



# Fit for 55

Revision of the LULUCF (and ESR) Regulation

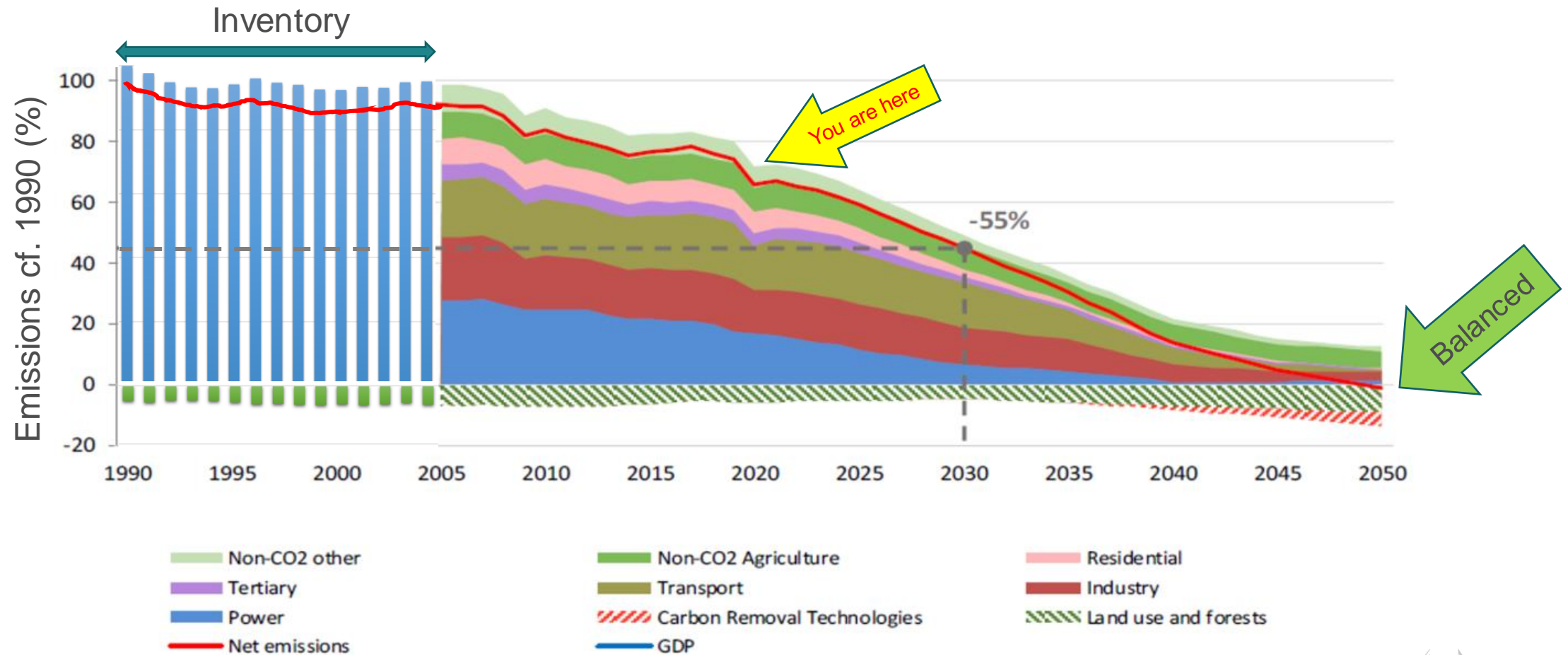
*Simon Kay*

*DG CLIMA, European Commission 03 Dec 2021*

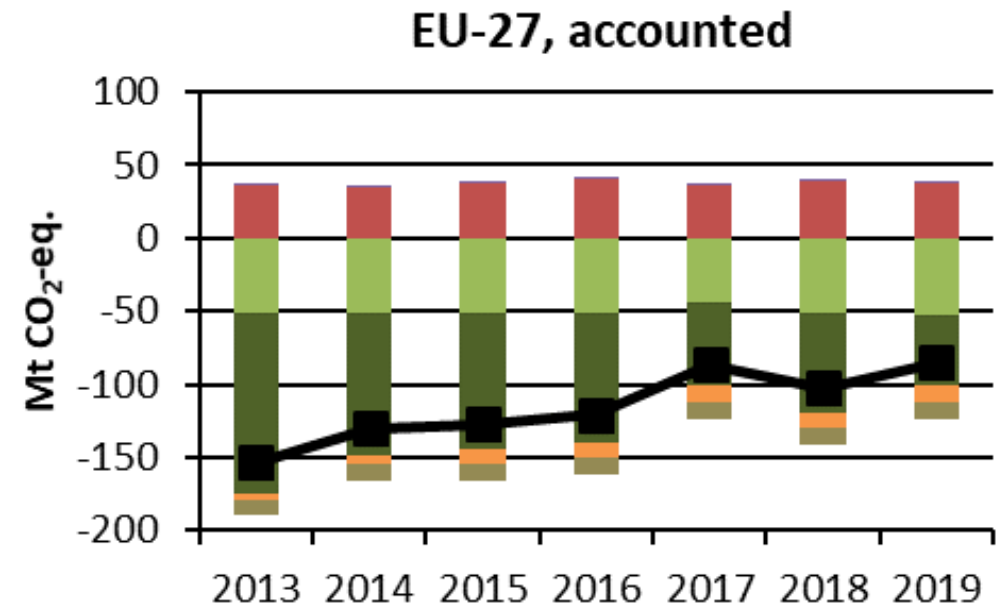
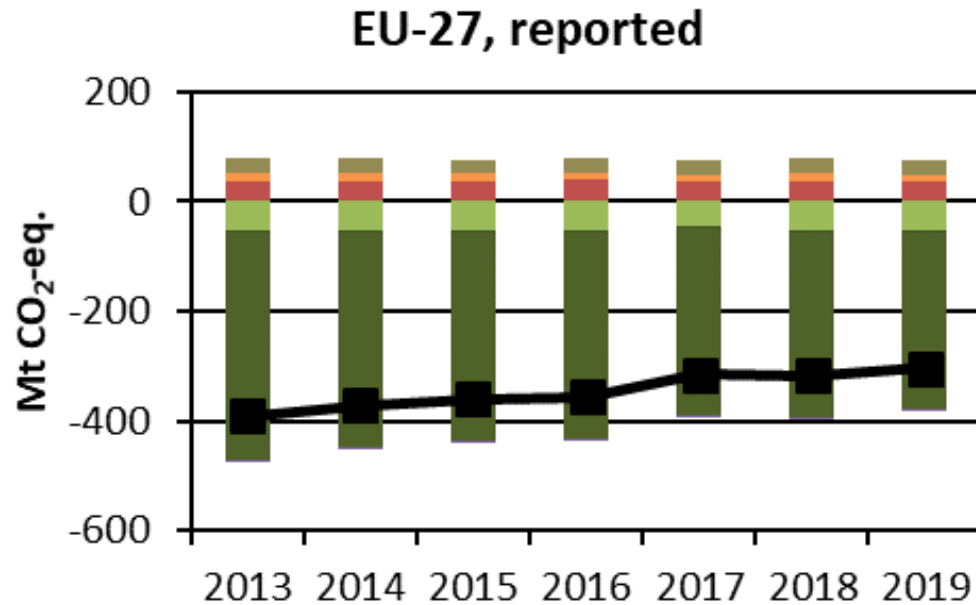
# Background – Impact assessment

Find it here: <https://europa.eu/!NG7K6U>

# Pathway to climate neutrality: Climate Law



# LULUCF KP intermediate results – EU-27



Afforestation / Reforestation

Deforestation

Forest Management

Cropland Management

Grazing Land Management

Revegetation

Total

# State of play: downward trend

Decreasing  
carbon  
removals in  
forests, soils,  
and wood  
products

Stable (inc. non-  
CO<sub>2</sub>) emissions  
from livestock,  
fertiliser use,  
soils

