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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	AOB item for the meeting of the "Agriculture and Fisheries" Council on 9/10 December 2024: Agreement on a Green Denmark: Model for a greenhouse gas tax on agricultural production and reduced nitrogen leaching to improve the protection of nature, biodiversity and water resources *- Information from Denmark*

On 18 November 2024, a broad political agreement on implementation of "Agreement on a Green Denmark" was reached among political parties in the Danish Parliament. Building on an agreement between the government and leading industry, agricultural, and environmental organizations, the agreement provides concrete solutions to the agricultural sector's climate and nature challenges while paving the way for a historic transformation of Danish land use.

The agreement introduces breakthroughs in the Danish approach to managing the interplay between agricultural production and environmental considerations, most importantly:

- A CO_2 tax on emissions from livestock is introduced as a crucial part of the efforts for Denmark to meet its climate target of a 70% reduction in greenhouse emissions by 2030 compared to 1990 levels.

- A shift in how Denmark deals with nitrogen leaching. A so-called Green Area Fund combined with a new emission-based nitrogen regulatory model will ensure a significant transformation of land use. This will be the main driver to achieve the goals of the Water Framework Directive, as the agreement establishes necessary conditions to ensure good ecological status in all Danish coastal waters.

Tax on greenhouse gas

The Agreement on a Green Denmark introduces the world's first tax on greenhouse gas emissions from livestock - increasing from approx. 16 EUR pr. ton CO_2e in 2030 to approx. 40 EUR pr. ton in 2035. A base reduction of 60 % for emissions that currently cannot be mitigated through recognized technologies lowers the total tax burden on the agricultural sector. The revenue from the livestock tax will be returned to the agricultural sector through a transition scheme to strengthen the green transition. Furthermore, a carbon tax on emissions from agricultural lime will be introduced. Overall, it is estimated that the efforts will reduce Danish emissions between 1.8 and 2.6 million tons of CO_2e in 2030. The agreement will be revisited to guarantee the reduction of 2.2 million tons of CO_2e in 2030. Furthermore, Denmark is expected to meet its obligations under the EU Effort Sharing Regulation and LULUCF Regulation.

Transformation of land use

The Green Area Fund will be allocated a total of approx. 5.8 billion EUR to support efforts transforming 15 % of the existing Danish agricultural area into nature and forest. This will be achieved through strategic land acquisitions, support schemes for afforestation and rewetting of peatlands and additional initiatives related to managing nitrogen reductions. To supplement the Green Area Fund and manage nitrogen reductions, a new emissions-based land regulation will be introduced in 2027, based on the latest knowledge about soil retention.

Afforestation of 250,000 hectares of new forest, incl. 100.000 hectares unmanaged forest, as well as five additional national parks will expand the protected areas in Denmark considerably. The fund will also support re-wetting of 140,000 hectares of drained peatlands currently in agricultural use. Additionally, a subsidy scheme will be introduced to support the production of biochar through pyrolysis.

Recognizing the large and complex task of implementing the agreement on time, the political agreement has set out three guiding principles: simple and efficient solutions for quick implementation and transparency, minimizing administrative burdens and focus on stabilizing land prices.

Based on an international evaluation in 2017, an update of the Danish data basis for planning under the EU Water Framework Directive concerning coastal water bodies was initiated. The Danish scientific update has resulted in revised limit values for Danish River Basin Management Plans, compared to the values forming the basis of earlier intercalibration with neighboring member states. To include the latest research and most updated knowledge, the Agreement on Implementation of a Green Denmark includes a revisit of the earlier intercalibration decisions.

The **Common Agricultural Policy** is expected to play a pivotal role in funding more sustainable agricultural practices and the uptake of new technologies to lower greenhouse gas emissions. In order to facilitate the green transition and bring the agricultural sector in line with sustainability objectives, a high level of coherence between the Common Agricultural Policy and future national and EU climate regulation is important to ensure that different policy tools supplement each other horizontally.