K., Rickels, W., 2009. Assessment aspects of ocean iron fertilization: leakage and permanence, mimeo.
- Phillips, G., Aalders, E., Lubrecht, I., 2001. Forestry issues outstanding from COP6. Tech. rep., SGS Climate Change Programme and International Emission Trading Association (IETA).
- Richard, K. R., Stokes, C., 2004. A review of forest carbon sequestration cost studies: A dozen years of research. *Climatic Change* 63, 1–48.
- Rickels, W., Lontzek, T., 2008. Optimal global carbon management with ocean sequestration. Working Paper 1432, Kiel Institute for the World Economy.
- Sagarin, R., Dawson, M., Karl, D., Michael, A., Murray, B., Orbach, M., Clair, N. S., 2007. Iron fertilization in the ocean for climate mitigation: Legal, economic, and environmental challenges. General technical report, Duke University (NC): Nicholas Institute for Environmental Policy Solutions.
- Sinn, H.-W., 2008. Public policies against global warming: a supply side approach. *International Tax and Public Finance* 15, 360–394.
- Strong, A., Chisholm, S., Miller, C., Cullen, J., 2009. Ocean fertilization: time to move on. *nature* 461 (17), 347–348.
- Suntharalingam, P., Sarmiento, J. L., 2000. Factors governing the oceanic nitrous oxide distribution: Simulations with an ocean general circulation model. *Global Biogeochemical Cycles* 14 (1), 429–453.
- Thompson, M. P., Adams, D., Sessions, J., 2009. Radiative forcing and the optimal rotation age. *Ecological Economics* 68, 2713–2720.
- UNFCCC, 1997. Report of the conference of the parties on its third session, held at kyoto from 1 to 11 december 1997. Tech. rep., UNFCCC.
- UNFCCC, 2003. Modalities and procedures for afforestation and reforestation project activities under the clean development mechanism in the first commitment period of the Kyoto protocol. [Fccc/kp/cmp/2005/8/add.1](#), UNFCCC.
- van Kooten, G. C., Sohngen, B., 2007. Economics of forest ecosystem carbon sinks: A review. *International Review of Environmental and Resource Economics* 1, 237–269.

# Appendices

## A Appendix 1

Table A.1: Annual change in oceanic carbon stocks for both levels of fertilization effectiveness in GtC