Complex  
compliance  
rules under  
LULUCF and  
Effort-Sharing  
Regulation

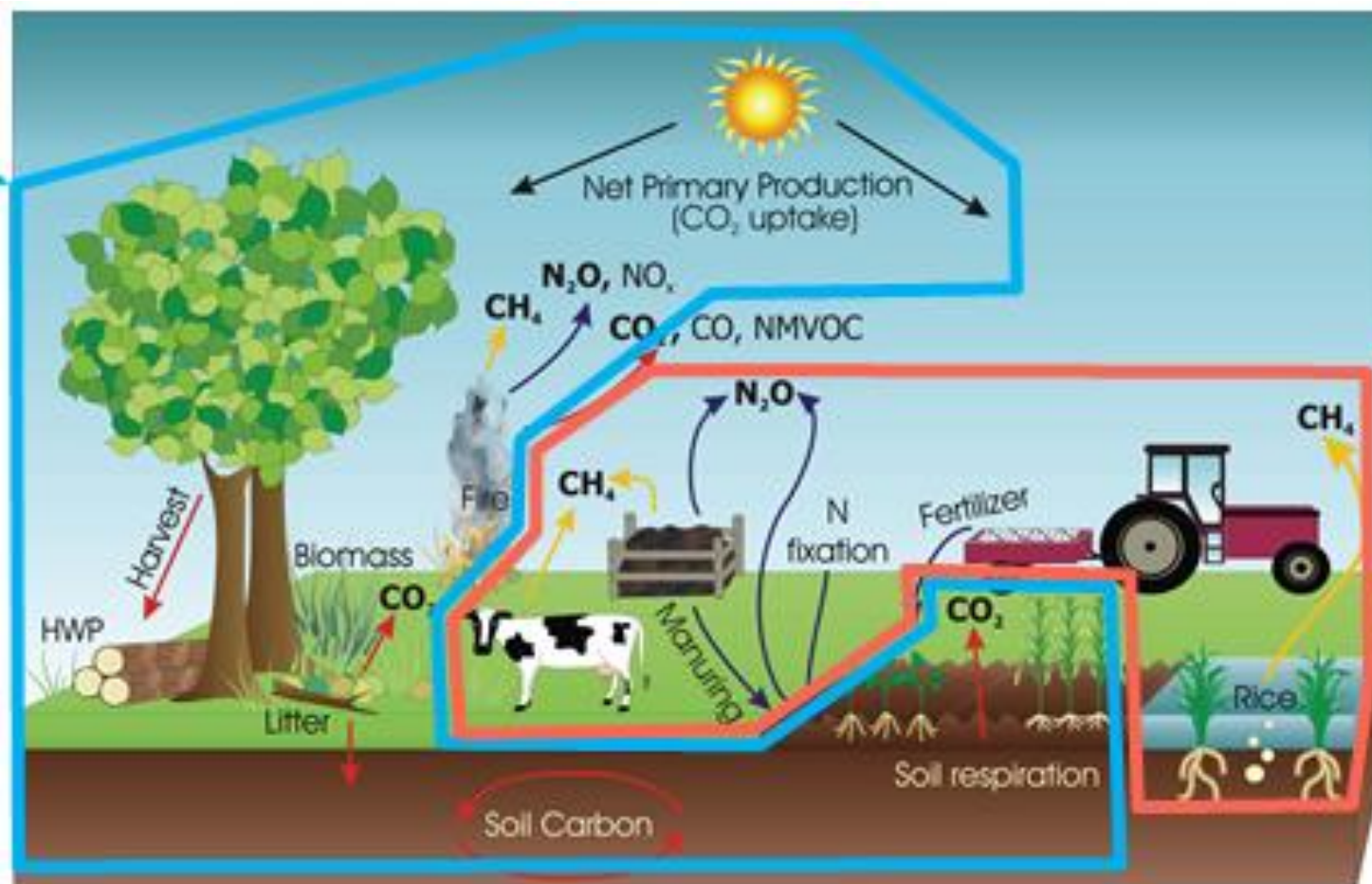


# Emissions and removals from land in the current EU policy framework

Land Use, Land Use Change and Forestry  
(LULUCF):  $\text{CO}_2$ ,  $\text{CH}_4$ ,  $\text{N}_2\text{O}$

AGRICULTURE *non- $\text{CO}_2$*   
(mostly  $\text{CH}_4$ ,  $\text{N}_2\text{O}$ ) – in the ESR

