

## Annex II: The Danish Government's response to the European Commission's public consultation on the review of EU rules concerning Land Use, Land Use Change & Forestry (LULUCF)

### The Danish Government's key priorities for the agriculture and LULUCF sectors

- The Danish Government supports establishing an integrated Agriculture, Forestry and Other Land Use (AFOLU) sector with ambitious EU sector regulation ensuring delivery of an EU-wide climate target.
- Ambitious and effective sector regulation would create a level playing field, increase cost-effectiveness, and improve incentives for farmers to take action. Implementing EU-wide sector regulation could furthermore help drive innovation and cost reductions in mitigation technologies across all Member States.
- Credible reporting and accounting are cornerstones of meaningful climate targets as well as effective regulation. Member States should continuously work on strengthening monitoring, reporting, and verification of emissions and removals from the AFOLU sector in general and forests in particular.

### **The Danish Government supports establishing an AFOLU pillar**

With the adoption of the revised target of reducing net greenhouse gas emissions by at least 55 percent in 2030 compared to 1990, the land sector should play an integrated role in the EU climate architecture. Establishing a combined AFOLU pillar could ensure an effective, climate-friendly, and competitive land sector across the EU. In practice, sources, sinks and reservoirs in the agriculture and LULUCF sectors are closely related. Treating these emissions and removals in the same regulatory regime, such as through an integrated AFOLU-sector, would allow for a more integrated and cost-effective mitigation effort. For example, future instruments and schemes – such as carbon farming and farm sustainability plans – should not differentiate between mitigation efforts aiming at reducing nitrous oxide emissions from applying manure on agricultural soils and reducing carbon dioxide emissions by restoring peat lands. Both are relevant instruments at the farmer's disposal, and they should be treated as such.

The Danish Government encourages the Commission to work for a level playing field by proposing an EU-wide reduction target for the AFOLU pillar rather than proposing cost-inefficient national targets. This will benefit the climate as well as the European economy. Costs of abating emissions vary considerably between Member States; for example, the European Commission recently noted that the high climate efficiency of the Danish agricultural sector means that 'there is no immediate



potential for further fast reduction.<sup>1</sup> Differentiated national reduction targets and efforts to regulate emissions and removals only exacerbate these imbalances and therefore come with unnecessarily high costs. It is important to note that implementing nationally differentiated targets comes with a significant risk of carbon leakage internally in the EU in the absence of common EU sector regulation.

An EU-wide reduction target should be implemented through ambitious and effective sector regulation in order to incentivize climate-friendly activities at the farm-level and to create a level playing field for European farmers. European farmers and foresters should face the same set of incentives to make sustainable decisions regardless of geographical location, thus ensuring that all Member States contribute to the EU's ambitious climate targets. Implementing EU-wide regulation of agricultural and land-related emissions and removals sends an important signal to the relevant industries and research communities that new climate-friendly technologies and knowledge are much needed. Examples of EU-wide climate regulation are highlighted in the final section of this document.

It is clear that extending the current separation between agriculture and LULUCF in the EU climate architecture will neither be an effective nor cost-efficient path to achieving EU climate targets. This is particularly true in the case that the ETS is extended to road transport and heating in buildings, thus leaving agriculture as the primary sector regulated through nationally differentiated targets under the ESR.

### **Maintaining the environmental integrity of greenhouse gas accounting**

Establishing an AFOLU pillar with an EU-wide reduction target circumvents a number of issues regarding accounting of national reduction targets, not least concerning national accounting of changes in the net carbon sink of existing forests against Forest Reference Levels (FRLs). Existing forests are characterised by large reporting uncertainties, large natural variability, abrupt events like forest fires and pests, as well as climate change-induced effects like longer growing seasons and CO<sub>2</sub>-fertilisation. These elements contribute to the Danish Government's position of cautiousness when it comes to apportioning emissions and removals from existing forests with other land-related emissions and removals from soils and agriculture in national greenhouse gas accounts.

At the same time, the Danish Government recognizes the important role of forests in achieving climate neutrality. It is essential that EU member states continuously work to strengthen monitoring, reporting, and verification of greenhouse gas emissions and removals from the AFOLU sector in general and forests in particular, in order to maintain the environmental integrity of reporting as well as climate targets.

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<sup>1</sup> Commission recommendations for Denmark's CAP strategic plan, 18.12.2020



New and additional efforts to increase carbon removals must be supported by measurement, reporting, and verification to track carbon flows and, potentially, financial flows for CO<sub>2</sub> removal, e.g. in a future carbon farming scheme. The Commission is encouraged to develop policies to incentivise business models for large-scale CO<sub>2</sub> removal through natural solutions.

### **Examples of potential EU-wide regulation of agriculture and LULUCF**

The AFULO pillar should be accompanied by a coherent enabling framework of EU policies that can drive cost-effective climate action. Listed below are illustrative examples:

Greening the Common Agricultural Policy (CAP): Common EU-wide measures should contribute to ensuring the delivery of the EU-wide climate target, including the future CAP that should contribute to climate change mitigation for example by providing better incentives for farmers to deliver ecosystem services.

Best Available Technology (BAT) requirements: A number of existing and developing technologies such as feed and fertiliser additives can contribute to reducing emissions from agricultural production. Yet, the highly competitive nature of the European market for agricultural products discourages Member States from passing on additional costs to farmers by implementing national BAT requirements. A shared common EU reduction target establishes a level playing field and further facilitates common EU BAT requirements to agriculture, e.g. regarding on-farm methane emissions from livestock production or manure management. In addition, this may encourage competition and spark innovation in climate-friendly agriculture technologies. Relevant BAT requirements could be implemented through the Industrial Emissions Directive (IED).

Strengthen sustainability criteria for biomass: Sustainable forest management is intimately linked to the regulation of biomass for energy. To contribute to reversing the trend of a declining net sink in the forest sector, the EU should strengthen its sustainability criteria for forest biomass. For an elaboration of this position, please see the Danish Government's response to the public consultation on the Renewable Energy Directive.

Business models for carbon dioxide removal: An EU methodology to certify carbon dioxide removals at the level of farmers as mentioned in the Circular Economy Action Plan and Farm to Fork Strategy should be considered. This could pave the way for implementing a payment scheme for incentivising the preservation of carbon stocks in agricultural soils, e.g. through the CAP or by means of a new market mechanism. The environmental integrity of such a business model should be ensured by robust and transparent carbon accounting to monitor and verify the authenticity of carbon removals.



Fertiliser accounts: Greenhouse gas emissions from nitrogen turnover on agricultural land account for a large proportion of total emissions from the agricultural sector in EU. The Commission could develop common requirements for the documentation of nitrogen fertilisers' flows to and from all holdings, thus creating an overview of its use and a level playing field among Member States in optimising the use of nitrogen fertilisers.