



NGO POSITION ON THE POST-2020 LULUCF REGULATION

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Climate Action Network (CAN) Europe is Europe's largest coalition working on climate and energy issues. With over 130 member organisations in more than 30 European countries - representing over 44 million citizens - CAN Europe works to prevent dangerous climate change and promote sustainable climate and energy policy in Europe.

This position paper is endorsed by all members of CAN Europe and by the NGOs and networks listed on p. 7

INTRODUCTION

In July 2016, the European Commission published their proposal for a Regulation for the Land Use, Land Use Change and Forestry (LULUCF) sectors which sets out the accounting rules and the targets that determine how Member States must act between 2021 and 2030 (see [here](#)).

The proposed Regulation is unambitious and must be strengthened in several ways to ensure that the LULUCF sectors sufficiently contribute to achieving the European Union's international commitments under the Paris Agreement. These include the Agreement's long-term objectives to keep temperature rise to well below 2°C and pursue efforts to limit it to 1.5°C, and to achieve a balance between anthropogenic emissions by sources, and removals by sinks, of greenhouse gases in the second half of this century.

Healthy land and forests have long been recognised as important players in averting catastrophic climate change. But their role is set to become increasingly important for stopping global warming. At the moment, countries, including the EU, have not committed to emissions cuts that are ambitious enough to stay within the remaining carbon budget¹ for 2°C, let alone 1.5°C.² Scientists say we will have to find ways to remove more CO₂ from the atmosphere that we emit – so called “negative emissions”. Technically, there are many ways to do this using chemistry and geology. But the most feasible, economic, and safe option is to use the power of biology – harnessing the process of photosynthesis in plants to absorb atmospheric CO₂.³

Europe must shift towards more sustainable forestry and land management since restoring forests is the most feasible option to achieve negative emissions at scale. LULUCF is therefore a crucial pillar of the EU's 2030 climate and energy framework, alongside the Emissions Trading System and the Effort Sharing Regulation. To improve the LULUCF proposal, NGOs would like to share the following recommendations.

¹ A carbon budget is the total amount of CO₂ that can be emitted in order to remain within a given temperature target, e.g. for a 60% chance of limiting warming to 1.5°C, the world can only emit a further 200GT of CO₂, which is less than 5 years of emissions at the current rate of emissions. See: <https://www.carbonbrief.org/analysis-only-five-years-left-before-one-point-five-c-budget-is-blown>

² www.sitra.fi/julkaisut/muut/What_does_the_Paris_climate_agreement_mean_for_Finland_and_the_European_Union.pdf

³ www.sei-international.org/mediamanager/documents/Publications/Climate/SEI-WP-2016-08-Negative-emissions.pdf

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1. RAISING AMBITION: INCREASING THE LULUCF SINK

The LULUCF sector in the EU as a whole is a net sink, removing about 350 million tonnes (Mt) of CO₂ every year from the atmosphere. However this sink is projected to decrease to 250 Mt by 2030, and continue decreasing until 2050 and beyond.⁴ There are numerous reasons for this. But to a large degree, it is because the EU expects that Member States will increase forest harvesting in the future, in part due to increased demand for biomass for bioenergy.⁵ The proposed 2030 emissions target for LULUCF is set indirectly through article 4 of the regulation, via the so-called ‘no-debit rule’. This states that for the EU as a whole and for each Member State, ‘accounted’ emissions should not exceed ‘accounted’ removals⁶. However this rule does not set a clear target to increase future CO₂ removals.

In contrast, to achieve the negative emissions required in the future to meet the Paris Agreement’s goals, the land-use sectors must increase the amount of CO₂ that is removed from the atmosphere and stored in perpetuity⁷, and do so in a way that is sustainable, without compromising the long-term viability of natural resources, ecosystem services, biodiversity, or food security.

For this to be possible, the EU needs to account for anthropogenic LULUCF emissions and removals honestly, and set a more ambitious target for the land use sectors that incentivises an increase in the size of the anthropogenic carbon sink and in the levels of carbon stored in landscapes. At the same time, given how small the world’s remaining global carbon budget is, increased mitigation action in the LULUCF sectors must not be allowed to disincentivise all other sectors from decarbonizing as fast as possible, if we want to achieve ambitious climate goals such as 1.5°C.

⁴ See Figure 2 of the Commission’s [LULUCF Impact Assessment 2016](#)

⁵ Direct harvest for energy in the EU’s latest scenario expands to 28% (159 Mm³) of harvest by 2030.

