Carbon Market Watch response to the EU consultation on addressing greenhouse gas emissions from agriculture and LULUCF in the context of the 2030 EU climate and energy framework

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1. In your view, which of the multiple objectives of agriculture, forestry and other land use will gain most in relative importance by 2030?

It will be critical to ensure the long-term stability of carbon pools for carbon storage, biodiversity protection and ecosystem preservation in the future. Currently the emissions from land use represent a quarter of all human emissions and it is hence vital that the land use sector also contributes to tackling climate change.

The use of biomass is limited due to finite land availability and therefore the use of biomass should follow the cascading hierarchy and only as a last resort be used for lower-quality applications where other viable alternatives exist, which is the case with power generation.

Finally, it should be recognised that food security and sustainable farming should go hand in hand. Actions that support this include no-till farming, silvopastoral practises and demand-side measures to limit excess consumption.

2. How can the contribution of agriculture, forestry and other land use to the production of renewable energy and raw materials be optimised, while fully exploiting the mitigation potential in these sectors?

Land is a limited resource and its resources must be used sustainably. Current EU policies unfortunately do not promote a sustainable bio-economy founded on resource efficiency, since policies promote the use of lower-value applications (bio-energy) instead of higher value applications such as biomaterials and biochemicals. There is a need for regulation to ensure an optimised use of biomass which should include binding sustainability criteria for solid biomass and a cap on the use of biomass for energy, to ensure that biomass is primarily used for higher-value applications and to avoid serious negative consequences for carbon emissions, biodiversity and land conflicts.

Agriculture is a large source of emissions in the EU which must be reduced in line with the 30% non-ETS target for the year 2030 compared to 2005 levels. Since the accounting rules for agriculture are consistent with the other sectors covered by the Effort Sharing Decision (ESD), whereas LULUCF rules are not, agriculture should remain part of the ESD.

3. How can the new framework ensure a fair and equitable distribution among Member States of action for mitigation in agriculture, forestry and other land use and reflect biophysical, geographical, and socio-economic variability and differences among Member States?

For non-CO2 agriculture in the ESD, the targets after 2020 for higher-income Member States will be primarily based on their wealth, but adjusted to reflect different cost-effective mitigation potentials. For more info, see our policy brief “Flexibilities in the EU’s 2030 ESD” available at www.carbonmarketwatch.org.

Fully integrating LULUCF in EU’s 2030 climate framework means that the 2030 target to reduce GHG emissions by at least 40% compared to 1990 levels should also apply to this sector. This means that the emissions and removals from all the LULUCF activities need to be accounted for compared to a 1990 base year or period. How the efforts of the 40% target for the LULUCF sector are distributed between Member States can follow the same principles as under the Effort Sharing Decision, e.g. by reconciling fairness and the availability of cost-effective mitigation potentials. This should be reinforced by land-sector specific policy measures to ensure equitable efforts in all areas.

4. What are the most promising and cost-effective greenhouse gas reduction measures related to agriculture, forestry and other land use? Are there any technologies that would deserve special attention in research and technology development?

The most cost-effective and promising emissions reductions are the emissions that are never produced: reducing food and energy consumption should therefore be an absolute priority. Promising and cost-effective measures are those that meet multiple objectives – forest landscape restoration, for example re-wetting peatlands, agro-ecological farming methods and maintaining permanent grasslands are good for the climate, biodiversity and ecosystem preservation. Conserving natural forests + other land use and restoring degraded ecosystems would both save emissions and increase sequestration.

An overhaul of bioenergy policies could also reduce emissions (and subsidies) significantly. Currently, solid biomass and biogas are considered carbon neutral, while forest management accounting rules hide emissions associated with harvesting the biomass and the emissions from imported biomass are also often not accounted for anywhere. This urgently needs to change in the future.

5. What are the main obstacles and barriers to the implementation of emission reduction measures in agriculture, forestry and other land use?

There is currently a lack of policies to reduce emissions or enhance sinks in the LULUCF sector and an abundance of incentives to deplete carbon sinks and increase emissions. EU's agricultural policy, mainly the Common Agricultural Policy, does not incentivise mitigation and often supports unsustainable farming practices that can increase emissions. Similarly, the incentives for bioenergy lead to higher biomass harvesting rates that can result in depleted carbon sinks.

