



European Economic and Social Committee

NAT/696

**Effort sharing 2030 and land use,
land use change and forestry (LULUCF)**

OPINION

European Economic and Social Committee

Proposal for a Regulation of the European Parliament and of the Council on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry into the 2030 climate and energy framework and amending Regulation No 525/2013 of the European Parliament and the Council on a mechanism for monitoring and reporting greenhouse gas emissions and other information relevant to climate change

[COM(2016) 479 final – 2016/0230(COD)]

Proposal for a regulation of the European Parliament and of the Council on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 for a resilient Energy Union and to meet commitments under the Paris Agreement and amending Regulation No 525/2013 of the European Parliament and the Council on a mechanism for monitoring and reporting greenhouse gas emissions and other information relevant to climate change

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Section responsible	Agriculture, Rural Development and the Environment
Adopted in section	24/11/2016
Adopted at plenary	14/12/2016
Plenary session No	521
Outcome of vote (for/against/abstentions)	210/0/2

1. Conclusions and recommendations

- 1.1 The EESC welcomes the timely proposals from the Commission to implement the EU's commitment to reducing its greenhouse gases by 2030 in all sectors of the economy and society. The EESC, however, emphasises the need to simultaneously take into account the global long-term challenge of climate change mitigation. This requires a thorough evaluation of whether the EU's current climate policy approach, with regard to efforts at global, EU and national levels, is appropriate in paving the way for a carbon-neutral world.
- 1.2 With regard to effort sharing, the EESC fully agrees with the view that differences between Member States have to be taken into account to ensure fairness and cost-effectiveness. To achieve genuine cost-effectiveness in a fair way, effort sharing calculations should, however, address both aspects at the same time across all Member States and set the targets in such a way that the relative costs are the same for each country. Due to the shortcomings of effort-sharing, the EESC feels it is important to introduce flexibility mechanisms and develop them further.
- 1.3 Integration of land use, land use change and forestry (LULUCF) into the 2030 framework brings a remarkable new element into EU climate policy. The EESC considers it necessary that the integration should take place in a way that enhances long-term carbon neutrality. Sustainable use and active management of bio-based natural resources, i.e. a sustainable bioeconomy - including sustainable forest management and climate-smart food production - is a key element of this transition and should be carefully addressed in order to achieve environmentally, economically and socially sustainable growth.
- 1.4 The role of agriculture and forestry calls for a holistic approach from EU climate policy. Both the reduction of emissions and the sequestration of carbon need to be taken into account, as do the challenges of adaptation and food security. The Paris Agreement introduces a strong obligation to act in order to keep global warming "well below 2°C [...] and pursue efforts to limit the temperature increase to 1.5°C", "to increase the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production". It is therefore important to address the need for increased resilience in the agricultural sector while mitigating climate change.
- 1.5 The EESC calls on the Commission and the Member States to acknowledge the crucial role and potential of forests and sustainable forest management as a carbon sink and the associated social, environmental and economic benefits.
- 1.6 Carbon sequestration is not just a question of forest land area but first and foremost that of enhancing forest growth and vigorous photosynthesis by means of active forest management and the increased use of wood biomass for products and energy. Restricting the use of forest resources would in the long term result in diminishing sinks due to ageing, and thus slowly-growing forests. Similarly, on croplands and grasslands, the cycle of growth and harvest of the yield ensure that the removal of carbon dioxide remains as efficient as possible.
- 1.7 The EESC considers it important for the emission and removal of greenhouse gases to be evaluated scientifically, with transparency and common metrics. It calls on the Commission to

develop the accounting rules of land and forest management in such a way that they reflect actual emissions and sequestration rates. In addition, the national forest reference levels need to be established by Member States in accordance with the projected sustainable use of forest resources. The EU should also develop a precise satellite-based tool for the global monitoring of forests. Furthermore, proper accounting methods should be developed for carbon sequestration by non-woody plants in agricultural soil. It is also important to avoid double accounting of biomass-related emissions of LULUCF in other sectors.

- 1.8 The EESC encourages individual Member States to provide ambitious national, bottom-up policies for the LULUCF sector, with the close involvement of civil society in the process at national, regional and local levels.
- 1.9 The EESC acknowledges that the success of the ambitious proposals requires substantial financial resources and encourages the Commission, in addition to the existing financing facilities, to set up a separate financing instrument, in conjunction with the EIB, to support the achievement of these goals. There is also a need for intensive research and innovation to develop and adopt new methods for climate change mitigation.