⁶ Because some emissions and removals from LULUCF are the result of natural cycles or of environmental changes, not purposefully caused by humans today, accounting for LULUCF emissions tries to factor these out to include only the changes that are attributable to human activity. This has, however, proved problematic in practice, as current accounting methods have allowed some human-caused emissions to be unaccounted for, and thereby hidden.

⁷ This means that any increases in the total amount of carbon stored in soils, trees, and plants must remain stable for many hundreds to thousands of years, or that carbon from these stores needs to be continuously moved underground where it can remain for millennia or more.

In order to determine what a more ambitious LULUCF target consistent with the EU's Paris commitments would be, the EU urgently needs a coherent mid- and long-term strategy for the sustainable recarbonisation of its land use sectors (i.e. increasing the amount of carbon removed stored by landscapes). This strategy must be integrated in the Long-term Low Greenhouse Gas Emission Development Strategy that the EU needs to develop as part of the implementation of the Paris Agreement. This EU-wide strategy needs to include 2030, 2040, and 2050 targets for forestry and other land-use sectors. These targets must take into account the EU's 2050 objectives, as well as the IPCC's 2°C and 1.5°C compliant carbon budgets, and must be reviewed as new science becomes available.⁸ Accompanying the Strategy must be an integrated assessment of future land use pathways, to identify those that are most consistent with achieving the multiple objectives of EU land use and which should evaluate effects on international emissions beyond the EU; the mitigation potential of changes in subsidies and demand; and the expected impacts on EU biodiversity and food security objectives.

The LULUCF directive furthermore must include a review clause that is in line with the EU's Paris commitments. The Paris Agreement requires all countries to come up with contributions to reduce emissions every five years. The UNFCCC review of collective efforts to tackle climate change under the Paris Agreement will take place starting in 2018 and every five years thereafter. The EU LULUCF Regulation must be in line with this timetable.

CAN EUROPE CALLS FOR

- **The setting of an EU-wide LULUCF emissions target that is consistent with achieving the long-term goals of the Paris Agreement.**
- **The inclusion of LULUCF sectors in the Long-Term Low Greenhouse Gas Emissions Development Strategy, with clear milestone targets for 2030, 2040 and 2050 and beyond, and for that strategy to provide information on future pathways that are consistent with the multiple objectives of the land use sectors.**
- **The LULUCF Regulation to include a revision clause that ensures that when the EU changes its Nationally Determined Contribution under the UNFCCC, the LULUCF target is strengthened**

2. SIMPLE ACCOUNTING RULES TO ENCOURAGE SUSTAINABLE FORESTRY AND GOOD LAND MANAGEMENT

While the Commission's LULUCF proposal includes some improvements to accounting rules, it still contains three different ways of accounting.⁹ Ultimately, these rules should be harmonised to ensure that they translate into positive action on the ground. Accounting rules should help us track whether we are on the right trajectory to limiting warming to 1.5 degrees. Setting a clear target consistent with this trajectory, in combination with 'net-net' accounting for all emissions, using a past date or period as a baseline, allows progress towards achieving mitigation goals to be planned and monitored more easily and provides for greater consistency with international accounting rules. Net-net accounting rules also have higher environmental integrity because they account fully for changes in emissions, whereas future or 'projected' reference levels can hide emissions and therefore do less to incentivise action for the climate.

⁸ The IPCC will publish a special report on 1.5°C in 2018, which the EU should take into account in its 2050 roadmap for LULUCF.

⁹ For a further explanation on these three methods, see [here](#).

The Proposal's accounting rules:

- **Afforested, reforested and deforested land** (Article 6) is **accounted for gross-net**: all associated emissions and removals are counted towards targets. This method is intended to disincentivise deforestation and incentivize afforestation and reforestation equally. But in doing so it creates stronger incentives to afforest/reforest than to improve grazing and crop land management because it creates far more credits, creating unfair competition between the activities.
- **Managed cropland, grassland and wetland** (Article 7) are **accounted for net-net**: the differences in emissions, relative to a historical baseline level, are counted towards targets. This encourages countries to continually improve because action is compared to a time in the past against which countries can measure progress. These are the only LULUCF activities to be accounted for simply and transparently.
- **Managed forest land** (Article 8) (which makes up almost all of the sinks) is **accounted for against a future or 'projected' reference level, though countries must base their projection on a continuation of historical forest management practices and harvesting intensity from 1990-2009**. Though this is an improvement on past rules, it is still uncertain whether countries will accurately account for reductions in the sink due to increased harvesting. Projected or 'future' reference levels are notoriously complex and unreliable, because producing it asks countries to accurately and objectively project future emissions and removals. In the past, this has led to a major over-estimation of emissions, leading to windfall credits.¹⁰

As discussed above, having these three different accounting methods makes emissions accounting non-comparable between LULUCF accounting categories, European Member States, and the rest of the world. These different methods are also not transparent for policymakers or the public. We therefore call for a simplification that would also enhance the accuracy of LULUCF accounting and increase the environmental integrity of the rules. This change must ensure, at a minimum, that there is no backsliding of ambition due to changes in accounting rules.

