Danish Ministry of Climate, Energy and Utilities

The Danish Government's response to the European Commission's call for evidence on the LULUCF-regulation

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Denmark welcomes the opportunity to comment on the European Commission's Public Evaluation on the LULUCF-regulation.

Denmark welcomed an ambitious revision of the LULUCF-regulation as an important part of the Fit-for-55 package. The Fit-for-55 agreement enables the EU once fully implemented to reduce EUs net greenhouse gas emissions by 57% by 2030.

Looking ahead, land-based carbon removals should reach up to 320 MtCO2eq to deliver a net reduction of EUs greenhouse gas emissions on 90% compared to 1990 levels in 2040, as recommended by the Commission. It is important that the EU's climate efforts are designed to incentivize this in the most cost-effective way. Therefore, Denmark advocates for reviewing the climate architecture for the agricultural sector and LULUCF to make it more fit for a climate neutral future.

National implementation of the LULUCF-regulation

On 24 June 2024, a green tripartite consisting of national stakeholders and the Danish government reached an agreement on a holistic and long-term approach to land management in Denmark. The Green Tripartite Agreement is estimated to reduce agriculture's non-energy greenhouse gas emissions by 1,8-2.6 million tonnes of CO2e in 2030. The agreement is expected to deliver on Denmark's commitments under the ESR and LULUCF-regulation.

Denmark has identified some difficulties in the implementation of the LULUCF-regulation which primarily involves the strengthened monitoring obligation and well as the reference periods.

Monitoring

Since 2008, Denmark has been a frontrunner in providing LULUCF data, both under the Kyoto Protocol and in an EU context, where the highest possible level of methodology ("tier") has been applied to the available and complementary data provided for the Danish greenhouse gas inventories.

The mandatory requirement to apply Tier 2 as minimum for all sources/sinks from 2028 and Tier 3 for specific sources/sinks from 2030 regardless of the size of emissions/removals impacts the level of detail necessary in the identification of lands and thereby require a significant change in the whole setup currently used for the emission inventory for the LULUCF sector. In addition to this, there is, for Denmark

as well as other member states, a significant need for new research to be carried out in order to establish national values for emission factors and other parameters. The new requirements for even very small sources in LULUCF are thus a costly challenge. The more precise scope of new data requirements and the costs of obtaining these data are currently being mapped by the Danish Centre for Environment and Energy (DCE) at Aarhus University and the Danish Ministry of Climate Energy and Utilities and is expected to be finalised in 2024.

It is important to note that one of the basic principles for national emission inventories in the IPCC Guidelines is that reporting resources should be focused on important sources/sinks identified using a key category analysis (KCA). As a general rule, it is consistent with good IPCC practice to apply a Tier 1 methodology for categories that are not identified as key categories. The proposal for amended regulation breaks with this practice and makes it mandatory to use a higher Tier regardless how insignificant the category may be in relation to the total national emissions. This departure from IPCC good practice raises concerns, especially when detailed estimation methodologies are required for insignificant sources/sinks.

Reference periods
The national consequences of the LULUCF-regulation are highly dependent on the reference period established in the regulation and may create unintended or coincidentally strict (or favourable) reduction targets on a national level. For instance, Denmark's LULUCF-emissions are highly dependent on forestry, and therefore the high level of seasonality in tree-harvesting. Consequently, a reference period spanning over e.g. 3 years, risks to be either very strict or the opposite, depending on whether or not the reference period is based in a "tree-harvesting-season" or not. One way to resolve this issue could be, when relevant, to broaden the timespan of reference periods used in future regulations.

Future of the LULUCF-regulation
Denmark finds that the LULUCF-regulation is not efficiently delivering net carbon removals for several reasons:

1) Sectors regulated through national targets such as the LULUCF and the Effort Sharing Regulation have significant differences in the marginal reduction costs between Member States, which makes the transition more costly than necessary.
2) Nationally binding sector targets have so far been less efficient in delivering emission reductions and lack transparent and effective monitoring and compliance mechanisms compared to EU-wide regulation.
3) The scope of the LULUCF sector is very heterogenous as it sets out to regulate all land-use. This complicates a focused, long-term approach on e.g. forest management.

Denmark advocates for reviewing the climate architecture for the agricultural sector and LULUCF to accommodate some of these challenges and to provide a better

baseline for regulation. Denmark proposes a new climate architecture constructed as follows:

1. *Emissions from agriculture and agricultural land*

Denmark proposes an agricultural pillar with a common EU target for agricultural emissions (including net emissions from agricultural land), achieved to the greatest extent possible through emissions trading and underpinned by EU-wide climate and environmental sectoral regulation and an EU common agricultural policy with a greater focus on climate and environment. Agricultural non-CO_2 emissions and net removals in agricultural soils should be considered together to allow for a more coherent regulation of the agricultural sector. Such a pillar, in which all farm emissions are accounted for would encourage farmers to make more cost-efficient mitigation efforts across the various emissions in the sector.

2. *Forestry and other land use*

The vast majority of the EU's GHG removals occur on forest land and could be handled in a separate pillar. With agricultural soils separated from this pillar, the scope becomes more homogeneous than the scope of the current LULUCF-regulation. Regulating emissions and removals from forest land in a separate forestry sector would allow for a more focused approach and ensure an appropriate balance between short-term and long-term climate benefits.

The strengthened monitoring and reporting requirements from the LULUCF-regulation and development of methodologies under the EU's certification framework (CRCF) could increase knowledge on how to best optimize a consistent, long-term and sustainable contribution from forests. Moreover, the CRCF could turn out to be a valuable tool by paving the way for efficient results-based payment schemes and by facilitating private finance on the voluntary market for climate credits.