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From: The Presidency
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Subject: Fit for 55 package
Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) 2018/841 as regards the scope, simplifying the compliance rules, setting out the targets of the Member States for 2030 and committing to the collective achievement of climate neutrality by 2035 in the land use, forestry and agriculture sector, and (EU) 2018/1999 as regards improvement in monitoring, reporting, tracking of progress and review
– General approach

I. INTRODUCTION

1. On 14 July 2021, the Commission submitted to the European Parliament and to the Council, as part of the Fit for 55 package, a proposal for a Regulation amending Regulation (EU) 2018/841 as regards the scope, simplifying the compliance rules, setting out the targets of the Member States for 2030 and committing to the collective achievement of climate neutrality by 2035 in the land use, forestry and agriculture sector, and Regulation (EU) 2018/1999 as regards improvement in monitoring, reporting, tracking of progress and review¹.
2. The main purpose of the Commission proposal is to strengthen the contribution of the land use, land use change and forestry (LULUCF) sector to the EU's increased overall climate ambition for 2030 by setting an EU-level target of 310 million tonnes of CO₂ equivalent in net greenhouse gas removals in the LULUCF sector by 2030, distributed between Member States in the form of binding national targets.
3. In the European Parliament, the Committee on Environment, Public Health and Food Safety (ENVI) is the lead committee. Mr Ville Niinistö (Greens/EFA, FI) was appointed rapporteur. Mr Norbert Lins (EPP, DE) was appointed rapporteur for the Committee on Agriculture and Rural Development (AGRI), which is an associated committee with shared competence on specific provisions. The ENVI Committee adopted its report on the proposal on 16 May 2022. The Parliament adopted its position on the proposal on 8 June 2022.
4. The European Economic and Social Committee delivered its opinion on 8 December 2021. The Committee of Regions delivered its opinion at its session on 27-29 April 2022.

¹ Doc. 10857/21 + ADD 1 à 4.

5. The Environment Council held a policy debate on the five proposals of the Fit for 55 package in its fields of competence, including the LULUCF proposal, during its meetings on 20 December 2021² and 17 March 2022³.
6. On 13 May 2022, the Permanent Representatives Committee (Coreper) discussed the proposal on the basis of a note from the Presidency⁴ in order to provide guidance for further work.
7. At working party level, the French Presidency continued its examination of the proposal at eight meetings of the Working Party on the Environment. During the most recent meeting, on 3 June 2022, the Working Party examined the third revised Presidency compromise text⁵.
8. Coreper examined the Presidency compromise text on 15 June 2022 and then examined a new compromise proposal with limited adjustments on 22 June 2022⁶, in order to prepare the Council (Environment) discussion on this file at its meeting on 28 June 2022.
9. The latest Presidency compromise text, which corresponds to the version of the text examined by Coreper on 22 June 2022, is annexed to this note.

² Doc. 14585/21.

³ Doc. 6668/2/22 REV 2.

⁴ Doc. 8733/22.

⁵ Doc. 7985/3/22 REV 3.

⁶ Docs. 9906/22 et 10330/1/22 REV 1.

II. MAIN ELEMENTS OF THE PRESIDENCY COMPROMISE

10. Compared to the Commission proposal, the Presidency compromise text proposes to keep unchanged the Union's overall target of 310 million tonnes of CO₂ equivalent of net removals in the LULUCF sector in 2030, which received broad support from delegations. The compromise text also maintains the distribution of national targets as proposed by the Commission. To take account of many delegations' concerns about the interannual variability inherent in the LULUCF sector and the predictability of the targets, the Presidency has nevertheless proposed some significant changes in relation to the compliance process to help Member States achieve their respective targets while maintaining their level of ambition. The main aspects of the compromise proposal are set out below.

(a) Presentation of the objectives and linear trajectory (Article 4, recitals 5 and 6), technical correction (Articles 4 and 14, recitals 13a and 13b)

- The compromise text proposes setting a five-year budget for net emissions or removals for the 2026-2030 period instead of binding annual targets for the years 2026 to 2029, while maintaining the obligation to hit the national targets for 2030. The Presidency considers that it is essential for each Member State to achieve the 2030 target as a final goal at the end of the 2016-2030 period in order to ensure that they collectively meet the target of a 310-million-tonne reduction, which is the sum of the national targets for 2030. It is further proposed that national targets be expressed in relative terms to make them more predictable and transparent, obviating the need for a technical correction when checking on Member States' targets.

- The Presidency has maintained the setting of the 2026-2030 trajectory on the basis of the data for 2021, 2022 and 2023, as proposed by the Commission, since it considers that this proposal achieves the best balance between predictability and use of the most recent data.

(b) Governance of the targets (Article 13c)

The governance mechanism for the targets, which was set out in Article 13c of the proposal, met with criticism on the part of many delegations. After discussing various options, the Presidency has proposed in its compromise to delete Article 13c for the 2026-2030 period, without including Article 9 of the Effort Sharing Regulation (ESR) again, noting that this option preserves the legally binding nature of LULUCF targets.

(c) General flexibilities (Article 12(3))

The Presidency compromise text has stayed in line with the Commission's proposal, deleting the possibility to 'bank' LULUCF credits and carry them over between the two compliance periods (2021-2025 and 2026-2030). The Presidency believes that deleting this provision provides an essential safeguard for environmental integrity, given the need to avoid LULUCF credits being accumulated at the end of the second period, which would increase the risk of missing the target of -310 million tonnes.

(d) Additional flexibility mechanism linked to climate impacts and the proportion of organic soils (Article 13b(6), recital 12a)

In response to several delegations' concerns about the difficulty of meeting their targets due to factors beyond their control, the Presidency proposes creating additional flexibility linked to climate impacts and organic soils on the basis of objective and measurable criteria and indicators. In addition, in order to have access to that flexibility, the Member States concerned must submit evidence to the Commission following a well-defined methodology.

(e) Conditions linked to use of the land use flexibility mechanism (Article 13b, Annex VII)

- increase of the proportion of net removals surpluses for the period 2021-2025 that the Commission can take into account when assessing whether the EU has met its target for 2030, from 20 % to 40 %;
- automatic triggering of flexibility on the basis of clear, pre-defined criteria;
- deletion of the restriction in Article 13b(4) only allowing compensation to cover sinks accounted for as emissions against the target of the Member State;
- deletion of the conditions for use of Article 13b linked to prior exhaustion of the flexibilities provided for in Article 12(2) and Article 7(1) of the ESR.

The Presidency also proposes maintaining the division in two equal parts of the maximum amount of the flexibility mechanism provided for in Annex VII to ensure the EU's target of -310 is reached.

(f) Taking into account natural disturbances (Article 10, Article 13b and recital 9)

It is proposed that Article 10 (which was removed in the Commission proposal) be reintroduced for the period 2026-2030. However, should this article be used by a Member State, the compensation for natural disturbances provided for in Article 13b(5) will not be available to that Member State.

(e) Post-2030 framework (Article 17, recital 9a)

A large majority of delegations considered the introduction of post-2030 targets and the creation of the AFOLU pillar in the framework of this revision of the Regulation to be premature. The Presidency therefore proposes including these issues in the review provided for in Article 17. In its assessment of the feasibility of the objective of collectively achieving climate neutrality in the Union by 2035 in the AFOLU sector, the Commission must also taken into account the effects of forest age structure, including the effects linked to the occupation of a territory and to wartime or post-war circumstances.

(f) Monitoring and reporting (Annex III)

Taking on board the criticisms of many delegations, the Presidency compromise proposal provides for flexibility regarding the monitoring and reporting requirements, in particular by making the adoption of the tier 3 methodology from 2026 onwards optional, as well as regarding the list of areas to be monitored.

