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MEETING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on the Environment
Subject:	Non-ETS (ESR): WPE 6 April - IT non-paper on the LULUCF flexibility in the ESR

With a view to the WPE meeting on 6 April delegations will find attached a non-paper from Italy on the above.

NON-PAPER OF ITALY

ON THE LULUCF FLEXIBILITY

In the light of the Paris Agreement long-term objectives, (art. 4.1) Italy considers extremely important the establishment, at EU level, of a framework allowing the right incentives, accountability of emissions and removals from the LULUCF. Italy also considers essential a proper contribution of the LULUCF sector in the ESR that takes into account the peculiar characteristic of the sector, including all its functions, both productive and protective, the latest of great importance in the Mediterranean Region.

Italy considers that LULUCF flexibility scenario (medium flexibility, i.e. 280 Mt CO_2 eq. between 2021-2030) as proposed by the Commission, is declined into an arbitrary distribution of credits among Member States that creates an unbalanced and unfair distribution of the flexibility.

Several Member States have presented their proposals on different criteria for distributing LULUCF credits. Also the Italian proposal foresees the use of the alternative criterion based on the actual share of agriculture emissions of Member States, but, at the same time, recognizes the specificities of some Member States. The proposal therefore could represent a fair compromise.

In particular, Italy shares the consideration that **the allocation of the LULUCF flexibility on equal basis** could result in a more rightful outcome and less penalizing for the Member States which have already put in place efforts to reduce their agricultural emissions during the first period of ESD.
Therefore, Italy proposes to allocate the LULUCF flexibility (either "medium" flexibility, i.e. **280 Mt CO_2 eq.** or "high" flexibility, i.e. **425 Mt CO_2 eq.**, between 2021-2030**)** among Member States on the basis of an **equal percentage** of average annual 2008-2012 non-CO_2 Agriculture emissions.
Following this proposal, Italy has computed two alternative distributions, using Commission data, without clustering the Member States.

The applied methodology consists in the following steps in relation to the application of the medium (**distribution A**) or high flexibility scenario (**distribution B**).

Distribution A: medium flexibility scenario (**280 Mt CO_2 eq.**)

1. The non-CO_2 Agriculture emissions, for each MS, have been averaged on the period 2008-2012.
2. The non-CO_2 Agriculture emissions, for each MS, have been multiplied by a equal percentage (6%).
3. The sum of the total limit of LULUCF credits, considering all the Member States, is equal to 258 Mt CO_2 eq.

4. The difference between the abovementioned sum and the EU CAP for LULUCF flexibility is therefore 280-258=22 Mt CO_2 eq.
5. The resulting difference has been redistributed in a proportional way to those Member States for which the discrepancy between the LULUCF credits according the Commission's proposal (Annex III) and the LULUCF credits calculated with the proposed methodology, results in a loss higher than 4 Mt CO2 eq. (namely Ireland, France, Spain, Denmark, Lithuania).

Distribution B: high flexibility scenario (425 Mt CO_2 eq.)

1. The non-CO2 Agriculture emissions, for each MS, have been averaged on the period 2008-2012.
2. The non-CO2 Agriculture emissions, for each MS, have been multiplied by a equal percentage (9%).
3. The sum of the total limit of LULUCF credits, considering all the Member States, is equal to 387 Mt CO2 eq.
4. The difference between the abovementioned sum and the EU CAP for LULUCF flexibility is therefore 425-387=38 Mt CO2 eq.
5. The resulting difference has been redistributed in a proportional way to those Member States for which the discrepancy between the LULUCF credits according to high flexibility scenario presented in the LULUCF Regulation impact assessment[1] and the LULUCF credits calculated with the proposed methodology, results in a loss higher than 4 Mt CO2 eq. (namely, Denmark, France, Ireland, Lithuania, Netherlands, Poland, Spain) and in a proportional way to such discrepancy.

The results of the two distributions based on the proposed methodology are reported in the following tables of this non-paper.