Carbon ocean										
year	Exp. 1 1 year OIF		Exp. 2 7 years OIF		Exp. 3 10 years OIF		Exp. 4 50 years OIF		Exp. 5 100 years OIF	
	high	low	high	low	high	low	high	low	high	low
1	8.91	2.10	8.91	2.10	8.91	2.10	8.90	2.10	8.90	2.10
2	1.58	-0.03	5.56	1.88	5.56	1.88	5.60	1.88	5.60	1.88
3	-0.44	-0.28	4.42	1.580	4.42	1.58	4.40	1.58	4.40	1.58
4	-0.51	-0.19	3.81	1.36	3.81	1.36	3.80	1.36	3.80	1.36
5	-0.46	-0.14	3.42	1.23	3.42	1.23	3.40	1.23	3.40	1.23
6	-0.39	-0.11	3.14	1.13	3.14	1.13	3.20	1.13	3.20	1.13
7	-0.33	-0.08	2.95	1.05	2.95	1.05	2.90	1.05	2.90	1.05
8	-0.30	-0.07	0.01	-0.75	2.79	0.99	2.80	0.99	2.80	0.99
9	-0.25	-0.06	-1.00	-0.76	2.65	0.94	2.70	0.94	2.70	0.94
10	-0.24	-0.05	-0.97	-0.59	2.54	0.90	2.50	0.90	2.50	0.90
11	-0.21	-0.04	-0.88	-0.46	-0.19	-0.86	2.40	0.86	2.40	0.86
12	-0.19	-0.04	-0.79	-0.39	-1.12	-0.86	2.40	0.84	2.40	0.84
13	-0.18	-0.03	-0.72	-0.33	-1.07	-0.67	2.30	0.80	2.30	0.80
14	-0.16	-0.03	-0.65	-0.28	-0.98	-0.54	2.20	0.77	2.20	0.77
15	-0.15	-0.03	-0.61	-0.26	-0.88	-0.46	2.20	0.75	2.20	0.75
16	-0.14	-0.02	-0.56	-0.22	-0.81	-0.40	2.10	0.73	2.10	0.73
17	-0.14	-0.02	-0.52	-0.21	-0.75	-0.35	2.00	0.70	2.00	0.70
18	-0.12	-0.02	-0.49	-0.19	-0.7	-0.31	2.00	0.69	2.00	0.69
19	-0.12	-0.02	-0.46	-0.17	-0.64	-0.29	2.00	0.67	2.00	0.67
20	-0.11	-0.02	-0.43	-0.15	-0.61	-0.25	2.00	0.65	2.00	0.65
21	-0.10	-0.01	-0.40	-0.14	-0.57	-0.23	1.80	0.64	1.80	0.64
22	-0.09	-0.01	-0.39	-0.14	-0.53	-0.22	1.90	0.63	1.90	0.63
23	-0.10	-0.01	-0.36	-0.12	-0.51	-0.19	1.80	0.62	1.80	0.62
24	-0.09	-0.01	-0.35	-0.11	-0.48	-0.19	1.80	0.61	1.80	0.61
25	-0.08	-0.01	-0.33	-0.11	-0.46	-0.17	1.80	0.60	1.80	0.60
26	-0.09	-0.01	-0.32	-0.1	-0.43	-0.15	1.80	0.61	1.80	0.61
27	-0.08	-0.01	-0.31	-0.09	-0.42	-0.14	1.70	0.60	1.70	0.60
28	-0.08	-0.01	-0.28	-0.08	-0.39	-0.14	1.70	0.60	1.70	0.60
29	-0.07	-0.01	-0.28	-0.08	-0.38	-0.12	1.70	0.58	1.70	0.58
30	-0.07	-0.01	-0.26	-0.08	-0.36	-0.12	1.60	0.58	1.60	0.58
31	-0.06	-0.01	-0.25	-0.07	-0.34	-0.11	1.70	0.57	1.70	0.57
32	-0.06	-0.01	-0.24	-0.07	-0.33	-0.10	1.60	0.55	1.60	0.55
33	-0.06	-0.01	-0.24	-0.06	-0.32	-0.11	1.60	0.55	1.60	0.55
34	-0.06	-0.01	-0.22	-0.06	-0.3	-0.09	1.60	0.53	1.60	0.53
35	-0.06	-0.01	-0.22	-0.07	-0.3	-0.10	1.50	0.53	1.50	0.53
36	-0.05	-0.01	-0.21	-0.07	-0.28	-0.09	1.60	0.52	1.60	0.52
37	-0.04	0.00	-0.20	-0.06	-0.27	-0.09	1.50	0.52	1.50	0.52
38	-0.04	0.00	-0.19	-0.05	-0.25	-0.08	1.50	0.52	1.50	0.52
39	-0.05	-0.01	-0.19	-0.06	-0.26	-0.08	1.50	0.50	1.50	0.50
40	-0.06	-0.01	-0.19	-0.05	-0.25	-0.08	1.50	0.49	1.50	0.49
41	-0.04	-0.01	-0.18	-0.06	-0.24	-0.07	1.50	0.49	1.50	0.49
42	-0.05	-0.01	-0.17	-0.05	-0.24	-0.07	1.40	0.48	1.40	0.48
43	-0.05	-0.01	-0.17	-0.05	-0.23	-0.07	1.50	0.47	1.50	0.47
44	-0.05	0.00	-0.16	-0.05	-0.23	-0.07	1.40	0.47	1.40	0.47
45	-0.05	-0.01	-0.16	-0.06	-0.21	-0.06	1.40	0.46	1.40	0.46