(g) Bio-energy with carbon capture and storage (BECCS) (recital 10a)

Given the importance of developing sustainable carbon-removal solutions for achieving carbon neutrality by 2050, the Presidency proposes referring to this issue in a new recital, mentioning the role of technological solutions such as bio-energy with carbon capture and storage.

III. STATE OF PLAY

11. During the discussion in Coreper on 22 June 2022, a broad majority of delegations expressed support for the latest Presidency compromise text. Some delegations raised objections on specific points in the text.
12. On the basis of the discussions held so far, the Presidency considers that its latest compromise text reflects the balance between the different positions of the delegations. The Presidency believes that this overall compromise strikes a balance between providing sufficient flexibility to help Member States meet their targets by 2030 and maintaining the environmental integrity of the Regulation.

IV. CONCLUSIONS

13. In light of the above, the Council (Environment) is invited to approve the text set out in the Annex to this note with a view to agreeing on a general approach, which will constitute the basis for future negotiations with the European Parliament on the Commission proposal in the context of the ordinary legislative procedure.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulations (EU) 2018/841 as regards the scope, simplifying the compliance rules and setting out the targets of the Member States for 2030, and (EU) 2018/1999 as regards improvement in monitoring, reporting, tracking of progress and review

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,
Having regard to the Treaty on the Functioning of the European Union, and in particular Article 192(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee⁷,

Having regard to the opinion of the Committee of the Regions⁸,

Acting in accordance with the ordinary legislative procedure,

Whereas:

⁷ OJ C [...], [...], p. [...].

⁸ OJ C [...], [...], p. [...].

- (1) The Paris Agreement, adopted in December 2015 under the United Nations Framework Convention on Climate Change (UNFCCC) entered into force in November 2016 (“the Paris Agreement”). Its Parties have agreed to hold the increase in the global average temperature well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1,5 °C above pre-industrial levels.
- (2) Tackling climate and environmental-related challenges and reaching the objectives of the Paris Agreement are at the core of the Communication on ‘The European Green Deal’, adopted by the Commission on 11 December 2019⁹. The necessity and value of the European Green Deal have only grown in light of the very severe effects of the COVID-19 pandemic on the health and economic well-being of the Union’s citizens.
- (3) The Union committed to reducing the Union’s economy-wide net greenhouse gas emissions by at least 55 % below 1990 levels by 2030 in the updated nationally determined reduction commitment submitted to the UNFCCC Secretariat on 17 December 2020¹⁰.

⁹ COM(2019)640 final.

¹⁰ https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/European%20Union%20First/EU_NDC_Submission_December%202020.pdf

- (4) In Regulation (EU) 2021/1119 of the European Parliament and of the Council¹¹, the Union has enshrined the target of economy-wide climate neutrality by 2050 in legislation. That Regulation also establishes a binding Union commitment to reduce net greenhouse gas emissions (emissions after deduction of removals) by at least 55 % below 1990 levels by 2030. All sectors of the economy are expected to contribute to achieving that target, including the land use, land use change and forestry sector. The contribution of net removals to the 2030 Union climate target is limited to 225 million tonnes of CO₂ equivalent. In the context of Regulation (EU) 2021/1119, the Commission reaffirmed in a corresponding statement its intention to propose a revision of Regulation (EU) 2018/841 of the European Parliament and of the Council¹², in line with the ambition to increase net carbon removals to levels above 300 million tonnes of CO₂ equivalent in the land use, land use change and forestry sector by 2030.
- (5) In order to contribute to the increased ambition to reduce greenhouse gas net emissions from at least 40 % to at least 55 % below 1990 levels, binding targets for the increase of net greenhouse gas removals should be set out for each Member State in the land use, land use change and forestry sector in the period from 2026 to 2030, resulting in a target of 310 millions of tonnes CO₂ equivalent of net removals for the Union as a whole in 2030. The methodology used to establish the national targets for 2030 should take into account the gap between the Union target and the average greenhouse gas emissions and removals from the years 2016, 2017 and 2018, reported by each Member State in their 2020 submission, and reflect the current mitigation performance of the land use, land use change and forestry sector, and each Member State's share of the managed land area in the Union, taking into account the capacity of that Member State to improve its performance in the sector via land management practices or changes in land use that benefit the climate and biodiversity.

¹¹ Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).'

¹² Regulation (EU) 2018/841 of the European Parliament and of the Council of 30 May 2018 on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry in the 2030 climate and energy framework, and amending Regulation (EU) No 525/2013 and Decision No 529/2013/EU (OJ L 156, 19.6.2018, p. 1).

- (6) The binding targets for the increased ambition of net greenhouse gas emissions and removals should be determined for each Member State by a linear trajectory. The trajectory should start in 2022, on the average of greenhouse gas emissions reported by that Member State during 2021, 2022 and 2023 and end in 2030 on the target set out for that Member State. In order to ensure the collective achievement of the 2030 Union target while taking into account the interannual variability of the greenhouse gas emissions and removals in the land use, land use change and forestry sector, it is appropriate to set for each Member State a commitment to achieve a sum of net greenhouse gas emissions and removals for the period from 2026 to 2030 (“the budget 2026-2030”) in addition to the national target for the year 2030.
- (7) The Communication of 17 September 2020 on Stepping up Europe’s 2030 climate ambition¹³ outlined an option to combine agriculture non-CO₂ greenhouse gas emissions with land use, land use change and forestry net removals, thus creating a newly regulated land sector. Such combination can promote synergies between land-based mitigation actions and enable more integrated policymaking and policy implementation at national and Union level. To this end, the obligation for Member States to submit integrated mitigation plans for the land sector should be reinforced.

¹³ COM(2020) 562 final.

(8) The land sector, which combines the land use, land use change and forestry sector and the non-CO₂ agricultural sector, has the potential to become rapidly climate-neutral by 2035 in a cost-effective manner, and subsequently generate more greenhouse gas removals than emissions. A collective commitment aiming to achieve climate-neutrality in the land sector in 2035 at EU level can provide the needed planning certainty to drive land-based mitigation action in the short term, considering that it can take many years for such action to deliver the desired mitigation outcomes. Moreover, the land sector is projected to become the largest sector in the EU greenhouse gas flux profile in 2050. It is therefore particularly important to anchor that sector to a trajectory that can effectively deliver net zero greenhouse gas emissions by 2050. Therefore, no later than six months after the first global stocktake agreed under Article 14 of the Paris Agreement, the Commission should submit a report to the European Parliament and to the Council including an evaluation of the need for and the feasibility of the inclusion of the agriculture non-CO₂ greenhouse gas emissions in the scope of Regulation (EU) 2018/841, as well as an evaluation of the need for and the feasibility of aiming towards the objective to achieve climate neutrality in the Union-wide greenhouse gas emissions and removals in the land sector by 2035, and, based on this evaluation, recommendations for the necessary measures by the Union and the Member States to enable the collective achievement of such a target for 2035.

- (9) The accounting rules set out in Articles 6, 7 and 8 of Regulation (EU) 2018/841 were designed to determine the extent to which mitigation performance in the land use, land use change and forestry sector could contribute to the 2030 EU target for reduction of greenhouse gas net emissions of 40 %, which did not include the land use, land use change and forestry sector. In order to simplify the regulatory framework for that sector, the current accounting rules should not apply after 2025, and the compliance with national targets of the Member States should be verified on the basis of reported greenhouse gas emissions and removals. This ensures methodological consistency with Directive 2003/87/EC of the European Parliament and of the Council¹⁴, Regulation (EU) 2018/842 of the European Parliament and of the Council¹⁵, and the determination of the new target for reduction of greenhouse gas net emissions of at least 55 %, which also includes the land use, land use change and forestry sector. However, Member States should continue to be able to make use of a limited possibility to exclude emissions resulting from natural disturbances from their LULUCF accounts during the period 2026-2030.

¹⁴ Directive 2003/87/EC of the European Parliament and of the Councils of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading with the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32) as amended by Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814 (OJ L 76, 19.3.2018, p. 3).