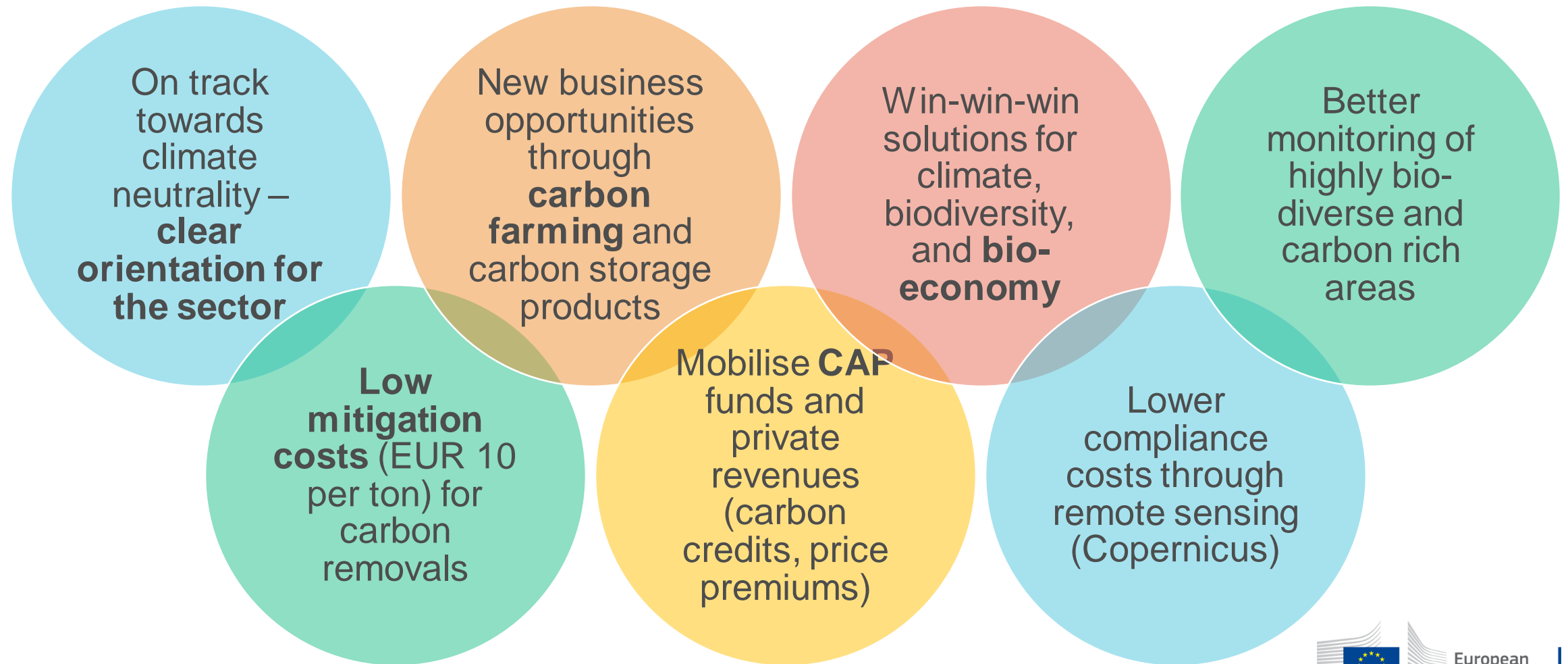
Partly human  
induced (linked to  
global natural  
carbon cycle)



All human-  
induced

IPCC 2006 Guidelines,  
Vol 4 Ch. 1

# Environmental benefits *and* business opportunities



# Policy options in the impact assessment

**Baseline:** Current legal framework (-224.9 Mt\*)

**Option 1:** Self-standing LULUCF target in 2030

- *Option 1.1: Changing the accounting rules for managed forest land (-259.7 Mt)*
- *Option 1.2: Setting a single removal target (-310 Mt)*

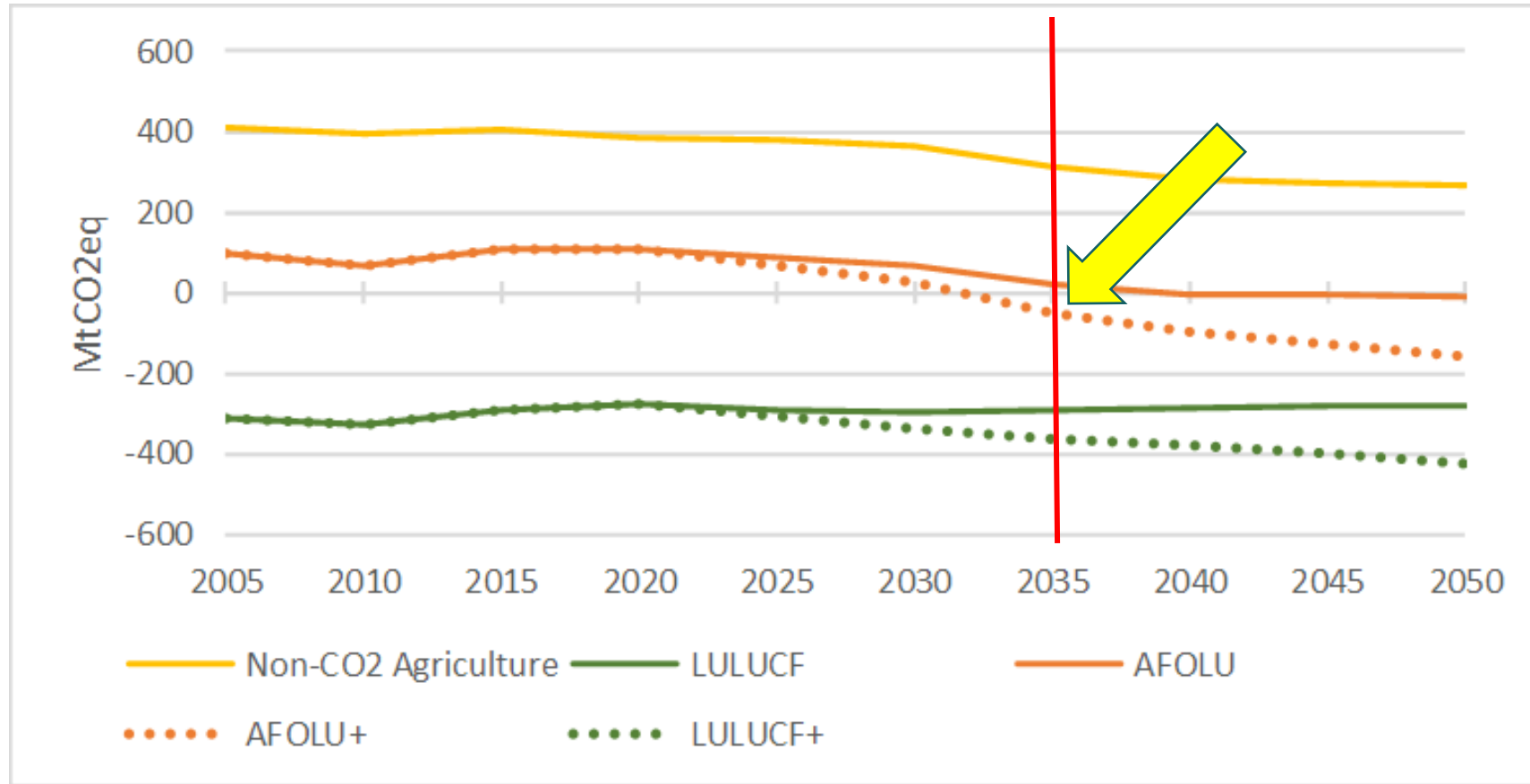
**Option 2:** Flexible LULUCF target in 2030 (-267.7 Mt). Additional action is driven by ambition in ESR. Involves more flexible trading with selling LULUCF credits to other MS for ESR compliance