2. Introduction

- 2.1 On 20 July 2016 the European Commission submitted proposals for a regulation on greenhouse gas emission reductions by Member States from 2021 to 2030 (Effort Sharing 2030) and for a regulation on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry (LULUCF) into the 2030 climate and energy framework. At the same time, the Commission launched a Communication on a European strategy for low-emission mobility. In this opinion, the EESC expresses its views on the proposed regulations, while the views on the Communication on transport are presented in another opinion (TEN/609).
- 2.2 The proposals are part of the implementation of the EU's commitment to reducing its greenhouse gas emissions by at least 40% by 2030, compared to the 1990 level. As agreed by the EU, the 2030 target requires an emissions reduction of 43% in the sectors under the EU Emissions Trading System (ETS) and of 30% in other sectors (non-ETS), both compared to the 2005 levels. The revision of the ETS Directive is being addressed by the European Parliament and the Council. The EESC expressed its views on this revision in its opinion NAT/675.
- 2.3 The proposed regulations apply to non-ETS sectors and activities such as transport, buildings, agriculture and waste, as well as land use and forestry. The emissions reduction targets of the Member States are an extension to the current Effort Sharing Decision on the EU's climate targets for 2020, whereas land use and forestry are for the first time included in the EU energy and climate framework. So far, they have been considered in the context of the Kyoto protocol.
- 2.4 The Commission proposes differentiated national emission reduction targets with the aim of complying with the principles of fairness and cost-effectiveness called for by the European Council. The targets of individual Member States for 2030 vary from 0% to 40%. As for land use and forestry, the Commission proposes that emissions and removals, calculated according to the accounting rules, must be in balance in every Member State.

- 2.5 The Commission proposes to continue with a flexibility system which allows emission allocations to be transferred between Member States and over time. The Commission also proposes new flexibilities allowing the effort sharing sector to carry out certain trade-offs with the ETS and LULUCF sectors.
- 2.6 The proposed regulations also address the monitoring and reporting of greenhouse gases, including accounting rules for land use and forestry.

3. **General comments**

- 3.1 Overall, the EESC welcomes the timely proposals by the Commission to implement the EU's commitment of reducing its greenhouse gases by 2030 in all sectors of the economy and society. However, it emphasises the need to simultaneously take into account the global long-term challenge of climate change mitigation. This means that the policies and measures must be compatible with the long-term aim of achieving a carbon-neutral world.
- 3.2 In its recent opinion (NAT/690) the EESC called on the EU to aim at increasing its positive impact on the global climate ("carbon handprint") instead of just focusing on the reduction of its own emissions. Providing climate solutions for and implementing joint projects with third countries should therefore also be encouraged in the 2030 climate policy context, taking into account the fact that the Paris Agreement refers to a new international cooperation mechanism for combating climate change.
- 3.3 In the above-mentioned opinion the EESC also called for a more effective "Climate Union" where climate aspects are closely integrated into the related single-market policies. The division of the joint emission reduction target into national sub-targets may move in a more fragmented and disintegrated direction. The EESC therefore calls on the Commission to also evaluate options and possibilities for a more coherent community approach in the non-ETS sector with regard to EU climate policy for the post-2030 period.
- 3.4 A sectoral approach, as opposed to the effort sharing between Member States, is another possible climate policy route. The communication on transport is based on this approach. The EESC considers it important to distinguish between single market-related issues and those that are national in nature. Generally speaking, a sectoral approach fits better with the single market, whereas a country-specific approach is relevant in issues such as the management of domestic natural resources. This holds true particularly with regard to forest policy.
- 3.5 Integration of land use and forestry into the 2030 framework brings a remarkable new element into the EU climate policy. The EESC considers it necessary for the integration to take place in a way that enhances long-term carbon neutrality and sustainable growth, instead of focusing on short- and mid-term actions only.
- 3.6 The need to reduce emissions and increase carbon storage acts as a driver for using biomass as a raw material for various kinds of bio-products and as a source of renewable energy, including the use of sustainable bioenergy in conjunction with transport decarbonisation. A sustainable

bioeconomy, i.e. the sustainable use and management of bio-based natural resources, is thus a key element in the transition to carbon neutrality.