Table A.1: continued

Carbon ocean										
year	Exp. 1 1 year OIF		Exp. 2 7 years OIF		Exp. 3 10 years OIF		Exp. 4 50 years OIF		Exp. 5 100 years OIF	
	high	low	high	low	high	low	high	low	high	low
46	-0.04	0.00	-0.15	-0.05	-0.21	-0.06	1.40	0.46	1.40	0.46
47	-0.04	0.00	-0.14	-0.04	-0.2	-0.05	1.40	0.46	1.40	0.46
48	-0.03	0.00	-0.14	-0.05	-0.2	-0.06	1.40	0.46	1.40	0.46
49	-0.04	0.00	-0.13	-0.04	-0.18	-0.06	1.40	0.45	1.40	0.45
50	-0.03	0.00	-0.13	-0.04	-0.18	-0.06	1.40	0.45	1.40	0.45
51	-0.03	-0.01	-0.13	-0.05	-0.18	-0.06	-1.30	-1.49	1.40	0.43
52	-0.03	0.00	-0.12	-0.03	-0.17	-0.06	-1.70	-1.25	1.30	0.46
53	-0.03	0.00	-0.13	-0.03	-0.16	-0.06	-1.70	-1.03	1.40	0.44
54	-0.03	0.00	-0.11	-0.03	-0.16	-0.06	-1.50	-0.90	1.30	0.44
55	-0.03	0.00	-0.12	-0.04	-0.17	-0.06	-1.30	-0.80	1.30	0.43
56	-0.04	0.00	-0.12	-0.03	-0.15	-0.05	-1.30	-0.72	1.30	0.43
57	-0.03	0.00	-0.11	-0.03	-0.15	-0.04	-1.30	-0.65	1.30	0.42
58	-0.03	0.00	-0.11	-0.03	-0.15	-0.04	-1.10	-0.61	1.30	0.43
59	-0.02	0.00	-0.10	-0.02	-0.14	-0.03	-1.10	-0.55	1.30	0.42
60	-0.03	0.00	-0.10	-0.03	-0.13	-0.04	-1.00	-0.52	1.30	0.42
61	-0.02	0.00	-0.09	-0.03	-0.13	-0.04	-1.00	-0.48	1.30	0.41
62	-0.03	0.00	-0.10	-0.03	-0.12	-0.04	-0.90	-0.45	1.20	0.43
63	-0.02	0.00	-0.09	-0.02	-0.13	-0.04	-0.90	-0.42	1.30	0.41
64	-0.02	0.00	-0.09	-0.03	-0.12	-0.03	-0.90	-0.41	1.30	0.41
65	-0.03	0.00	-0.09	-0.02	-0.13	-0.04	-0.80	-0.37	1.20	0.41
66	-0.02	0.00	-0.08	-0.02	-0.11	-0.04	-0.80	-0.36	1.30	0.40
67	-0.03	0.00	-0.09	-0.02	-0.12	-0.03	-0.70	-0.34	1.20	0.41
68	-0.02	0.00	-0.08	-0.03	-0.11	-0.04	-0.80	-0.32	1.30	0.39
69	-0.02	0.00	-0.09	-0.02	-0.11	-0.03	-0.70	-0.32	1.20	0.40
70	-0.02	0.00	-0.08	-0.02	-0.11	-0.03	-0.70	-0.29	1.20	0.40
71	-0.02	0.00	-0.08	-0.02	-0.1	-0.03	-0.60	-0.28	1.30	0.40
72	-0.02	0.00	-0.08	-0.02	-0.11	-0.03	-0.60	-0.27	1.20	0.40
73	-0.02	0.00	-0.08	-0.02	-0.1	-0.02	-0.70	-0.27	1.20	0.39
74	-0.02	0.00	-0.07	-0.02	-0.1	-0.03	-0.50	-0.25	1.20	0.40
75	-0.02	0.00	-0.08	-0.02	-0.1	-0.03	-0.60	-0.24	1.20	0.39
76	-0.02	0.00	-0.07	-0.01	-0.1	-0.03	-0.60	-0.24	1.20	0.38
77	-0.01	0.00	-0.07	-0.02	-0.09	-0.02	-0.50	-0.22	1.20	0.39
78	-0.02	0.00	-0.06	-0.02	-0.09	-0.03	-0.50	-0.23	1.20	0.39
79	-0.02	0.00	-0.07	-0.01	-0.08	-0.02	-0.50	-0.21	1.10	0.39
80	-0.01	0.00	-0.06	-0.02	-0.09	-0.02	-0.50	-0.20	1.20	0.38
81	-0.02	0.00	-0.06	-0.01	-0.08	-0.02	-0.50	-0.20	1.20	0.39
82	-0.01	0.00	-0.06	-0.02	-0.08	-0.02	-0.50	-0.20	1.10	0.38
83	-0.02	0.00	-0.06	-0.01	-0.08	-0.02	-0.40	-0.18	1.20	0.38
84	-0.01	0.00	-0.06	-0.01	-0.07	-0.02	-0.50	-0.18	1.10	0.39
85	-0.01	0.00	-0.05	-0.01	-0.08	-0.02	-0.40	-0.18	1.20	0.37
86	-0.01	0.00	-0.06	-0.01	-0.07	-0.02	-0.40	-0.17	1.10	0.38
87	-0.01	0.00	-0.04	-0.01	-0.07	-0.01	-0.40	-0.16	1.20	0.38
88	-0.01	0.00	-0.05	-0.01	-0.07	-0.02	-0.40	-0.16	1.10	0.38
89	-0.01	0.00	-0.05	-0.01	-0.06	-0.01	-0.40	-0.15	1.20	0.37
90	-0.01	0.00	-0.04	-0.01	-0.06	-0.02	-0.30	-0.15	1.10	0.38
91	-0.01	0.00	-0.04	-0.01	-0.06	-0.01	-0.40	-0.14	1.10	0.38
92	-0.01	0.00	-0.04	0	-0.06	-0.01	-0.30	-0.13	1.10	0.37
93	-0.01	0.00	-0.03	-0.01	-0.05	-0.01	-0.40	-0.13	1.10	0.38
94	-0.01	0.00	-0.04	-0.01	-0.05	-0.02	-0.30	-0.13	1.10	0.38
95	0.00	0.00	-0.03	0	-0.05	-0.01	-0.30	-0.11	1.10	0.38
96	-0.01	0.00	-0.03	-0.01	-0.05	-0.01	-0.40	-0.11	1.10	0.37
97	-0.01	0.00	-0.03	0	-0.04	-0.01	-0.30	-0.12	1.10	0.37
98	-0.01	0.00	-0.03	-0.01	-0.05	-0.01	-0.30	-0.10	1.10	0.38
99	0.00	0.00	-0.03	0	-0.04	-0.01	-0.30	-0.11	1.00	0.37
100	-0.01	0.00	-0.04	-0.01	-0.05	-0.01	-0.30	-0.10	1.10	0.37
Sum	3.33	0.61	13.56	2.5	17.96	3.53	74.6	19.02	169.3	56.47

