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From:	Presidency
To:	Delegations
Subject:	Agriculture and LULUCF -Exchange of views based on discussion paper from Denmark and Ireland

In view of the meeting of the Special Committee on Agriculture on 4 April 2016, delegations will find in the ANNEX a document prepared by the Danish and Irish delegations.

ANNEX

Discussion paper from Denmark and Ireland
for Special Committee on Agriculture
Agriculture and LULUCF

This non-paper does not purport to represent the full and final positions of Ireland nor Denmark in regard to agriculture and Land Use, Land Use Change and Forestry (LULUCF) in the context of the Effort Sharing Decision for the Climate Energy Framework 2030. Instead it is designed, in follow on from the October 2014 Council conclusions, to constructively inform dialogue as to:

1. How the multiple objectives of the agriculture and land use sector, with their lower mitigation potential, should be acknowledged, while ensuring cost-effective reduction potentials in agriculture are exploited and

2. How LULUCF flexibility could be integrated in the EU Climate and Energy Framework while emphasising the improved environmental integrity and benefits that would result.

Context and background

The conclusions of the European Council of October 2014 state that in determining the reduction targets for Member States in the non-emissions trading sector under the effort sharing decision required to advance the 2030 Climate and Energy Framework that *"the multiple objectives of the agriculture and land use sector, with their lower mitigation potential, should be acknowledged, as well as the need to ensure coherence between the EU's food security and climate change objectives."*

The European Council invited the Commission "*to examine the best means of encouraging sustainable intensification of food production, while optimising the sector's contribution to greenhouse gas mitigation and sequestration, including through afforestation*."

The Conclusions specify that the *"policy on how to include Land Use, Land Use Change and Forestry into the 2030 greenhouse gas mitigation framework will be established as soon as technical conditions allow and in any case before 2020*."

Overall policy objectives:

It is suggested that EU policy should have the following core objectives:

- To ensure the 2030 climate targets adopted by the European Council in October are fully met through real and cost-effective emission reductions in both the Emissions Trading Sector and non-Emissions Trading Sector.
- To promote sustainable intensification of food production to reduce the carbon intensity of food production and to contribute to both food security and greenhouse gas mitigation objectives.
- To encourage sustainable land management, afforestation and other forest sector mitigation activities, including forest product uses, that contribute to climate change mitigation and sustainably manage soil and forest carbon stocks; and
- To seek to move as far along the road to carbon neutrality as is possible in cost-effective terms, while not compromising the capacity for sustainable food production.

Contribution of the Common Agricultural Policy to environmental sustainability

In recent years, the CAP has made an increasingly significant contribution to the environmental sustainability of the European agri-food sector, through cross compliance requirements and Statutory Management Requirements (SMRs), Good Agricultural and Environmental Condition (GAEC) provisions, and the agri-environmental measures contained in Rural Development Programmes (RDP).

This contribution was further enhanced following the 2013 agreement on the reform of the CAP for the period 2014-2020, which ensures policy coherence with the Europe 2020 strategy and its support for the achievement of the twin goals of competitiveness and sustainability. The CAP's green credentials are strengthened through the linkage of 30% of direct payments to agricultural practices beneficial for the climate and the environment. This is the first time that a minimum level of environmental protection has been enshrined in direct payments under Pillar 1. One of the greening priorities of CAP is to protect grasslands and avoid changing their use. In addition, other compulsory green measures include crop diversification and the establishment of ecological focus areas, both of which contribute to retaining and building soil carbon levels.

Under Pillar 2, environmentally themed measures continue to be a strong feature of the Rural Development Regulation (RDR), where one of the three key objectives is the sustainable management of natural resources, and climate action. Pillar 2 measures are required to encourage and assist farmers to go beyond the Statutory, Greening and GAEC requirements of Pillar 1 and achieve more targeted objectives. Thus, a significant proportion of the CAP budget is now aimed at measures preserving and promoting the changes necessary in agricultural practices that make a positive contribution to climate action.

Looking to the longer term, the post 2020 CAP regime should enable Member States to build on and secure current activities and investments in conserving and enhancing soil carbon stocks and forest cover expansion.