[1] See Table 13 of the impact assessment related to LULUCF Regulation proposal.

allocation on equal basis (6% of AGR 2008-2012 emissions)				
Mt CO2 eq.	avg annual 2008-2012 AGR emissions	Total limit of LULUCF credits (2021-2030)	"Adjusted" total limit of LULUCF credits (2021-2030)	Total limit of LULUCF credits (2021-2030) Annex III
Austria	7.1	4.2	4.2	2.5
Belgium	10.1	6.0	6.0	3.8
Bulgaria	5.0	3.0	3.0	4.1
Croatia	2.7	1.6	1.6	0.9
Cyprus	0.6	0.4	0.4	0.6
Czech Rep	8.1	4.8	4.8	2.6
Denmark	10.6	6.4	10.2	14.6
Estonia	1.2	0.7	0.7	0.9
Finland	6.4	3.9	3.9	4.5
France	78.2	46.9	52.2	58.2
Germany	63.3	38.0	38.0	22.3
Greece	8.7	5.2	5.2	6.7
Hungary	5.9	3.5	3.5	2.1
Ireland	18.2	10.9	18.4	26.8
Italy	31.7	19.0	19.0	11.5
Latvia	2.4	1.5	1.5	3.1
Lithuania	3.8	2.3	4.2	6.5
Luxembou	0.7	0.4	0.4	0.2
Malta	0.1	0.1	0.1	0
Netherlan	18.3	11.0	11.0	13.4
Poland	30.0	18.0	18.0	21.7
Portugal	7.1	4.2	4.2	5.2
Romania	17.9	10.7	10.7	13.2
Slovakia	2.9	1.7	1.7	1.2
Slovenia	1.7	1.0	1.0	1.3
Spain	36.4	21.8	25.2	29.1
Sweden	7.0	4.2	4.2	4.9
UK	44.0	26.4	26.4	17.8
EU (28)	**430**	**258**	**280**	**280**

Table I[2] – Distribution A (medium flexibility) per Member State of LULUCF credit limit (cap) for the ESR for the period 2021-2030.

[2] Data source: elaboration on UNFCCC official submissions and Eurostat data (non ETS emissions): date of extraction: 30 Nov 2016; http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020_35

allocation on equal basis (9% of AGR 2008-2012 emissions)				
Mt CO2 eq.	avg annual 2008-2012 AGR emissions	Total limit of LULUCF credits (2021-2030)	"Adjusted" total limit of LULUCF credits (2021-2030)	Total limit of LULUCF credits (2021-2030) (LULUCF I.A. Table 13, pg 50)
Austria	7.1	6.3	6.3	3.8
Belgium	10.1	9.1	9.1	5.7
Bulgaria	5.0	4.5	4.5	6.2
Croatia	2.7	2.4	2.4	1.4
Cyprus	0.6	0.6	0.6	0.9
Czech Republic	8.1	7.3	7.3	4
Denmark	10.6	9.6	15.4	22.2
Estonia	1.2	1.1	1.1	1.3
Finland	6.4	5.8	5.8	6.9
France	78.2	70.4	78.7	88.4
Germany	63.3	57.0	57.0	33.9
Greece	8.7	7.9	7.9	10.2
Hungary	5.9	5.3	5.3	3.2
Ireland	18.2	16.3	27.5	40.7
Italy	31.7	28.5	28.5	17.4
Latvia	2.4	2.2	2.2	4.8
Lithuania	3.8	3.4	6.4	9.9
Luxembourg	0.7	0.6	0.6	0.4
Malta	0.1	0.1	0.1	0
Netherlands	18.3	16.4	18.3	20.4
Poland	30.0	27.0	29.8	33
Portugal	7.1	6.4	6.4	7.9
Romania	17.9	16.1	16.1	20
Slovakia	2.9	2.6	2.6	1.9
Slovenia	1.7	1.5	1.5	1.9
Spain	36.4	32.7	38.0	44.2
Sweden	7.0	6.3	6.3	7.5
UK	44.0	39.6	39.6	27.0
EU (28)	**430**	**387**	**425**	**425**

Table II – Distribution B (high flexibility) per Member State of LULUCF credit limit (cap) for the ESR for the period 2021-2030.

The proposed methodology, for the allocation of the LULUCF credits to be used to compensate ESR emissions, is balanced and fair, in line with environmental integrity and the “no-debit rule” laid down ~~in~~ as a requirement for LULUCF sector; furthermore it would enhance the transparency and equity of the distribution of LULUCF credits, incentivizing Member States to adopt more ambitious policies under ESR.