¹⁵ Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

- (9a) The forest age structure was taken into account in Regulation (EU) 2018/841 in the framework of the calculation of forest reference levels. To simplify the regulatory framework, it is appropriate to discontinue the use of forest reference levels for the purposes of the assessment of compliance in the period from 2026 to 2030. While certain flexibilities provided for in this Regulation will address the issue of the age structure of forests, it remains a matter of concern as under some circumstances its impacts might increase over time. Therefore, in the context of the report submitted in the framework of the review of Regulation (EU) 2018/841, the Commission should pay specific attention to the effects of forest age structure, including where those effects are linked to specific wartime or post-war circumstances. The report could focus on different ways to take those effects into consideration in Regulation (EU) 2018/841 in a simple, scientifically robust, reliable and transparent way.
- (10) In order to enhance greenhouse gas removals, individual farmers or forest managers need a direct incentive to store more carbon on their land and their forests. New business models based on carbon farming incentives and on the certification of carbon removals need to be increasingly deployed in the period until 2030. Such incentives and business models will enhance climate mitigation in the bio-economy, including through the use of durable harvested wood products, in full respect of ecological principles fostering biodiversity and the circular economy. Hence, new categories of carbon storage products should be introduced in addition to the harvested wood products. The emerging business models, farming and land management practices to enhance removals contribute to a balanced territorial development and economic growth in rural areas. They also create opportunities for new jobs and provide incentives for relevant training, reskilling and upskilling.

- (10a) In order to reach the target of climate neutrality by 2050 and to aim to achieve negative emissions thereafter, it is of utmost importance to consistently ensure that greenhouse gas removals within the Union increase continuously while maintaining permanence. It is likely that technical solutions such as Bio-Energy Carbon, Capture and Storage (BECCS) will be necessary to increase carbon removals and secure Union-wide negative emissions over a longer period. However, any future policy choice to include carbon removals through technical solutions such as BECCS in the reporting and accounting framework under this Regulation would require, as a necessary precondition, a sound and reliable definition of carbon removals providing guarantees in terms of environmental integrity. Therefore, following the establishment of such a regulatory framework by means of a legislative act on the certification of carbon removals, it will be appropriate to examine such an inclusion in order to complement the framework for carbon storage products and to provide the necessary long-term incentives for capturing and storing biogenic CO₂ emissions from biomass-based energy and industrial plants.
- (11) Considering the specificities of the land use, land use change and forestry sector in each Member State, as well as the fact that Member States need to increase their performance to achieve their national binding targets, a range of flexibilities should remain at the disposal of the Member States, including trading surpluses and the extension of forest-specific flexibilities, while respecting the environmental integrity of the targets.

(12) Alternative provisions for natural disturbances (abiotics and biotics) such as fire, pest, storms, extreme flood events and prolonged periods of drought, in order to address uncertainties due to natural processes or as a result of climate change in the land use, land use change and forestry sector, should be available to Member States in 2032, provided that they have not applied Article 10(1a) of this Regulation, have exhausted all other flexibilities at their disposal, put in place appropriate measures to reduce the vulnerability of their land to such disturbances and that the achievement by the Union of the 2030 target for the land use, land use change and forestry sector is completed.

(12a) An additional flexibility mechanism should be created to take into account the diffuse and long-term effects of climate change, as opposed to natural disturbances which are, in essence, more temporary and geographically localised. This flexibility should also make it possible to take into account the legacy effects of past management measures linked to a proportion of organic soils on managed land that is exceptionally high compared to the Union average in a few Member States. This flexibility should come from the unused amounts of Annex VII over the period 2021-2030. Access to this flexibility should be based on the submission of evidence to the Commission by the Member States concerned based on the best available scientific knowledge and on objective, measurable and comparable indicators such as the aridity index, within the meaning of the United Nations Convention to Combat Desertification, defined as the ratio between mean annual precipitation and mean annual evapotranspiration. The allocation of flexibility among Member States should be made, in the light of the evidence submitted, on the basis of the ratio between the amount of 50 MtCO_{2e} available for flexibility and the total amount requested by those Member States.

(13) *deleted*

(13a) For Member States that improve their methodology of calculating the emissions and removals, a concept of technical correction should be introduced. A technical correction should be added to the greenhouse gas emission inventory data of that Member State in order to neutralize the effect of the changes in methodology on the assessment of the collective achievement of the 2030 Union target, in order to respect environmental integrity.

- (13b) Greenhouse gas inventories will improve with increased use of monitoring technology and better knowledge. For instance, the following issues could trigger a technical correction: upgraded models, changes in reporting methodologies, new data or corrections of errors; inclusion of new carbon pools or gases; recalculation of historical data such as updates or periodic completions of forest inventories; replacement of assumptions by actual data, for instance when considering climate variability; inclusion of new elements such as carbon storage products and natural disturbances (for instance respective background levels and margin).
- (14) In order to ensure uniform conditions for the implementation of the provisions of Regulation (EU) 2018/841 concerning the setting out of the annual greenhouse gas emissions and removals established on the basis of a linear trajectory for each year in the period from 2026 to 2030 for Member States, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council¹⁶.
- (15) In view of setting out the net greenhouse gas removals targets for the Member States for the period from 2026 to 2030, the Commission should exercise a comprehensive review to verify the greenhouse gas inventory data for the years 2021, 2022 and 2023. For this purpose, a comprehensive review should be carried out in 2025, in addition to the comprehensive reviews that the Commission is to carry out in 2027 and 2032 in accordance with Article 38 of Regulation (EU) 2018/1999.
- (15a) The values for each Member State for tree crown cover in Annex II to Regulation (EU) 2018/841 should be aligned with the values reported to UNFCCC or foreseeable updates to those values.

¹⁶ Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

- (16) Due to the change to reporting-based targets, the greenhouse gas emissions and removals need to be estimated with a higher level of accuracy. Moreover, the Communication from the Commission on EU Biodiversity Strategy for 2030¹⁷, the Farm to Fork Strategy for a fair, healthy and environmentally-friendly food system¹⁸, the EU Forest Strategy¹⁹, the revised Directive (EU) 2018/2001 of the European Parliament and of the Council²⁰ and the Communication from the Commission on Forging a climate-resilient Europe - the new EU Strategy on Adaptation to Climate Change²¹ will all require enhanced monitoring of land, thereby helping to protect and enhance the resilience of nature-based carbon removals throughout the Union. The monitoring and reporting of emissions and removals needs to be upgraded, where applicable using advanced technologies available under Union programmes, such as Copernicus, and digital data collected under the Common Agricultural Policy, applying the twin transition of green and digital innovation.
- (17) The expected anthropogenic changes to marine and freshwaters environment use though, for instance, planned expansion of offshore energy, potential increase in aquaculture production and the increasing levels of nature protection to meet the EU Biodiversity Strategy targets will influence greenhouse gas emissions and their sequestration. Currently these emissions and removals are not included in the standard reporting tables to the UNFCCC. Subsequently to the adoption of the reporting methodology, the Commission will consider reporting on the progress, feasibility of analysis and impact of extending the reporting to marine and freshwater environment based on the latest scientific evidence of these fluxes when carrying out the review in accordance with Article 17(2) of this Regulation.

¹⁷ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions EU Biodiversity Strategy for 2030 - Bringing nature back into our lives (COM(2020) 380 final).

¹⁸ COM/2020/381 final.

¹⁹ *deleted*

²⁰ Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).

²¹ COM/2021/82 final.