- 3.7 The forest sector can play a key role in reducing carbon dioxide emissions, increasing renewable energy and promoting sustainable consumption. The EU's forest resources are growing, thanks to long-term investments in forest management with the aim of increasing sustainable levels for harvesting in the future. The increasing use of biomass will also require active forest management in the future.
- 3.8 The EESC wants to stress that the EU climate policy must not set limits for the use of forests, provided that harvesting does not exceed the growth of forest resources and sustainable forest management practices are followed. Short-term restriction of forest use would in the long term result in diminishing sinks.
- 3.9 Climate change is also closely linked to food security, particularly at global level. It is therefore vital to be able to respond simultaneously to the challenges of both food security and climate change mitigation. Land availability for cultivation and the pressures of urbanisation should prompt the sustainable increase of productivity in order for Europe to contribute its share to addressing the global challenge of food security.
- 3.10 As for the net emissions of the agricultural sector, the EESC recalls that there is also a similarly ambitious proposal on National Emissions Ceilings (NEC) and calls for consistency and the avoidance of overlapping burden in the development and implementation of the different pieces of legislation.

4. Specific comments on the Effort Sharing proposal

- 4.1 The Commission has heeded the European Council's call to take into account the principles of fairness and cost-effectiveness in its proposal. The EESC fully agrees with the view that the differences between Member States have to be taken into account to ensure both fairness and cost-effectiveness. This relates to differences in the specific features and starting points of the countries, as well as the economic and social potential of reducing emissions.
- 4.2 The EESC, however, draws attention to the fact that the proposed approach does not lead to the most effective outcome at EU level, as fairness and cost-effectiveness are considered separately from each other. To achieve genuine cost-effectiveness in a fair way, calculations should cover both aspects at the same time and across all Member States.
- 4.3 Ideally, the most cost-effective solution would be found by calculating the cost curves of the emission reductions in each country and setting the targets at the point where the marginal costs in relation to GDP are the same. This would also eliminate the possible problem of over-allocation. Another option would be to set the same relative target for each country and then use flexibility mechanisms to find the best solution.

- 4.4 As for the outcome of effort sharing, the EESC notes that it is difficult to verify. The EESC therefore stresses the importance of transparency in presenting the data and assumptions of the calculations as well as the methodology used.
- 4.5 In order to increase predictability, the EESC considers it important to take into account and prepare for the possible impacts of "Brexit" on effort sharing. On the other hand, Norway and Iceland have expressed their intention to participate in the joint action by the EU, which may also have an impact on the implementation of effort sharing.
- 4.6 Due to inevitable shortcomings in effort sharing, it is important to introduce flexibility mechanisms and rules that make it possible to achieve maximum benefits in efficiency. New kinds of cross-sectoral flexibility should also be examined. In addition, there needs to be an efficient, transparent system to monitor the outcome of the flexibilities.
- 4.7 The flexibility provided by the possibility of trading annual emission allocations between Member States and implementing measures in another state contributes to both increased cost-effectiveness and fairness. The option of transferring emission allocations over time is also necessary and should be less restricted, because in practice emission reduction measures do not follow a linear trajectory from year to year.
- 4.8 The Commission's proposal on the option of using emission allowances from the ETS sector to offset the emissions of other sectors is welcome because it also aims at optimising emission reductions. At the same time one has to recognise that cancelling emission allowances in one country also has an impact on other countries, due to the EU-wide emissions trading system.
- 4.9 The EESC welcomes the possibility of using carbon removals and emission reductions in the LULUCF sector to offset emissions in other sectors. The possible inclusion of forest management in flexibility mechanisms has to be designed in a way that incentivises sustainable forest management and forest growth and does not undermine the use of forest resources as a raw material of the bioeconomy.

5. Specific comments on the LULUCF proposal

- 5.1 The role of agriculture and forestry calls for a holistic approach from EU climate policy. In addition to climate change mitigation, agriculture and forestry also face the challenge of adapting to climate change, being the sectors hardest hit by adverse climatic events. For that reason, a mitigation path with the least negative impact on production has to be encouraged. As mentioned in the Commission's proposal, it is important to consider the EU's position on the global stage and take into account the global stocktake of the Paris Agreement, especially with regard to environmental integrity and the possible negative effects of carbon leakage.
- 5.2 According to the Paris Agreement, human-induced greenhouse gas emissions by sources and removals by sinks such as forests should be in balance by the second half of the century. It is therefore crucial to keep forests as sinks and to avoid the saturation of carbon in ageing forests.