CAN EUROPE CALLS FOR

- **Net-net accounting rules for all LULUCF sectors and a reduction target consistent with achieving the long-term goals of the Paris Agreement of limiting warming well-below 2 degrees and 1.5 degrees.**

3. MANDATORY ACCOUNTING FOR 'MANAGED WETLAND'

Peatlands and wetlands represent habitats of high conservation value and additionally are some of the most important carbon stores in the EU and on earth. But when degraded they can emit large amounts of CO₂, and they do so for a long time. Currently, accounting for 'managed wetlands' is an optional activity for Member States. As a result, there is no accounting incentive for Member States to restore degraded peatlands due to peat extraction or other activities that degrade peatlands. This does not make sense from either a climate or biodiversity perspective. Nor does it amount to economy-wide emissions reductions from all sectors, which was the aim of the EU 2030 framework. A credible EU approach to

¹⁰ We share many of the concerns about forest management reference levels expressed by the Commission in its impact assessment and acknowledge that their proposal tries to improve them. However, they do so insufficiently. We consider that it would be best to abandon the approach altogether and employ net-net accounting as with all other sectors.

LULUCF must seek to maximise the combined climate and biodiversity benefits of restoring wetlands, and include all emissions sources and sinks.

CAN EUROPE CALLS FOR:

- **The LULUCF accounting category ‘managed wetland’ to be made compulsory for all Member States and be accounted towards their compliance commitments under the LULUCF Regulation.**

4. ENSURE RESPECT FOR EU NATURE LEGISLATION

Forestry and land use have a significant impact on EU biodiversity and ecosystems services. Consequently, changes in incentives for forestry and land use to maintain or increase carbon storage has the potential for either negative or positive consequences for biodiversity, with significant implications for EU biodiversity objectives. The fact that forest area in Europe has increased since 1990 by 17 million hectares should be cause for celebration¹¹. Unfortunately, much of this afforestation has come at a high price to biodiversity, in the form of monoculture plantations of non-native species, replacing biodiverse grasslands¹². What is clear is that all future pathways towards emissions reductions in the LULUCF sectors are not equal for biodiversity. In light of this, LULUCF sector measures such as afforestation undertaken by Member States for climate change mitigation purposes should also ensure consistency with the achievement of European Union biodiversity objectives, including those set out in the European Union Biodiversity Strategy, the Birds Directive and the Habitats Directive.

CAN EUROPE CALLS FOR

- **Member State compliance reporting under the LULUCF regulation also to include an assessment of the impact of mitigation actions on the achievement of EU biodiversity objectives, as specified in the EU biodiversity strategy and in the Birds and Habitats Directives.**

5. NO OFFSETTING FROM THE FORESTRY SECTOR

The following ask is related to the LULUCF sector but is covered through a different legislative dossier. The European Commission’s proposal on the non-ETS sectors for 2021-2030 (now called the Effort Sharing Regulation, ESR¹³) was released on July 20 2016, see [CAN Europe Position On The Effort Sharing Regulation](#).

Article 7 of the ESR proposal spells out the rules for using offsetting from the land use sector. In total this loophole would allow EU countries to increase greenhouse gas emissions in the non-ETS sectors by **280 million tonnes**. The Commission proposes that this loophole be shared between countries depending on the relative size of their agricultural non-CO₂ emissions, as compared within total emissions from their non-ETS sectors. However, although access to offsetting is determined according to agricultural sector emissions, these credits may be used to offset emissions from any of the non-ETS sectors governed by the ESR.

¹¹ <http://www.eea.europa.eu/soer-2015/europe/forests>

¹² Burrascano et al. (2016). *Current European policies are unlikely to jointly foster carbon sequestration and protect biodiversity*. Biological Conservation; Graham et al. (2015). *Implications of afforestation for bird communities: the importance of preceding land-use type*, Biodiversity and Conservation

¹³ The ESR sets binding annual greenhouse gas emission reduction targets for Member States for the period 2021–2030 for the sectors of the economy not regulated under the EU Emissions Trading System (ETS). These so called non-ETS sectors include buildings, agriculture, waste management, and road transport accounting for almost 60% of total EU emissions in 2014.