Addressing multiple objectives of agriculture and land use sector with their lower mitigation potential

The multiple objectives of agriculture in terms of food security are well recognised. We face the challenge of feeding a growing global population – set to reach 9 billion by 2050 – against the background of diminishing natural resources, reduced availability of agricultural land and the actions necessary to combat climate change. Essentially, to feed the growing global population, food production levels must increase by 60 to 70% over the next four decades if present trends of higher demand for livestock products continue, notwithstanding that some 25% of agricultural land globally is highly degraded and there is a critical water scarcity in many countries. It is clear that the combination of food insecurity and climate change will affect economic growth in certain regions of the world and this will be exacerbated with the anticipated growth in the world population.

Several of the Sustainable Development Goals adopted in September 2015 by the UN General Assembly relate to the availability and sustainable use of natural resources. Goal 2 is to *"end hunger, achieve food security and improved food nutrition and promote sustainable agriculture"*.

We are privileged in the majority of the EU to be spared the worst impacts of climate change such that our natural resources and available land still allow us to produce more food than we need. With that privilege comes a responsibility to ensure that we make all efforts to address the challenge of feeding the growing population in parts of the world that are less fortunate. Hence, the European Council's invitation to ensure coherence between the EU's food security and climate change objectives and to examine the best means of encouraging sustainable intensification of food production, while optimising the sector's contribution to greenhouse gas mitigation and sequestration, including through afforestation. In this regard, it would be important to continue EU support for climate smart initiatives to encourage the development of sustainable agriculture in Africa and in developing countries generally.

In light of the foregoing, a platform must be put in place to – (a) ensure cost-effective mitigation potentials in agriculture are exploited; (b) build on the carbon-efficiency and sustainability of the EU agriculture sector; (c) avoid downward pressure on sustainable food production; (d) maintain and enhance the EU contribution to global food production and security; and (e) avoid displacement of GHG emissions to less efficient food production systems.

One mechanism for acknowledging the lower and costlier mitigation potential of agriculture while ensuring policy coherence between climate change and food security could be to reflect these principles in the correction for cost efficiency of national reduction targets calculated on the basis of GDP/capita in the effort sharing decision. This should apply in respect of agricultural production that is already environmentally sustainable and climate efficient. Another mechanism could be to reflect the above principles in the calculation of reduction targets for the sector, particularly in respect of agricultural production that is already environmentally sustainable and climate efficient.

Options for the inclusion of agriculture and land use in a policy framework from 2020

The Commission Communication COM(2014)15 "A policy framework for climate and energy in the period from 2020 to 2030" outlines 3 options for the inclusion of agriculture and land use.

1. Option 1 ("LULUCF pillar"): Maintain non-CO_2 Agricultural sector emissions in the future Effort Sharing Decision, and further develop a LULUCF sector policy approach separately;
2. Option 2 ("Land use sector pillar"): Self-standing and separate land use pillar with agriculture and LULUCF;

3. Option 3 ("Effort sharing"): Include existing LULUCF sector into the Effort Sharing Decision.

From an economic perspective these options may be evaluated against two criteria: 1) How they ensure cost-effectiveness, and 2) how they improve incentives to reduce emissions.

- To maximize cost-effectiveness the policy framework should address emissions from agriculture and agri-related LULUCF under a single integrated regime. Today, the agricultural sector is responsible for significant LULUCF-emissions and uptakes through activities such as soil management, afforestation etc., but the emissions/uptakes are not included in the EU burden sharing. Consequently, mitigation activities undertaken by the agricultural sector do not count towards their emissions target, and a range of cost-effective instruments are left underexploited.
- To improve incentives, the policy framework could ensure that those who undertake activities to mitigate emissions are also credited. Member States should be credited for mitigation investments, given that they are obliged to account for all activities that generate emissions.

Option 1: LULUCF pillar This option would not satisfy the cost-effectiveness and incentives criteria as it does not integrate of agriculture and land use, but keeps them separate.