**Option 3:** Fully integrated agriculture and LULUCF targets in 2030 towards land-based climate neutrality in 2035 (*net zero by balancing remaining emissions from agriculture with net removals from LULUCF*)

\* All quantifications of emissions and removals are in **mega tonnes (Mt)** of CO<sub>2</sub>-equivalent using GWP100 of AR5 for CH<sub>4</sub> and N<sub>2</sub>O



# The 2035 objective: climate neutral sector



- Land Use, Forestry, Agriculture

*LULUCF IA Figure 5 (p. 21) and CTP IA Figure 19 (p. 116)  
Chapter 10.4*

- On the pathway to climate neutrality of all sectors by 2050

# Policy options

	Option 1.1	Option 1.2	Option 2	Option 3
Environmental impacts	✓	✓✓✓	✓✓(✓)	✓✓✓
Distributional impacts	✓	✓✓	✓✓	✓✓
Economic impacts	0	✓	✓✓	✓✓✓
Administrative impacts	✓	✓✓	✓✓	✓✓✓
Effectiveness (climate neutral land sector by 2035)	✓	✓✓✓	✓✓(✓)	✓✓✓
Efficiency (fair, flexible, integrated policy framework)	✓	✓	✓✓	✓✓✓
Efficiency (Simplification)	✓	✓✓	✓✓	✓✓✓
Coherence with Options in ESR IA		1.2 or 2.2 with targets	1.1 or 2.1 with increased targets	3

✓✓✓ Very positive  
 ✓✓ Positive  
 ✓ Mildly positive  
 0 No or negligible impact