Table A.2: Caps and cumulative gross carbon credits in commitment period 2012-2020 based on additional atmospheric carbon removal in GtC

High fertilization effectiveness										
Accounting method	Exp. 1 1 year OIF		Exp. 2 7 year OIF		Exp. 3 10 year OIF		Exp. 4 50 year OIF		Exp. 5 100 year OIF	
	Cap	cumulative credits 2012-2020	Cap	cumulative credits 2012-2020	Cap	cumulative credits 2012-2020	Cap	cumulative credits 2012-2020	Cap	cumulative credits 2012-2020
<i>net</i>	3.19	3.19 <sup>a</sup>	11.91	11.91 <sup>a</sup>	16.09	16.09 <sup>a</sup>	67.10	29.59	154.20	29.60
<i>average</i>	3.72	3.72 <sup>a</sup>	13.79	13.79 <sup>a</sup>	18.14	18.14 <sup>a</sup>	60.88	29.59	85.34	29.60
<i>discount</i>	4.57	4.57 <sup>a</sup>	15.93	15.93 <sup>a</sup>	20.26	20.26 <sup>a</sup>	49.96	29.59	61.36	29.60
<i>equ-Lash</i>	3.57	0.46	13.31	1.20	17.61	1.22	62.80	1.22	95.14	1.22
<i>equ-MCW</i>	3.14	1.37	11.84	3.58	15.93	3.64	69.20	3.64	122.06	3.64
<i>shorttemp</i>	no	6.11	no	26.85	no	29.59	no	29.59	no	29.60
<i>longtemp</i>	3.05	3.05 <sup>a</sup>	11.64	11.64 <sup>a</sup>	15.71	15.71 <sup>a</sup>	72.61	29.59	96.80	29.60
<i>mixed</i>	no	3.71	no	19.96	no	22.70	no	22.70	no	22.71
Low fertilization effectiveness										
<i>net</i>	0.51	0.51 <sup>a</sup>	2.23	2.23 <sup>a</sup>	3.25	3.25 <sup>a</sup>	16.87	9.57	51.86	9.57
<i>average</i>	0.56	0.56 <sup>a</sup>	3.08	3.08 <sup>a</sup>	4.23	4.23 <sup>a</sup>	18.36	9.57	28.70	9.57
<i>discount</i>	0.70	0.70 <sup>a</sup>	3.85	3.85 <sup>a</sup>	5.17	5.17 <sup>a</sup>	15.73	9.57	20.53	9.57
<i>equ-Lash</i>	0.54	0.08	2.90	0.36	4.00	0.38	18.47	0.38	32.00	0.38
<i>equ-MCW</i>	0.48	0.24	2.41	1.08	3.34	1.12	18.79	1.12	41.02	1.12
<i>shorttemp</i>	no	0.88	no	7.88	no	9.57	no	9.57	no	9.57
<i>longtemp</i>	0.45	0.45 <sup>a</sup>	2.55	2.55 <sup>a</sup>	3.39	3.39 <sup>a</sup>	20.98	9.57	32.57	9.57
<i>mixed</i>	no	0.48	no	5.74	no	7.44	no	7.44	no	7.44