(17a) Since the objectives of this Regulation, in particular to adjust, in light of the European Climate Law, the commitments of Member States for the LULUCF sector that contribute to achieving the objectives of the Paris Agreement and meeting the greenhouse gas emission reduction target of the Union for the period from 2021 to 2030, cannot be sufficiently achieved by the Member States but can rather, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives,

(18) Regulations (EU) 2018/841 and (EU) 2018/1999 should therefore be amended accordingly,

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EU) 2018/841 is amended as follows:

(1) Article 1 is replaced by the following:

‘Article 1

Subject matter

This Regulation sets out rules concerning:

- (a) commitments of Member States for the land use, land use change and forestry sector that contribute to achieving the objectives of the Paris Agreement and meeting the greenhouse gas emission reduction target of the Union for the period from 2021 to 2025;
- (b) accounting of greenhouse gas emissions and removals from the land use, land use change and forestry sector and for checking the compliance of Member States with the commitments referred to in point (a) for the period from 2021 to 2025;

- (c) a 2030 Union target for net greenhouse gas removals in the land use, land use change and forestry sector;
- (d) targets for net greenhouse gas removals in the land use, land use change and forestry sector for Member States for the period from 2026 to 2030.’

(2) Article 2 is replaced by the following:

‘Article 2

Scope

1. This Regulation applies to emissions and removals of the greenhouse gases listed in Section A of Annex I, reported pursuant to Article 26(4) of Regulation (EU) 2018/1999 of the European Parliament and of the Council²² and occurring on the territories of Member States in the period from 2021 to 2025 in any of the following land accounting categories:
 - (a) land use reported as cropland, grassland, wetlands, settlements or other land, converted to forest land (‘afforested land’);
 - (b) land use reported as forest land converted to cropland, grassland, wetlands, settlements or other land (‘deforested land’);
 - (c) land use reported as either of the following (‘managed cropland’):
 - (i) cropland remaining cropland;
 - (ii) grassland, wetland, settlement or other land, converted to cropland;
 - (iii) cropland converted to wetland, settlement or other land;

²² Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p.1).

- (d) land use reported as either of the following ('managed grassland'):
 - (i) grassland remaining grassland;
 - (ii) cropland, wetland, settlement or other land, converted to grassland;
 - (iii) grassland converted to wetland, settlement or other land;
- (e) land use reported as forest land remaining forest land ('managed forest land');
- (f) where a Member State has notified to the Commission its intention to include such land use in the scope of its commitments pursuant to Article 4(1) by 31 December 2020, land use reported as either of the following ('managed wetland'):
 - wetland remaining wetland;
 - settlement or other land, converted to wetland;
 - wetland converted to settlement or other land.

2. This Regulation also applies to emissions and removals of the greenhouse gases listed in Section A of Annex I, reported pursuant to Article 26(4) of Regulation (EU) 2018/1999 and occurring on the territories of Member States in the period from 2026 to 2030, in any of the following land reporting categories and/or sectors:

- (a) forest land;
- (b) cropland;
- (c) grassland;
- (d) wetlands;
- (e) settlements;
- (f) other land;
- (g) harvested wood products;

- (h) other;
- (i) atmospheric deposition;
- (j) nitrogen leaching and run-off. ’

(2a) Article 3 is amended as follows:

- (a) point (9) is replaced by the following:

‘(9) ‘natural disturbances’ mean any non-anthropogenic events or circumstances that cause significant emissions in the land use, land use change and forestry sector and the occurrence of which is beyond the control of the relevant Member State, and the effects of which the Member State is objectively unable to significantly limit, even after their occurrence, on emissions;’.

- (b) the following point is inserted:

‘(11) ‘Climate change’ means a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods.’

(3) Article 4 is replaced by the following:

‘Article 4

Commitments and targets

1. For the period from 2021 to 2025, taking into account the flexibilities provided for in Articles 12, 13 and 13a, and the application of Article 10(1), each Member State shall ensure that greenhouse gas emissions do not exceed greenhouse gas removals, calculated as the sum of total emissions and total removals on its territory in all of the land accounting categories referred to in Article 2(1).

2. The 2030 Union target for net greenhouse gas removals is 310 million tonnes CO₂ equivalent as a sum of the values of the greenhouse gas net emissions and removals by Member States in 2030 set out in Column D of Annex IIa, and shall be based on the average of its greenhouse gas inventory data for the years 2016, 2017 and 2018 as submitted in 2020.

Each Member State shall ensure that, taking into account the flexibilities provided for in Articles 12 and 13b, and the application of Article 10 (1a), the annual sum of its greenhouse gas emissions and removals on its territory and in all of the land reporting categories referred to in Article 2(2), points (a) to (j), as compared to the average of its greenhouse gas inventory data for the years 2016, 2017 and 2018 as submitted in 2032, does not exceed, for the year 2030, the target set out for that Member State in Column C of Annex IIa.

In addition, each Member State shall ensure that, taking into account the flexibilities provided for in Articles 12 and 13b, and the application of Article 10 (1a), the sum of the differences for each year in the period from 2026 to 2030 between, on one side, its greenhouse gas emissions and removals on its territory and in all of the land reporting categories referred to in Article 2(2), points (a) to (j), and on the other side, the average value for its greenhouse gas inventory data for the years 2021, 2022 and 2023, as submitted in 2032, does not exceed a budget 2026-2030 defined as the sum of the differences for each year in the period from 2026 to 2030 for that Member State between, on one side, annual greenhouse gas emission and removal limit values for those years, established on the basis of a linear trajectory towards 2030, and on the other side, the average value for its greenhouse gas inventory data for the years 2021, 2022 and 2023, as submitted in 2025. The linear trajectory of a Member State shall start in 2022 at the average value for greenhouse gas inventory data for the years 2021, 2022 and 2023, and have as its end point for 2030 the value obtained by adding the value set out for that Member State in Column C of Annex IIa to the average value for greenhouse gas inventory data for the years 2016, 2017 and 2018. The budget 2026-2030 shall be defined on the basis of the greenhouse gas inventory data submitted in 2025 and the compliance to this budget shall be assessed on the basis of the greenhouse gas inventory data submitted in 2032.

3. The Commission shall adopt implementing acts setting out the annual values based on the linear trajectory for net greenhouse gas removals for each Member State, for each year in the period from 2026 to 2029 in terms of tonnes CO₂ equivalent. These national trajectories shall be based on the average greenhouse gas inventory data for the years 2021, 2022 and 2023, reported by each Member State.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 16a. For the purpose of those implementing acts, the Commission shall carry out a comprehensive review of the most recent national inventory data for the years 2021, 2022 and 2023 submitted by Member States pursuant to Article 26(4) of Regulation (EU) 2018/1999.’

- (4) in Article 6, paragraphs 1 and 2 are replaced by the following:

- ‘1. Member States shall account for emissions and removals resulting from afforested land and deforested land calculated as the total emissions and total removals for each of the years in the period from 2021 to 2025.
2. By way of derogation from Article 5(3), and no later than 2025, where land use has been converted from cropland, grassland, wetland, settlements or other land to forest land, a Member State may, 30 years after the date of that conversion, change the categorisation of such land from land converted to forest land to forest land remaining forest land, where such change is duly justified based on the IPCC Guidelines.’;

(5) in Article 7, paragraphs 1, 2 and 3 are replaced by the following:

- ‘1. Each Member State shall account for emissions and removals resulting from managed cropland calculated as emissions and removals in the period from 2021 to 2025 minus the value obtained by multiplying by five the Member State’s average annual emissions and removals resulting from managed cropland in its base period from 2005 to 2009.
2. Each Member State shall account for emissions and removals resulting from managed grassland calculated as emissions and removals in the period from 2021 to 2025 minus the value obtained by multiplying by five the Member State’s average annual emissions and removals resulting from managed grassland in its base period from 2005 to 2009.
3. During the period from 2021 to 2025, each Member State that includes managed wetland in the scope of its commitments shall account for emissions and removals resulting from managed wetland, calculated as emissions and removals in that period minus the value obtained by multiplying by five the Member State’s average annual emissions and removals resulting from managed wetland in its base period from 2005 to 2009.’;