The EU's 2030 targets in the ESR sector are already inconsistent with meeting its climate change commitments made under the Paris Agreement. For this reason, further weakening of these targets through offsetting is unacceptable. **The currently proposed loophole of 280 million tonnes of LULUCF offsets means that in total, the EU may only reduce emissions by 38% in 2030, rather than by "at least 40%" as it has committed to internationally.**¹⁴ Importantly, LULUCF emissions reductions are not equivalent in their impact to those undertaken in the ESR sector (since removals of CO₂ from forests do not fully cancel out CO₂ emissions from fossil fuels)¹⁵ and so their substitution lowers the overall ambition of EU climate action, and reduces the chances of meeting long-term climate goals.

Carbon storage in landscapes is limited in its capacity (i.e. when they reach their carbon carrying capacity¹⁶), meaning that we need to consider carefully how to use this limited potential. If we use it on top of ambitious non-ETS emissions reductions in the ESR, we will be able to reach more ambitious climate targets. Conversely, using it for offsetting in order to allow ESR sectors to emit more, puts ambitious climate targets out of reach¹⁷.

The Commission proposes to limit the type of land-use activities that can be used for offsetting, i.e. only from planting trees (afforestation) or from better managing cropland and grassland to reduce emissions. Existing forests (forest management) cannot be used for offsetting under the ESR. This exclusion is very important because the accounting rules for forest management and their environmental integrity are still unproven. In the past, a number of Member States used projections that turned out to be very far from reality, leading to a windfall of free credits that some member states have described as 'hot air'.

Despite all these risks, the Commission's LULUCF proposal specifies that the forest management exclusion is subject to review; depending on the development of new accounting rules, this could change at a later date. Given the high risks, this exclusion must remain in the ESR proposal and the LULUCF regulation must move towards honest accounting rules that encourage countries to increase, rather than decrease, their sink (see above point 2 on accounting rules).

CAN EUROPE CALLS FOR

- **Rejecting the possibility for countries to use offsets from the forestry sector to reduce efforts in the non-ETS sectors under the Effort Sharing Regulation.**

6. FULL ACCOUNTING FOR EMISSIONS FROM BIOENERGY

The following ask is related to the LULUCF sector but is covered through a different legislative file. The new Bioenergy Sustainability Policy forms part of the Renewable Energy Package, released at the end of 2016.

Together with the publication of the proposal for a LULUCF Regulation the Commission stated: *"Emissions of biomass used in energy will be recorded and counted towards each Member State's 2030 climate commitments. This addresses the common criticism that emissions from biomass in energy production are not currently accounted for under EU law. As forest management is the main source of biomass for energy*

¹⁴ Impact Assessment LULUCF 2016

¹⁵ <http://www.nature.com/nclimate/journal/v3/n6/full/nclimate1804.html>

¹⁶ The carbon carrying capacity refers to the amount of carbon able to be stored in a terrestrial ecosystem under prevailing environmental conditions

¹⁷ <https://www.sei-international.org/mediamanager/documents/Publications/Climate/SEI-WP-2016-08-Negative-emissions.pdf>

*and wood production, more robust accounting rules and governance for forest management will provide a solid basis for Europe's future post-2020 renewables policy.*¹⁸

But the accounting rules in the proposed LULUCF Regulation still do not effectively capture all the emissions from bioenergy. The regulation also does not (and indeed by definition cannot) provide sufficient incentives to ensure that bioenergy used and supported through EU policies will be low-carbon and significantly reduce emissions, over a 2050 timescale, compared to fossil fuels. Safeguards to ensure that bioenergy is sustainable and low-carbon need to be directly coupled to the policies, sectors, and operators that are driving growth in bioenergy use. Therefore, safeguards need to be placed in the renewable energy and climate policy. The most effective way to ensure bioenergy significantly reduces emissions is to exclude biomass categories with high carbon emission risks (such as crops grown on agricultural land and whole trees from forests) from the renewable energy targets and public support and ensure that all the greenhouse gas emissions from bio-energy are accounted for in the EU's greenhouse gas accounting.¹⁹

CAN EUROPE CALLS FOR:

- **Strong bioenergy sustainability criteria that ensure that the EU only incentivises bioenergy that makes significant greenhouse gas savings and is resource efficient.**



This position paper is endorsed by all members of CAN Europe, and by the following NGOs and networks:



¹⁸ Fact sheet: Questions and answers on the proposal to integrate the land use sector into the EU 2030 Climate and Energy Framework http://ec.europa.eu/clima/news/articles/news_2016072001_en.htm

¹⁹ [A new EU sustainable bioenergy policy – Proposal to regulate bioenergy production and use in the EU's renewable energy policy framework 2020-2030](#)