The EU's land sector does not yet have a long-term strategy for decarbonisation and the Commission should hence urgently develop a 2050 low-carbon roadmap for agriculture, forestry and other land-use taking into account the EU's 2050 objective as well as the IPCC's 2°C compliant carbon budgets.

The weak targets and the availability of abundant flexibilities in the Effort Sharing Decision, particularly the use of international offsets, have not provided the right incentives to reducing emissions in the agriculture sector.

6. On the basis of experience with the present set of rules on accounting, targets and flexibility, how could the present rules be improved, and which aspects could be maintained and which should be rejected in future?

Forest management rules should change so that countries account net-net from a base year or period. The current accounting rules for forestry emissions against projected reference levels are effectively hiding emissions since they already include increased forest harvesting for bioenergy use. Since emissions and removals from managed forests are inherently human-induced, they should also be fully accounted for. The fact that past legacy land use practices drive emission trends in the sector more than current activities do is a problem that can be observed in other sectors too: transport and energy infrastructure also lock-in emissions for decades to come for example.

Accounting should preferably be land-based rather than activity-based, in line with the Convention. Afforestation rules should be adapted to be in line with the Convention so that afforested areas enter the forest land category after 20 years. Accounting for wetland drainage and rewetting should be made mandatory from 2020.

7. How could an element of flexibility in terms of using credits from LULUCF activities in the 2030 climate policy framework be introduced in a way that fully ensures the environmental integrity of the system?

We are in favour of an EU-wide legally binding target for the LULUCF sector combined with a 10 year compliance period, to provide flexibility for Member States, accompanied with ambitious policies to drive down emissions. The LULUCF target for the 2021-2030 period should be in line with the 2030 target for the other non-ETS sectors (e.g. -30% compared to 2005), and accounting should be fully based on a net-net approach.

There should be absolutely no flexibility between the LULUCF pillar and the other sectors, since the inherent characteristics of the LULUCF sector (large annual fluctuations, data uncertainties of up to 35%) make the sector unfit for any fungibility with the ESD that has an annual compliance cycle. Similarly, planting trees in order to displace effort in sectors where emission reductions are needed is risky, because the forest sector is a large carbon sink where the permanence of stored carbon cannot be guaranteed, while the emissions from fossil fuels are permanent.

8. What could be the main advantages and disadvantages of the three policy options outlined above, and which option(s) should be further developed or modified?

The LULUCF sector is by nature very different to other sectors due to accounting uncertainties and the risks that removals can be reversed. The LULUCF sector is hence best placed in a separate pillar, so that the reversibility of carbon sinks and the large annual fluctuations do not negatively impact the achievement of the other targets (given that the ESD and EU ETS are annually binding).

The LULUCF sector is best covered by a carbon budget target for a 10 year commitment period. The sector is wholly unsuited for an annual compliance cycle since forest inventories are done every 5-10 years and possible technical corrections can lead to significant recalculations of the LULUCF emissions and removals. This would disturb national accounting and create a large degree of uncertainty when the LULUCF sector is merged with other sectors.

9. Which is your preferred option? Why?

- (•) **Option 1 — LULUCF pillar (preferred option)**
- ( ) **Option 2 — land use sector pillar**
- ( ) **Option 3 — effort sharing**
- ( ) **A combination of options**
- ( ) **No preference**

Please, provide an explanation for your choice in Question 9

All options have an inherent risk that the temporary carbon sinks of the LULUCF sector are used to offset permanent fossil fuel emissions. This risk is compounded when the current LULUCF accounting rules for forest management that can effectively hide emissions are continued and the LULUCF sector does not need to reduce its overall climate impact in line with the economy-wide target of at least 40% GHG emission reductions by 2030 compared to 1990 levels. A report by FERN shows that this could cause that the actual emission reductions under the 40% target may be as low as 35%.

The LULUCF sector is the only sector that represents a net carbon sink and it should therefore be addressed by tailored policies and measures to maintain and increase its current carbon sequestration levels in a separate pillar. There is an urgent need to rapidly reduce the emissions of fossil fuels, which means that under no circumstances forest sinks should be used to offset emissions in other sectors.