(6) Article 8 is amended as follows::

(a) paragraph 1 is replaced by the following:

- ‘1. Each Member State shall account for emissions and removals resulting from managed forest land, calculated as emissions and removals in the period from 2021 to 2025 minus the value obtained by multiplying by five the forest reference level of the Member State concerned.’;

(b) in paragraph 3, the first sentence is replaced by the following:

‘Member States shall submit to the Commission their national forestry accounting plans, including a proposed forest reference level, by 31 December 2018 for the period from 2021 to 2025.’;

(c) paragraphs 7, 8, 9 and 10 are replaced by the following:

- ‘7. Where necessary based on the technical assessments and on, where applicable, the technical recommendations, Member States shall communicate their revised proposed forest reference levels to the Commission by 31 December 2019 for the period from 2021 to 2025. The Commission shall publish the proposed forest reference levels communicated to it by Member States.
8. Based on the proposed forest reference levels submitted by Member States, on the technical assessment carried out pursuant to paragraph 6 of this Article and, where applicable, on the revised proposed forest reference level submitted under paragraph 7 of this Article, the Commission shall adopt delegated acts in accordance with Article 16 amending Annex IV with a view to laying down the forest reference levels to be applied by the Member States for the period from 2021 to 2025.
9. If a Member State does not submit its forest reference level to the Commission by the dates specified in paragraph 3 of this Article and, where applicable, paragraph 7 of this Article, the Commission shall adopt delegated acts in accordance with Article 16 amending Annex IV with a view to laying down the forest reference level to be applied by that Member State for the period from 2021 to 2025, based on any technical assessment carried out pursuant to paragraph 6 of this Article.
10. The delegated acts referred to in paragraphs 8 and 9 shall be adopted by 31 October 2020 for the period from 2021 to 2025.’;

(7) Article 9 is amended as follows:

(a) the title is replaced by the following:

‘Carbon storage products’;

(b) paragraph 2 is replaced by the following:

‘2. The Commission shall adopt delegated acts in accordance with Article 16 in order to amend paragraph 1 of this Article and Annex V by adding new categories of carbon storage products, including harvested wood products, that have a carbon sequestration effect, based on IPCC Guidelines as adopted by the Conference of the Parties to the UNFCCC or the Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement, and ensuring environmental integrity.’;

(8) Article 10 is amended as follows:

(a) paragraph 1 is replaced by the following:

‘At the end of the period from 2021 to 2025, Member States may exclude from their accounts for afforested land and managed forest land greenhouse gas emissions, resulting from natural disturbances, that in any given year from 2021 to 2025 exceed the average emissions caused by natural disturbances in the period from 2001 to 2020, excluding statistical outliers (‘background level’). That background level shall be calculated in accordance with this Article and Annex VI.’;

(aa) The following paragraph 1a is added:

‘1a. At the end of the period from 2026 to 2030, Member States may exclude from their accounts greenhouse gas emissions, resulting from natural disturbances in the land reporting categories referred to in Article 2(2), points (a) to (j), that in any given year from 2026 to 2030 exceed the average emissions caused by natural disturbances in the period from 2001 to 2020, excluding statistical outliers (‘background level’). That background level shall be calculated in accordance with this Article and Annex VI.’

(b) paragraph 2, point (b), is replaced by the following:

‘In the period from 2021 to 2025, exclude from accounting until 2030 all subsequent removals on the land affected by natural disturbances.’

(c) the following paragraph 2a is added:

‘2a. Where a Member State applies paragraph 1a, it shall:

- (a) submit to the Commission information on the background level for all of the land reporting categories and on the data and methodologies used in accordance with Annex VI; and
- (b) in the period from 2026 to 2030, exclude from accounting until 2030 all subsequent removals on the land affected by natural disturbances.’

(9) Article 11 is amended as follows:

(a) the title is replaced by the following:

‘Flexibilities and governance’;

(b) paragraph 1 is replaced by the following:

(c) ‘1. A Member State may use:

(a) the general flexibilities set out in Article 12; and

(b) in order to comply with the commitment in Article 4, the flexibilities set out in Articles 13 and 13b.

Finland may, besides the flexibilities referred to in the first subparagraph, points (a) and (b), use additional compensations pursuant to Article 13a.

The amounts of compensation used under the flexibility mechanisms mentioned in this paragraph for the purpose of compliance with the 2030 target set out in the second subparagraph of Article 4(2) shall be taken into account, in equivalent quantity, for the reduction of any deficit with regard to the 2026-2030 budget set out in the third subparagraph of Article 4(2), up to the point that this deficit is reduced to zero. These amounts shall not be taken into account as additional surpluses with regard to the 2026-2030 budget set out in the third subparagraph of Article 4(2) if this budget is already reached.’

(10) Article 12 is amended as follows:

(-a) paragraphs 1 and 2 are replaced by the following:

1. Where, in the period from 2021 to 2025, total emissions exceed total removals in a Member State, or, in the period from 2026 to 2030, the difference between the sum of the greenhouse gas emissions and removals on the territory of a Member State and the targets set out for that Member State in the third subparagraph of Article 4(2) of this Regulation is positive, and that Member State has chosen to use its flexibility, and has requested to delete annual emission allocations under Regulation (EU) 2018/842, the quantity of deleted emission allocations shall be taken into account with respect to the Member State's compliance with its commitment pursuant to Article 4 of this Regulation.
2. To the extent that, in the period from 2021 to 2025, total removals exceed total emissions in a Member State, or, in the period from 2026 to 2030, the difference between the sum of the greenhouse gas emissions and removals on the territory of a Member State and the targets set out for that Member State in the third subparagraph of Article 4(2) of this Regulation is negative, and after subtraction of any quantity taken into account under Article 7 of Regulation (EU) 2018/842, that Member State may transfer the remaining quantity of removals to another Member State. The quantity transferred shall be taken into account when assessing the recipient Member State's compliance with its commitment pursuant to Article 4 of this Regulation.

(a) paragraph 3 is deleted.

(b) the following paragraphs 5 and 6 are added:

- '5. Member States may use revenues generated by transfers pursuant to paragraph 2 to tackle climate change in the Union or in third countries and shall inform the Commission of any such actions taken.

6. Any transfer pursuant to paragraph 2 may be the result of a greenhouse gas mitigation project or programme carried out in the selling Member State and remunerated by the receiving Member State, provided that double counting is avoided and traceability is ensured.’;

(11) Article 13 is replaced by the following:

Article 13

Managed forest land flexibility

- ‘1. Where, in the period from 2021 to 2025, total emissions exceed total removals in the land accounting categories referred to in Article 2(1), [accounted for in accordance with this Regulation,] in a Member State, that Member State may use the managed forest land flexibility set out in this Article in order to comply with Article 4(1).
2. Where, in the period from 2021 to 2025, the result of the calculation referred to in Article 8(1) is a positive figure, the Member State concerned shall be entitled to compensate emissions resulted from the calculation provided that the following conditions are fulfilled:
 - (a) the Member State has included in its strategy submitted in accordance with Article 15 of Regulation (EU) 2018/1999 ongoing or planned specific measures to ensure the conservation or enhancement, as appropriate, of forest sinks and reservoirs; and
 - (b) total emissions within the Union do not exceed total removals in the land accounting categories referred to in Article 2(1) of this Regulation for the period from 2021 to 2025.

When assessing whether, within the Union, total emissions exceed total removals as referred to in the first subparagraph, point (b), the Commission shall ensure that double counting is avoided by Member States, in particular in the exercise of the flexibilities set out in Article 12 of this Regulation and Articles 7(1) or 9(2) of Regulation (EU) 2018/842.