Option 2: **A land use sector pillar** One possible design for this option would be a pillar for agriculture and agri-related LULUCF with a common EU target and common EU mitigation measures. This option would provide for integrated management of agricultural soils and emissions. It would thus allow for both consistent treatment of all agricultural soil-related issues and for positive agricultural land use changes to count towards reduction targets for the land-sector pillar. Such land use changes could include, for instance, afforestation on land that used to be agricultural. EU-wide measures would ensure that potentials are realised across the EU as a whole and provide a larger market for new mitigation technologies and accelerate both development and cost reductions. A range of potential measures are sufficiently flexible to take into account variable agricultural production systems in the Member States, including soil management that increase the carbon stock, cf. the "4/1000 Initiative" launched by France, and promotion of bio-gasification and/or acidification. By integrating agriculture and agri-related LULUCF and introducing EU-wide measures, a land sector pillar could improve both incentives and cost-effectiveness across the EU. Moreover, a land use sector pillar could maximize policy coherence between climate policy and agricultural policy by matching the climate policy framework for 2020-2030 and the post-2021 Common Agricultural Policy, which offers opportunities for improving the incentives for farmers to

undertake mitigation actions. A variation on this approach would be to include the land sector as a sub-pillar of the Effort Sharing Decision so that the afore-mentioned benefits could be recognized and that fungibility with the non Emissions Trading Sector could occur.

Option 3: Effort sharing A possible design of option 3 could be an AFOLU Framework under the Effort Sharing Decision. This option would integrate the land sector, including forestry, under an AFOLU (agriculture, forest and other land use) framework. In this framework, all emissions from soils would be counted against soil-generated sinks. This would enable full accounting of emissions and removals arising from the sector (including biomass emissions from harvest), while keeping agriculture and land use within the framework of the Effort Sharing Decision. The option represents a Member State-based model and would not introduce an EU-wide target for the agricultural sector.

Regardless of which options are preferred, EU policy should align itself with UNFCCC provisions, including the recent Paris Agreement, to ensure consistency and transparency.

Reporting and accounting rules for LULUCF

In addition to options on how to include agriculture and land use, the EU must decide on reporting and accounting rules for LULUCF for the new commitment period after 2020. At present the EU report on LULUCF using two different systems: Decision 529/2013 provides the current basis for reporting and accounting as regards EU obligations under the Kyoto Protocol Accounting rules prescribe how LULUCF credits may be deducted from other greenhouse gas emissions or LULUCF debits be added to emissions from other sectors. In parallel, the EU also report on LULUCF developments with a different set of rules under the Climate Convention. For the commitment period 2013-20 there is no accounting for LULUCF as regards the EU internal climate framework.

However, the Kyoto Protocol will expire in 2020, whereas the Climate Convention will be maintained. The rest of the world will continue to report on LULUCF within the Climate Convention framework, and the EU will be obliged to maintain reporting under these rules. LULUCF reporting based on the Climate Convention differ significantly and increasingly from the Kyoto-based LULUCF reporting. However, only the Kyoto Protocol has accounting rules.

Some of the following considerations may inform the discussions on future reporting and accounting rules after 2020:

- Should the EU continue with double-reporting of LULUCF both under Kyoto-like rules and the Climate Convention rules?
- How could the reporting and accounting framework best incentivise further mitigation activities, while ensuring environmental integrity?
- How is robust reporting and accounting best ensured taking into account the significant uncertainties on measurements of soil and plant carbon pools and the large annual variations due to variations in rainfall and temperatures?
- Which approach will best facilitate forward planning to address food security and environmental issues?
- How are developments in science, technology and best practices, such as farming practices that maintain or enhance carbon stocks as promoted by the "4/1000 Initiative" launched by France best reflected?
- Which are the most appropriate accounting rules for cropland management and grazing land management, including synergies with mitigation of Category 4 (agriculture) emissions as well as the mitigation activities in re-vegetation, and drainage and rewetting? .
- Which are the most appropriate accounting rules for forestry – including afforestation, reforestation, de-forestation and forest management of existing forests – properly reflecting new and historic mitigation activities?