LULUCF IA Table 7 (p. 47)  
 and 8 (p 53) - modified  
 Chapter 6, 7, 8

# The legal proposal

Find it here: <https://europa.eu/!jPjNFP>

# Upgrading the regulation: objectives

**Simpler, more  
transparent and  
effective  
compliance rules  
and targets**

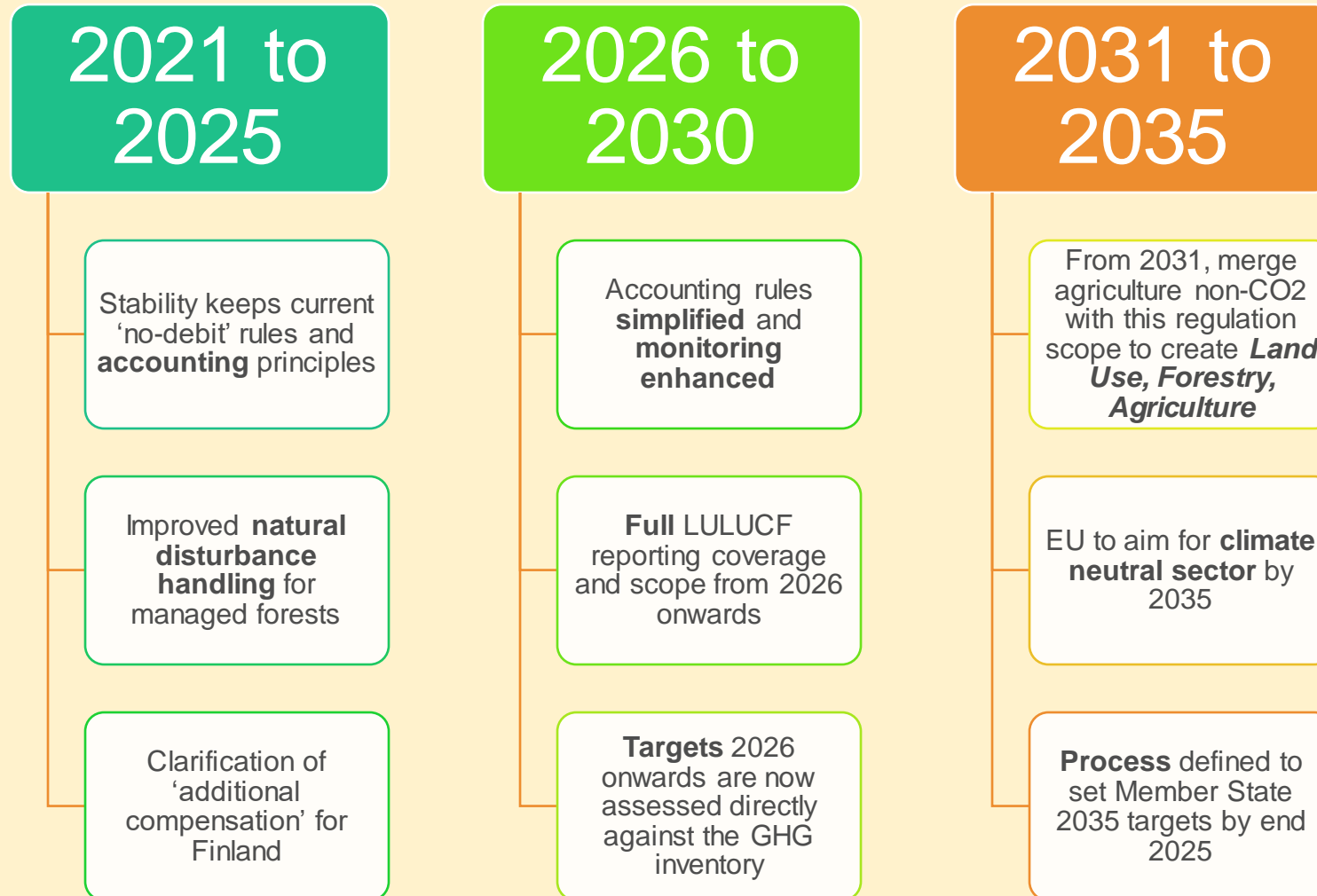
**Increase EU  
carbon removals to  
at least 310 Mt by  
2030**

**Climate neutral EU  
land sector by  
2035**

Aim:

Increased carbon  
removals to **balance**  
reduced agricultural  
emissions, **including**  
from livestock and  
fertiliser use

# Regulatory stability, transition to reporting-based approach, and climate-neutral framework



# Six topic “clusters” in the legal proposal

**Simplifying** the rules for compliance; **upgrading** the evidence base for policy integration

- Art 2(2), 2(3)\*
- Articles 6,7,8
- Art 10, 13a, 13b
- Gov. Reg. Annex V (in Annex III of proposal, main text & bullets (a) to (d)), Art 9

**Increasing** EU total **removals**, on the pathway towards 2050

- Art 4(2) (2030)
- Art 4(4) (2035)

**2030** target: allocation and trajectory for Member States

- Art 4(2), new Annex IIa (2030 allocation)
- Art 4(2) & (3) (trajectory 2026-2029)
- Governance Regulation Art 38

Includes amendment for ESR trajectory

**Target compliance, 2026 to 2030**

- Art 12(5) & (6)
- Art 13c

**Better compliance protection** against natural disturbances

- Art 10
- Art 13
- Art 13b

**2035** Member State target setting, process

- Governance Regulation Art 4 (enhanced NECP reporting)
- Art 4(4)

\* Note: Article numbering as in a “consolidated” legal text form



# The 2030 target allocation – the background

## Approach under ESR:

- GAINS modelling shows the physical potentials to reduce emissions
- GDP/capita is the **most objective proxy** to allocate targets to MS (with specific bounds and adjustments)

## Approach proposed for LULUCF (2026-2030)

- GLOBIOM and CAPRI modelled show biophysical potentials for reduce emissions and enhance removals
- Managed land area is the **most objective proxy** to allocate targets to MS

