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EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

Accompanying the document

Proposal for a Regulation of the European Parliament and the Council

amending Regulations (EU) 2018/841 as regards the scope, simplifying the compliance rules, setting out the targets of the Member States for 2030 and committing to the collective achievement of climate neutrality by 2035 in the land use, forestry and agriculture sector, and (EU) 2018/1999 as regards improvement in monitoring, reporting, tracking of progress and review

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Executive Summary Sheet (Max 2 pages)

Impact assessment on the review of the Land Use, Land Use Change and Forestry (LULUCF) Regulation

A. Need for action

What is the problem and why is it a problem at EU level?

The main problem is that the capacity of the LULUCF sector to remove CO2 from the atmosphere has been decreasing: a fifth of net removals from the sector were lost between 2013 and 2018. The main drivers are increasing wood harvests, continued emissions from organic soils, and lack of incentives. According to the Commission's projections, reversing this trend in the next decade is feasible, but the current regulatory framework does not provide sufficient incentives. Other problems are the lack of an integrated policy framework to enhance synergies in the land sector (agriculture and LULUCF), the complexity of the LULUCF accounting rules, and the quality gaps in monitoring and reporting systems.

What should be achieved?

The main policy objective is to achieve climate neutrality in the land sector by 2035 (i.e. balance of emissions and removals from LULUCF and agriculture); other objectives are to design a fair, flexible and integrated policy framework, to simplify implementation, and to improve monitoring and reporting.

What is the value added of action at the EU level (subsidiarity)?

Climate change is a transboundary problem where coordinated EU action supplements and reinforces national and local action effectively. Coordinated action allows for high EU wide ambition while recognising different capabilities to act among Member States and allowing for increased cost efficiency through appropriate flexibilities between Member States and in relation to other sectoral legislation (ESR).

B. Solutions

What are the various options to achieve the objectives? Is there a preferred option or not? If not, why?

Option 1 sets a more ambitious but simplified removal target for the LULUCF sector in each Member State. Option 2 combines simplified LULUCF targets with better incentives to enhance LULUCF removals via the flexibility with the Effort Sharing Regulation. Option 3 proposes a planning process and binding targets towards a climate-neutral land sector (LULUCF and agriculture) in 2035.

The preferred option is to combine simplified and more ambitious LULUCF national targets in 2030 (as in Option 1.2 or Option 2, depending on the level of the ESR targets) with an EU-wide objective of land-based climate-neutrality in 2035. It also features a planning process for land-based mitigation, national land targets for 2035 (to be established at a later stage), and upgraded monitoring and reporting requirements.

What are different stakeholders' views? Who supports which option?

Respondents to the Open Public Consultation had a preference for more ambitious LULUCF targets, which was selected by 45% of them (mostly: academia, EU citizens and NGOs). In second place, the integrated targets for the land sector were preferred by 40% of the respondents, mostly the private sector. A strengthening of flexibility with the ESR was the most preferred option among public authorities.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise of main ones)?

More ambitious LULUCF targets will bring clear environmental benefits besides climate neutrality in the land sector by 2035, such as co-benefits for climate change adaptation, biodiversity and the bio-economy, and incentives for new business models ("carbon farming") that generate additional revenues for land managers. The integrated planning process for the land sector and improved monitoring and reporting systems will ensure more effective policymaking and policy implementation.

What are the costs of the preferred option (if any, otherwise of main ones)?

According to the Commission's modelling (Policy scenario, also called MIX scenario), the most ambitious LULUCF target envisaged in the Impact Assessment (-310MtCO2eq in 2030) could be achieved at a modest carbon price of no more than 10 EUR per ton of CO2.

What are the impacts on SMEs and competitiveness?

This initiative will not affect SMEs in the land sector in a direct way (i.e. no direct reporting requirements at the level of the individual land managers). The proposed targets will drive national mitigation policies in the land sector, which can improve the long-term competitiveness of the bio-economy sectors (e.g. more sustainable provision of food, feed and biomass, and increasing resilience to climate change).

Will there be significant impacts on national budgets and administrations?

The simplification of the compliance rules will decrease regulatory costs. Improving monitoring and reporting systems will entail some costs, but it will also result in a more efficient use of already funded and available datasets and technologies (e.g. remote sensing) and more cost-effective decision making. An integrated planning for the whole land sector can build on the existing National Energy and Climate Plans, and will result in policy synergies, e.g. with the CAP, the Farm to Fork Strategy, the Forest Strategy and the Biodiversity Strategy. Impacts on national budgets would also result from trading of LULUCF credits, which could create revenues for Member States who overachieve their targets.

Will there be other significant impacts?

The proposed targets are in line with the climate mitigation and carbon removal capacities of the Member States and should ensure a fair distribution of the benefits and efforts.

Proportionality?

The preferred option is considered proportional to the higher climate ambition of the Fit-for-55 initiative and the objective of climate neutrality in 2050.

D. Follow up

When will the policy be reviewed?

A regular review will be foreseen in the legislation. It will be aligned with the review of other legislation such as for example in the proposal for the Effort Sharing Regulation.