- 5.3 Sustainable forest management, together with the use of wood as a raw material for products and the substitution of fossil fuels with bioenergy, is an effective means of controlling carbon balance. To avoid undermining environmental integrity, fossil emissions from other sectors should not be offset by forest sinks in a way that would reduce wood availability for the purposes of the bioeconomy.
- 5.4 Management of forest sinks is not only a question of forest land area but first and foremost of enhanced forest growth by means of active forest management, and the increased use of wood-products. The EESC therefore deems it significant that harvested wood products (HWP) are included in the LULUCF, and the Member States should make full use of the potential provided by HWPs for carbon storage and the credits created by that. Furthermore, it should be possible to allow emissions caused by deforestation to be offset by increased forest resources achieved by sustainable forest management.
- 5.5 In order to make use of the significant potential of sustainable forest management¹ in climate change mitigation, the EESC calls on the Commission to focus intensive efforts on developing the accounting rules of forest management. The rules have to reflect the actual forest growth and sequestration rates so as to avoid the problem with the current rules, which is that in certain cases actual sinks are defined as emission sources.
- 5.6 The proposed accounting rules on the forest reference levels are more complicated than before and do not sufficiently encourage the enhancement of forest growth or bioeconomy. The EESC proposes that – instead of establishing too-detailed criteria – the national forest reference levels should be established by Member States in accordance with the projected use of forest resources, while ensuring that annual harvesting does not exceed annual growth in the long term.
- 5.7 The EESC welcomes the Commission's note that in order to avoid double accounting of emissions, the use of biomass in the energy sector has to be considered carbon-neutral, as stated in the IPCC Guidelines. Moreover, any other double accounting of emissions has to be avoided.
- 5.8 The EESC calls on the Commission to strive for streamlined global accounting rules for the LULUCF. To encourage other countries to engage in the process, the rules should be as simple as possible. At international level, the EU should also contribute its own knowledge with regard to forest resource inventories and monitoring methods, and in particular develop a precise EU satellite system with the capacity to provide actual global data.
- 5.9 As with forest management, active cropland and grassland management also contributes to combating climate change, while contributing to global food security. The improvement of cropland and grassland management, including soil productivity, harvest and replanting, enhances carbon sequestration and should thus be credited in a proper way. Limiting biomass production would in the long term result in less and less removal of greenhouse gases from the atmosphere due to reduced photosynthesis. The speciality of organic soils should also be taken into account and possibilities offered for continuing to farm on them.

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Nabuurs et al. 2015. A new role for forests and the forest sector in the EU post-2020 climate targets.

- 5.10 In order to make full use of the significant potential of cropland and grassland management to increase soil carbon sink and indicate possible improvements in their performance, the EESC calls for research into and the development of accounting rules for biomass associated with annual and perennial non-woody plants. The potential of a dynamic soil management approach that focuses on optimising its functions - taking local conditions into consideration - would benefit not only the climate and the environment but also contribute to the economic and social sustainability of the farming sector – especially small family farms.
- 5.11 All in all, the success in Paris was achieved with a bottom-up approach of setting national targets, based on the strengths and opportunities provided by individual states. The EESC also acknowledges the differences of the Member States in the LULUCF sector. The policies should thus be tailored at national level according to the subsidiarity principle and LULUCF should be kept as a separate pillar of climate policy.
- 5.12 The EESC would encourage individual Member States to put in place ambitious policies for climate change mitigation in the LULUCF sector, while creating a long-term vision for sustainable land use and forestry, and particularly involving civil society and social partners in the process at national, regional and local levels.
- 5.13 To enable ambitious policies to be put into practice, substantial financial resources are needed. To this end, the EESC calls on the Commission, in addition to the existing financing facilities, to set up a separate financing instrument, in conjunction with the EIB, to support achievement of these goals. Moreover, there is a clear need for increased investment in research and development aimed at new methods of climate change mitigation.

Brussels, 14 December 2016

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The president of the European Economic and Social Committee