# Ambition and scope of the **ESR** amendment

Current 2030 target

**-29 %** compared to 2005

New 2030 target

**-40%** in line with  
cost efficient projections  
at the EU level

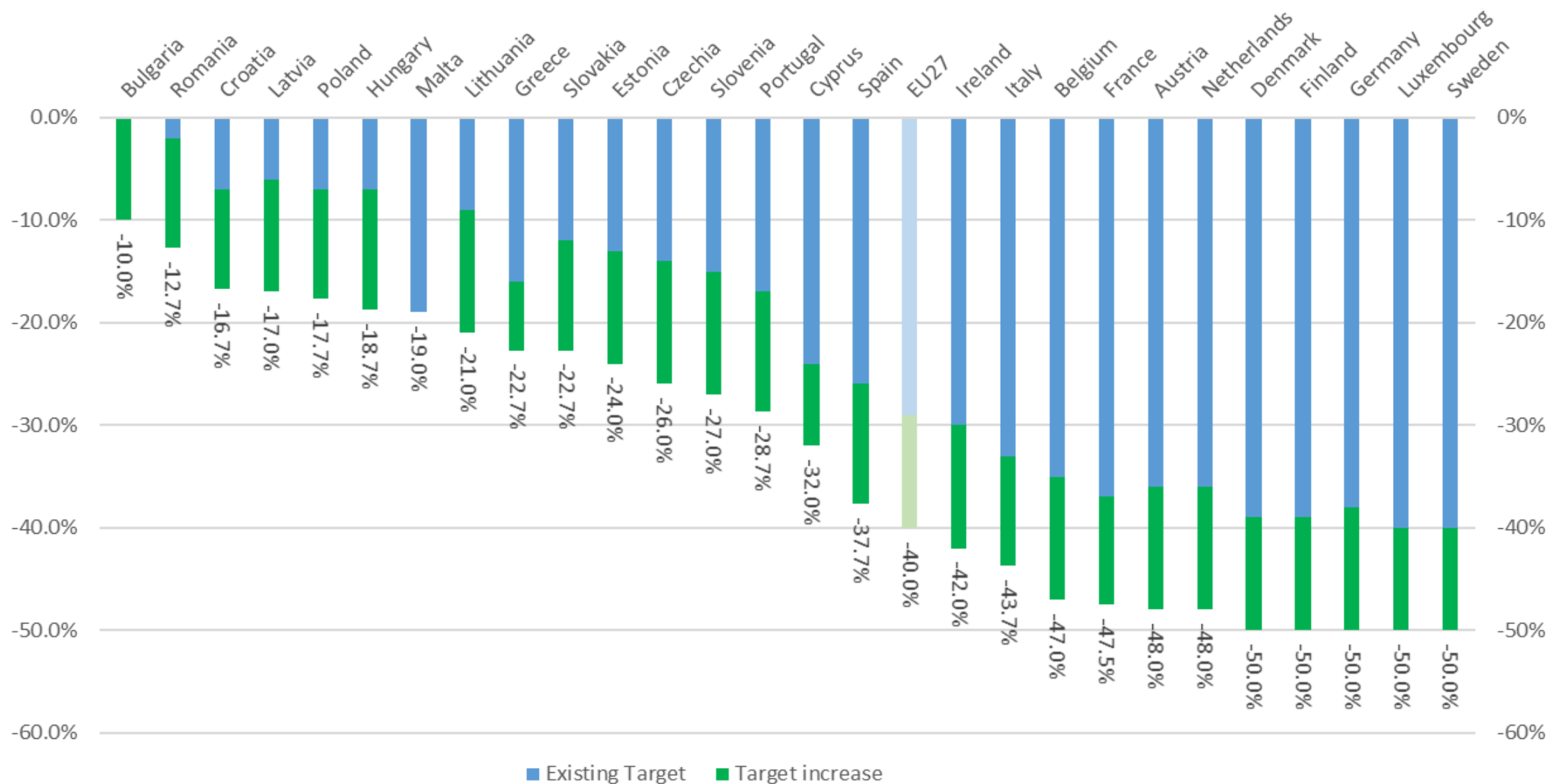
## ESR scope maintained

The ESR combines Member States' accountability for achieving their national emission reduction targets, with subsidiarity leaving the choice of measures to Member States to fulfil their commitments.

Applying emissions trading to buildings and road transport will complement this proven architecture, with a carbon price signal to trigger more reductions and deliver the increased ambition.