3. The compensation referred to in paragraph 2 may only cover sinks accounted for as emissions against the forest reference level of that Member State and may, for the period from 2021 to 2025, not exceed 50 % of the maximum amount of compensation for the Member State concerned set out in Annex VII.
 4. Member States shall submit evidence to the Commission concerning the impact of natural disturbances calculated pursuant to Annex VI in order to be eligible for compensation of remaining sinks accounted for as emissions against its forest reference level, up to the full amount of compensation for the period from 2021 to 2025 unused by other Member States set out in Annex VII. In case the demand for compensation exceeds the amount of unused compensation available, the compensation shall be distributed on a pro rata basis among the Member States concerned.’;
- (12) the following Article 13a is inserted:

‘Article 13a

Additional compensations

1. Finland may compensate up to an additional 5 million tonnes of CO₂ equivalent accounted emissions under the land accounting categories managed forest land, deforested land, managed cropland and managed grassland, in the period from 2021 to 2025, provided that the following conditions are fulfilled:
 - (a) Finland included in its strategy submitted in accordance with Article 15 of Regulation (EU) 2018/1999 ongoing or planned specific measures to ensure the conservation or enhancement, as appropriate, of forest sinks and reservoirs;
 - (b) total emissions within the Union do not exceed total removals in the land accounting categories referred to in Article 2(1) of this Regulation in the period from 2021 to 2025.

When assessing whether, within the Union, total emissions exceed total removals as referred to in the first subparagraph, point (b), the Commission shall ensure that double counting is avoided by Member States, in particular in the exercise of the flexibilities set out in Article 12 and 13 of this Regulation and Articles 7(1) or 9(2) of Regulation (EU) 2018/842.

2. The additional compensations are limited to:
 - (a) the amount exceeding the managed forest land flexibility available to Finland in the period from 2021 to 2025 pursuant to Article 13;
 - (b) the emissions created by historical change from forest land to any other land use category that occurred no later than 31 December 2017;
 - (c) compliance with Article 4.
 3. The additional compensations may not be subject to transfer pursuant to Article 12 of this Regulation or Article 7 of Regulation (EU) 2018/842.
 4. Any unused additional compensations out of the amount of 5 million tonnes CO₂ equivalent referred to in paragraph 1 shall be cancelled.
 5. The Central Administrator shall carry out paragraph 2, point (a), and paragraphs 3 and 4 of this Article in the Union Registry established pursuant to Article 40 of Regulation (EU) 2018/1999.’;
- (13) the following Article 13b is inserted:

‘Article 13b

Land use flexibility mechanism for the period 2026 to 2030

1. A land use flexibility mechanism corresponding to a quantity of up to 178 million tonnes of CO₂ equivalent shall be established in the Union Registry established pursuant to Article 40 of Regulation (EU) No 2018/1999, subject to the fulfilment of the Union target referred to in Article 4(2). The flexibility mechanism shall be available in addition to the flexibilities provided for in Article 12.

2. Where, in the period from 2026 to 2030, the difference between the sum of the greenhouse gas emissions and removals on the territory of a Member State and in all of the land reporting categories referred to in Article 2(2), points (a) to (j), and the corresponding targets set out for that Member State either in the second subparagraph of Article 4(2) or the third subparagraph of Article 4(2), is positive, accounted and reported in accordance with this Regulation, that Member State may use the flexibility set out in this Article in order to comply with its target set out pursuant to Article 4(2).
3. Where, in the period from 2026 to 2030, the result of the calculation referred to in paragraph 2 is positive, the Member State concerned shall be entitled to compensate net emissions and/or net removals accounted for as emissions against the targets set out for that Member State either in the second subparagraph of Article 4(2) or the third subparagraph of Article 4(2), provided that the following conditions are fulfilled:
 - (a) the Member State has included in its updated integrated national energy and climate plan submitted pursuant to Article 14 of Regulation (EU) 2018/1999 ongoing or planned specific measures to ensure the conservation or enhancement, as appropriate, of all land sinks and reservoirs, and to reduce the vulnerability of the land to natural disturbances;
 - (b) the Member State has exhausted the flexibility available pursuant to Article 12(1) of this Regulation;
 - (c) the difference in the Union between the annual sum of all greenhouse gas emissions and removals on its territory and in all of the land reporting categories referred to in Article 2(2), points (a) to (j), and the Union target of 310 million tonnes CO₂ equivalent of net removals is negative, in 2030.

When assessing whether, within the Union, the condition as referred to in the first subparagraph, point (c), is fulfilled, the Commission shall include 40% of the surplus to the commitments of Member States under Article 4 (1) from the period from 2021 to 2025, provided that one or more Member States submit evidence to the Commission concerning the impact of natural disturbances in accordance with paragraph 5 of this Article. The Commission shall in that assessment also ensure that double counting is avoided by Member States, in particular in the exercise of the flexibilities set out in Article 12 of this Regulation and Article 7(1) of Regulation (EU) 2018/842.

4. The amount of the compensation referred to in paragraph 3 of this Article may, for the period from 2026 to 2030, not exceed 50% of the maximum amount of compensation for the Member State concerned set out in Annex VII.
5. Member States which have not applied Article 10(1a) of this Regulation shall submit evidence to the Commission concerning the impact of natural disturbances calculated pursuant to Annex VI, in order to be eligible for compensation of net emissions and/or net removals accounted for as emissions against the targets set out for those Member States either in the second subparagraph of Article 4(2), or in the third subparagraph of Article 4(2), up to the full amount of compensation for the period from 2026 to 2030 unused by other Member States set out in Annex VII. In case the demand for compensation exceeds the amount of unused compensation available, the compensation shall be distributed on a pro rata basis among the Member States concerned.
6. Member States shall be entitled to compensate net emissions and/or net removals accounted for as emissions against the targets set out for those Member States either in the second subparagraph of Article 4(2) or the third subparagraph of Article 4(2), up to the full amount of compensation for the period from 2021 to 2030 unused by other Member States set out in Annex VII, after taking into account paragraph 4 of Article 13 and paragraph 5 of this Article, provided that those Member States:

- (a) have exhausted the flexibilities available pursuant to Article 12(1) of this Regulation, and paragraphs 3 and 5 of this Article; and:
- (b) have submitted evidence to the Commission concerning:
 - (i) either the impact of climate change resulting in excess emissions or diminishing sinks that are beyond their control; or
 - (ii) the effects of an exceptionally high proportion of organic soils in their managed land area, compared to the Union average, resulting in excess emissions, provided that these effects are attributable to land management practices that occurred before the entry into force of Decision No 529/2013/EU.

The amount of compensation referred to in the first subparagraph may not exceed 50 million tonnes of CO₂ equivalent for the Union as a whole. In case the demand for compensation exceeds the maximum amount of compensation available, the compensation shall be distributed on a pro rata basis among the Member States concerned.

The evidence referred to in the first subparagraph, point (b)(i), shall include a quantitative assessment of the effects on net emissions or net removals, in terms of million tonnes of CO₂ equivalent for the affected area, and shall be based on comparable and reliable quantitative indices, on geographically explicit data and on the best scientific evidence available. They shall be based on observed evolutions covering at least the period 2001-2025, and on scientifically reviewed projections and observations for the period 2026-2030. They shall reflect background medium or long-term evolutions of climate characteristics relevant for the LULUCF sector, such as aridity, mean temperatures, mean precipitations, frost days, the duration of meteorological or soil moisture droughts. Those evolutions shall exclude events of a temporary nature that can be accounted for as natural disturbances pursuant to Article 10.

The evidence referred to in the first subparagraph, point (b) (ii), shall include justification that the proportion of organic soils on managed land area for the Member State concerned exceeds the Union average proportion for the year 2030. The evidence shall include a quantitative analysis, in million tonnes of CO₂ equivalent, of the reported emissions due to the legacy effects on managed organic soils based on reviewed observations for the period 2026-2030, comparable and reliable geographically explicit data and on the best scientific evidence available, in particular about similar sites in the Member State concerned. Those reported emissions to be compensated shall exclude events of a temporary nature that can be accounted for as natural disturbances pursuant to Article 10. The evidence shall also be accompanied by a description of policy measures currently implemented that minimise the negative effects of legacy effects on managed organic soils.’