<sup>a</sup> The amount of carbon credits is determined by the already binding cap.

Table A.3: Discount factors through time for net, average, discount and equivalence method based on experiment 5 with high fertilization effectiveness in percent

	<i>net</i> method		<i>average</i> method		<i>discount</i> method		<i>equiv.</i> method (Lashof)		<i>equiv.</i> method (MCW)	
	Nevison(2003) <sup>a</sup>	Suntharalingam(2000) <sup>b</sup>	Nevison(2003) <sup>a</sup>	Suntharalingam(2000) <sup>b</sup>	Nevison(2003) <sup>a</sup>	Suntharalingam(2000) <sup>b</sup>	Nevison(2003) <sup>a</sup>	Suntharalingam(2000) <sup>b</sup>	Nevison(2003) <sup>a</sup>	Suntharalingam(2000) <sup>b</sup>
	in %									
Cap	12.44	8.76	9.61	6.61	8.42	5.89	10.11	6.95	7.95	14.25
2012 - 20	4.60	3.49	4.60	3.49	4.60	3.49	4.35	2.46	2.89	4.46
2020 - 25	7.67	5.73	7.67	5.73	7.67	5.73	5.05	4.42	3.87	6.31
2025 - 30	8.86	6.46	8.86	6.46	8.86	6.46	5.40	4.03	4.35	7.46
2030 - 35	9.51	6.58	9.51	6.58	9.51	6.58	6.63	5.01	4.69	8.37
2035 - 40	10.27	6.80	10.27	6.80	21.36	12.60	6.66	4.88	4.95	9.10
2040 - 45	11.02	6.97	11.02	6.97	100.00 <sup>c</sup>	100.00 <sup>c</sup>	7.20	5.15	5.15	9.72
2045 - 50	11.74	7.25	11.74	7.25	0	0	7.68	5.32	5.33	10.23
2050 - 55	12.75	7.72	12.75	7.72	0	0	7.89	5.43	5.49	10.63
2055 -60	14.05	8.54	38.10	26.26	0	0	8.35	5.67	5.87	11.55
2060 - 65	14.83	9.25	0	0	0	0	8.74	5.83	6.99	14.68
2065 - 70	16.77	10.43	0	0	0	0	9.02	6.23	34.47	18.81
2070 - 75	17.65	11.84	0	0	0	0	9.61	6.28	100.00 <sup>c</sup>	37.05
2075 - 80	18.57	12.45	0	0	0	0	10.00	6.74	0	100.00 <sup>c</sup>
2080 - 85	19.61	13.73	0	0	0	0	10.38	6.97	0	0
2085 - 90	20.16	14.62	0	0	0	0	10.80	7.27	0	0
2090 - 95	21.08	15.81	0	0	0	0	11.18	7.58	0	0
2095 - 00	21.22	16.56	0	0	0	0	11.58	7.92	0	0
2100 - 05	21.13	16.85	0	0	0	0	11.92	8.24	0	0
2105 - 12	21.16	17.49	0	0	0	0	12.29	8.60	0	0

<sup>a</sup> The calibration is based on Nevison et al. (2003).

<sup>b</sup> The calibration is based on Suntharalingam and Sarmiento (2000).

<sup>c</sup> A discount factor of 100 percent for a commitment period indicates that the cap is approached in the previous commitment period if taking into account N<sub>2</sub>O emissions.