# Overview of Member States' **ESR** target-setting



# The 2030 **LULUCF** target allocation /1

European Union



Member State



# The 2030 LULUCF target allocation /2

Member State	LULUCF E/R av. 16-18 [Mt]	Man. land area av. 16-18 [km <sup>2</sup> ]	Man. land area av. 16-18 [%]	Additional mitigation 2030 [Mt]	Target 2030 [Mt]	Member State	LULUCF E/R av. 16-18 [Mt]	Man. land area av. 16-18 [km <sup>2</sup> ]	Man. land area av. 16-18 [%]	Additional mitigation 2030 [Mt]	Target 2030 [Mt]
Belgium	-1.0	30,528	0.8	-0.3	-1.4	Lithuania	-4.0	63,061	1.6	-0.7	-4.6
Bulgaria	-8.6	111,002	2.7	-1.2	-9.7	Luxembourg	-0.4	2,586	0.1	0.0	-0.4
Czechia	-0.4	78,869	2.0	-0.8	-1.2	Hungary	-4.8	89,425	2.2	-0.9	-5.7
Denmark	5.8	42,053	1.0	-0.4	5.3	Malta	0.0	201	0.0	0.0	0.0
Germany	-27.1	357,901	8.9	-3.8	-30.8	Netherlands	5.0	41,530	1.0	-0.4	4.5
Estonia	-2.1	41,358	1.0	-0.4	-2.5	Austria	-4.8	83,870	2.1	-0.9	-5.6
Ireland	4.4	59,432	1.5	-0.6	3.7	Poland	-34.8	312,713	7.7	-3.3	-38.1
Greece	-3.2	110,500	2.7	-1.2	-4.4	Portugal	-0.4	92,393	2.3	-1.0	-1.4
Spain	-38.3	506,510	12.5	-5.3	-43.6	Romania	-23.3	228,299	5.7	-2.4	-25.7
France	-27.4	638,602	15.8	-6.7	-34.0	Slovenia	0.1	20,273	0.5	-0.2	-0.1
Croatia	-4.9	56,594	1.4	-0.6	-5.5	Slovakia	-6.3	48,095	1.2	-0.5	-6.8
Italy	-32.6	301,336	7.5	-3.2	-35.8	Finland	-14.9	275,408	6.8	-2.9	-17.8
Cyprus	-0.3	6,018	0.1	-0.1	-0.4	Sweden	-43.4	377,027	9.3	-4.0	-47.3
Latvia	0.0	61,059	1.5	-0.6	-0.6	Total	-267.7	4,036,645	100.0	-42.3	-310.0

# The 2030 LULUCF target allocation /3

## Forest 'aging' in *uneven aged* forests:

- Modelling the aging of forests is important where the reference period (2000-2009) is on average **23 years (17 to 30yrs)** from the compliance period.
- Moving start level to 2016-2018 shortens this period to **11 years**
- Setting out the annual trajectory start level to 2022 reduces the gap to **6 years**

→ The impact of aging is negligible, because the start level is close to the compliance period.



# Art 9: Widening scope to carbon storage products

## What is the purpose of replacing the former category Harvested Wood Products with *Carbon Storage Products*?

- It is not a replacement – it is a broadening of the concept, “chapeau”.
- HWP as currently defined and reported **will still count towards the LULUCF target!**

## How does this category relate to the upcoming carbon removal certification framework?

- Links very closely to carbon farming, industrial removals, capture and storage, innovation products from biomass, etc.

## Does this product category include bio-CCS/BECCS technology?

- Potentially, includes BECCS; and we need to work out which products could count towards the (LULUCF) removal target
- Start point: “new categories of carbon storage products ... that have a carbon sequestration effect”

# Providing better protection against natural disturbances, for Member State compliance

## Art 10

- Up to **2025**:
  - Kyoto-style natural disturbance exclusions (Art 10) and “managed forest land flexibility” (Art 13) **continue to apply**

## Art 13

- **New for 2021 to 2025: Extra** distribution possible, for natural disturbances in **forests**
- Up to the **unchanged** agreed limits (Art 13(3), Annex VII)
- Commission to assess and implement this distribution (Art 13(4))

*Equals ½ of sum of Annex VII (without UK), i.e. 178Mt*

## Art 13b

- From **2026 to 2030**, no sub-sector benchmarks like FRL:
  - so Art 13 principle **extended to entire sector** – not only forest land
  - **extra** distribution possible for natural disturbances
- Commission to assess and implement this distribution (Art 13b(5))

# State of play

**Ambitious and credible targets and governance for Member States**



**Review of the LULUCF Regulation**  
Commission proposal in July 2021

**Review of the Effort Sharing Regulation**  
Commission proposal in July 2021

**Co-legislation process**  
*ongoing*

**Better business incentives for farmers and foresters**



**Sustainable carbon cycles / Carbon farming initiative**  
Dec 2021 <https://europa.eu/w4CfPX>

**Certification of carbon removals**  
Commission proposal in 2022

**CAP - 2023 to 2027, process**  
Submission of Strategic Plans by 31 Dec 2021

# Thank you!

See the LULUCF Impact Assessment: <https://europa.eu/!NG7K6U>  
upgrade amendment proposal: <https://europa.eu/!jPjNFP>  
and factsheet: <https://europa.eu/!n87V6u>



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