(14) *deleted*

(15) Article 14 is amended as follows:

(a), paragraph 1 is replaced by the following:

‘1. By 15 March 2027 for the period from 2021 to 2025, and by 15 March 2032 for the period from 2026 to 2030, Member States shall submit to the Commission a compliance report containing the balance of total emissions and total removals for the relevant period on each of the land accounting categories specified in Article 2(1), points (a) to (f), for the period from 2021 to 2025 and in Article 2(2), points (a) to (j) for the period from 2026 to 2030, using the accounting rules laid down in this Regulation.

The compliance report shall include an assessment of:

- a) the policies and measures regarding trade-offs;
- b) the synergies between climate mitigation and adaptation;
- c) synergies between climate mitigation and biodiversity.

Such report shall also contain, where applicable, details on the intention to use the flexibilities referred to in Article 11 and related amounts or on the use of such flexibilities and related amounts.

(b) the following paragraphs 1a and 1b are added:

'1a. The greenhouse gas emission inventory data submitted by each Member State may be subject to a technical correction due to a change of methodology by Member States. However, such technical corrections shall not, for the purpose of the assessment of the compliance with the 2030 Union target, affect the value of the 310 million tonnes CO₂ equivalent net removals as a sum of the values of the greenhouse gas net removals (in kt of CO₂ equivalent) in 2030 for Member States set out in Column D of Annex IIa nor the values in column C of that Annex.

1b. Member States that indicate their intention to use the flexibility referred to in Article 13b(6) shall describe, in dedicated sections of the report, the measures taken to mitigate or reverse the effects mentioned in point (b) of Article 13b(6), as well as the observed and expected effects of these measures.'

(16) in Article 15, paragraph 1 is replaced by the following:

'1. The Commission shall adopt delegated acts in accordance with Article 16 of this Regulation to supplement this Regulation in order to lay down the rules for the recording and an accurate carrying out of the following operations in the Union Registry established pursuant to Article 40 of Regulation (EU) 2018/1999:

(a) the quantity of emissions and removals for each land accounting and reporting category in each Member State;

(b) the exercise of the technical correction pursuant to Article 14 (1a) of this Regulation;

(c) the exercise of the flexibilities pursuant to Articles 12, 13, 13a and 13b and

(d) compliance with the targets pursuant to Article 13c.';

(17) the following Article 16a is inserted:

‘Article 16a

Committee procedure

1. The Commission shall be assisted by the Climate Change Committee established by Article 44(3) of Regulation (EU) 2018/1999. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011 of the European Parliament and of the Council²³.
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.’;

(18) in Article 17, paragraph 2 is replaced by the following:

- ‘2. The Commission shall submit a report to the European Parliament and to the Council, no later than six months after the first global stocktake agreed under Article 14 of the Paris Agreement, on the operation of this Regulation, including, where relevant, an assessment of the impacts of the flexibilities referred to in Article 11, as well as on the contribution of this Regulation to the Union’s overall 2030 greenhouse gas emission reduction target and its contribution to the goals of the Paris Agreement, in particular with regard to the need for additional Union policies and measures, in view of the necessary increase in greenhouse gas emissions reductions and removals in the Union.

²³ Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission’s exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

The report referred to in the first subparagraph shall include an assessment of the need for and feasibility of applying this Regulation to emissions and removals of the greenhouse gases listed in Section A of Annex I, reported pursuant to Article 26(4) of Regulation (EU) 2018/1999 and occurring on the territories of Member States from 2031 onwards, in any of the land categories listed in Article 2 (2), points (a) to (j) and in any of the following sectors:

- (a) enteric fermentation;
- (b) manure management;
- (c) rice cultivation;
- (d) agricultural soils;
- (e) prescribed burning of savannas;
- (f) field burning of agricultural residues;
- (g) liming;
- (h) urea application;
- (i) ‘other carbon-containing fertilizers’;
- (j) ‘other’.

The report shall include a focus in particular on an evaluation of the need for and the feasibility of aiming towards the objective to achieve climate neutrality in the Union-wide greenhouse gas emissions and removals in the land categories listed in Article 2 (2), points (a) to (j) and in the sectors listed in the second subparagraph by 2035. The evaluation of such feasibility shall take into account the effects of the forest age structure where they result in diminishing sinks or excess emissions within the territory of individual Member States, including the effects linked to the occupation of the territory of a Member State, or the wartime or post-war circumstances that had an impact on forest management within its territory. Based on this evaluation, the report shall also include recommendations for the necessary measures by the Union and the Member States to enable the collective achievement of such a target for 2035.

Following the report, the Commission shall make legislative proposals where it deems it appropriate.;

(19) Annex I is amended in accordance with Annex I to this Regulation;

(19a) In Annex II, the entries for Spain, Slovenia and Finland are replaced by the following:

Member State	Area (ha)	Tree crown cover (%)	Tree height (m)
Spain	1,0	20 From the greenhouse gas inventory submission in 2028 onwards: 10	3
Slovenia	0,25	10	5
Finland	0,25	10	5

(20) the text set out in Annex II to this Regulation is inserted as Annex IIa.

Article 2

Regulation (EU) 2018/1999 is amended as follows:

(1) in Article 2, the following points (63) and (64) are added:

‘(63) ‘geographic information system’ means a computer system capable of capturing, storing, analysing, and displaying geographically referenced information;

‘(64) ‘geo-spatial application’ means an electronic application form that includes an IT application based on a geographic information system that allows beneficiaries to spatially declare the agricultural parcels of the holding and non-agricultural areas claimed for payment.’;

(2) in point (a)(1) of Article 4, point (ii) is replaced by the following:

‘the Member State’s commitments and national targets for net greenhouse gas removals pursuant to Article 4(1) and (2) of Regulation (EU) 2018/841’;

(3) Article 38 is amended as follows:

(a) the following paragraph 1a is inserted:

‘In 2025, the Commission shall carry out a comprehensive review of the national inventory data submitted by Member States pursuant to Article 26(4) of this Regulation, in order to determine the annual targets of net greenhouse gas emissions reduction of the Member States pursuant to Article 4(3) of Regulation (EU) 2018/841 and in order to determine the annual emission allocations of the Member States pursuant to Article 4(3) of Regulation (EU) 2018/842’;

(b) in paragraph 2, the introductory sentence is replaced by the following:

‘The comprehensive review referred to in paragraphs 1 and 1a shall include:’

(c) paragraph 4 is replaced by the following:

‘Upon completion of the comprehensive review carried out pursuant to paragraph 1, the Commission shall, by means of implementing acts, determine the total sum of emissions for the relevant years arising from the corrected inventory data for each Member State split between emission data relevant for Article 9 of Regulation (EU) 2018/842 and emission data referred to in Part 1, point (c), of Annex V to this Regulation, and determine the total sum of emissions and removals relevant for Article 4 of Regulation (EU) 2018/841.’;

(4) Annex V is amended in accordance with Annex III to this Regulation.

Article 3

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament

For the Council

The President The President

ANNEX I

In Annex I to Regulation (EU) 2018/841, section B is replaced by the following:

- ‘B. Carbon pools as referred to in Article 5(4):
- (a) living biomass;
 - (b) litter¹;
 - (c) deadwood¹;
 - (d) dead organic matter²;
 - (e) mineral soils;
 - (f) organic soils;
 - (g) harvested wood products in the land accounting categories of afforested land and managed forest land.’

¹ Applies to Afforested Land and Managed Forest Land only.

² Applies to Deforested Land, Managed Cropland, Managed Grassland and Managed Wetlands only.

ANNEX II

The following Annex Iia to Regulation (EU) 2018/841 is inserted:

‘Annex Iia

The Union target (column D), the average greenhouse gas inventory data for the years 2016, 2017 and 2018 (column B) and the national targets of the Member States (column C) pursuant to Article 4(2) to be achieved in 2030

A	B	C	D
Member State	The average greenhouse gas inventory data for the years 2016, 2017 and 2018 (kt of CO2 equivalent), 2020 submission	Member State targets, 2030 (kt of CO2 equivalent)	Value of the greenhouse gas net removals in (kt of CO2 equivalent) in 2030, 2020 submission (Columns B+C)
Belgium	-1 032	-320	-1 352
Bulgaria	-8 554	-1 163	-9 718
Czechia	-401	-827	-1 228
Denmark	5 779	-441	5 338
Germany	-27 089	-3 751	-30 840
Estonia	-2 112	-434	-2 545
Ireland	4 354	-626	3 728
Greece	-3 219	-1 154	-4 373
Spain	-38 326	-5 309	-43 635
France	-27 353	-6 693	-34 046
Croatia	-4 933	-593	-5 527
Italy	-32 599	-3 158	-35 758
Cyprus	-289	-63	-352
Latvia	-6	-639	-644
Lithuania	-3 972	-661	-4 633
Luxembourg	-376	-27	-403
Hungary	-4 791	-934	-5 724
Malta	4	-2	2
Netherlands	4 958	-435	4 523
Austria	-4 771	-879	-5 650
Poland	-34 820	-3 278	-38 098
Portugal	-390	-968	-1 358
Romania	-23 285	-2 380	-25 665
Slovenia	67	-212	-146
Slovakia	-6 317	-504	-6 821
Finland	-14 865	-2 889	-17 754
Sweden	-43 366	-3 955	-47 321
EU-27/Union	-267 704	-42 296	-310 000

ANNEX III

Part 3 of Annex V to Regulation (EU) 2018/1999 is replaced by the following:

‘For monitoring and reporting in the LULUCF sector, Member States shall use [...]geographically explicit land-use conversion data in accordance with the 2006 IPCC Guidelines for national GHG inventories. Member States are encouraged to explore synergies and opportunities to consolidate reporting with other relevant policy areas. Member States are encouraged to operate their greenhouse gas inventories on the basis of electronic databases and geographic information systems, such as:

- (a) a system for the monitoring of land use units with high-carbon stock land, as defined in Article 29(4) of Directive 2018/2001;
- (b) a system for the monitoring of land use units subject to protection, defined as land covered by one or more of the following categories:
 - Land with a high biodiversity value as defined in Article 29(3) of Directive 2018/2001;
 - Sites of Community Importance and Special Areas of Conservation as defined by Article 4 of Council Directive 92/43/EEC²⁴ and land units outside of these which are subject to protection and conservation measures under Article 6(1) and (2) of that Directive in order to meet site conservation objectives;
 - Breeding sites and resting places of the species listed in Annex IV to Directive 92/43/EEC which are subject to protection measures under Article 12 of that Directive;

²⁴ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7).

- The natural habitats listed in Annex I to Directive 92/43/EEC and the habitats of species listed in Annex II to Directive 92/43/EEC which are found outside sites of Community importance or special areas of conservation and which contribute to these habitats and species reaching favourable conservation status under Article 2 of that Directive or which can be made subject to preventive and remedial measures under Directive 2004/35/EC²⁵;
- Special protection areas classified under Article 4 of Directive 2009/147/EEC of the European Parliament and of the Council²⁶ and the land units outside of these which are subject to protection and conservation measures under Article 4 of Directive 2009/147/EEC and Article 6(2) of Directive 92/43/EEC in order to meet site conservation objectives;
- Land units which are subject to measures for the preservation of birds reported as being not in secure status under Article 12 of Directive 2009/147/EC in order to fulfil the requirement under Article 4(4), second sentence of that Directive to strive to avoid pollution and habitat deterioration or fulfil the requirement under Article 3 of that Directive to preserve, maintain a sufficient diversity and area of habitats for bird species;
- Any other habitats which the Member State designates for equivalent purposes to those laid down in Directive 92/42/EEC and 2009/147/EC;

²⁵ Directive 2004/35/EC of the European Parliament and of the Council of 21 April 2004 on environmental liability with regard to the prevention and remedying of environmental damage (OJ L 143, 30.4.2004, p. 56).

²⁶ Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds (OJ L 20, 26.1.2010, p. 7).

- Land units subject to measures required to protect and ensure the non-deterioration of the ecological status of those bodies of surface water referred to in Article 4(iii) of Directive 2000/60/EC of the European Parliament and of the Council²⁷;
 - Natural flood plains or areas for the retention of flood water protected by Member States in relation to flood risk management under Directive 2007/60/EC of the European Parliament and of the Council²⁸;
- (c) a system for the monitoring of land use units subject to restoration, defined as land covered by one or more of the following categories:
- Sites of community importance, special areas of conservation and special protection areas as described in point (b) above, together with the land units outside of these which have been identified as in need of restoration or compensatory measures aimed at meeting site conservation objectives;
 - The habitats of wild bird species referred to in Article 4(2) of Directive 2009/147/EC or listed in Annex I thereto, which are found outside of special protection areas and which have been identified as in need of restoration measures for purposes of Directive 2009/147/EC;

²⁷ Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p. 1).

²⁸ Directive 2007/60/EC of the European Parliament and of the Council of 23 October 2007 on the assessment and management of flood risks (OJ L 288, 6.11.2007, p. 27).

- The natural habitats listed in Annex I to Directive 92/43/EEC and the habitats of species listed in Annex II to Directive 92/43/EEC outside sites of Community importance or special areas of conservation and identified as in need of restoration measures for purposes of the achievement of favourable conservation status under Directive 92/43/EEC and/or identified as in need of remedial measures for purposes of Article 6 of Directive 2004/35/EC;
 - Areas identified as in need of restoration according to a nature restoration plan applicable in a Member State;
 - Land units subject to measures required to restore to good ecological status the bodies of surface water referred to in Article 4(iii) of Directive 2000/60/EC, or measures required to restore such bodies to high ecological status where required by law;
 - Land units subject to measures for the recreation and restoration of wetland areas, as referred to in Annex VI.B(vii) of Directive 2000/60/EC;
 - Areas in need of ecosystem restoration so as to achieve good ecosystem condition in accordance with Regulation (EU) 2020/852 of the European Parliament of the Council²⁹;
- (d) a system for the monitoring of land use units with high climate risk:
- Areas subject to compensation for natural disturbances under paragraph 5 of Article 13b of Regulation (EU) 2018/841

²⁹ Regulation (EU) 2020/852 of the European Parliament of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

- Areas referred to in Article 5(1) of Directive 2007/60/EC
- Areas identified in the Member States' national adaptation strategy with high natural and man-made risks, subject to climate-related disaster risk reduction actions.

The greenhouse gas inventory shall, where applicable, enable the exchange and integration of data between the electronic databases and the geographic information systems.

For the period 2021-2025, Member States may use Tier 1 methodologies in accordance with the 2006 IPCC guidelines for national GHG inventories except for a carbon pool that accounts for at least 25 % of emissions or removals in a source or sink category which is prioritised within a Member State's national inventory system because its estimate has a significant influence on a country's total inventory of GHGs in terms of the absolute level of emissions and removals, the trend in emissions and removals, or the uncertainty in emissions and removals in the land use categories, in which case at least Tier 2 methodologies in accordance with the 2006 IPCC guidelines for national GHG inventories shall be used.

From the greenhouse gas inventory submission in 2028 onwards, Member States shall use at least Tier 2 methodologies in accordance with the 2006 IPCC guidelines for national GHG inventories and are encouraged to apply Tier 3 methodologies, in accordance with the 2006 IPCC guidelines for national GHG inventories.'
