



Climate Action Network Europe Position Paper on the revision of the EU LULUCF Regulation

Climate Action Network (CAN) Europe is Europe's leading NGO coalition fighting dangerous climate change. With over 170 member organisations from 38 European countries, representing over 1.500 NGOs and more than 47 million citizens, CAN Europe promotes sustainable climate, energy and development policies throughout Europe.

Introduction

While drastic near term emission reductions are key in averting catastrophic climate change, diverse and resilient land and forests have long been recognised as equally important given their importance to not only store and sequester carbon, but also because of their crucial role to support our ecosystems and their services.

Following an agreement on a revised EU 2030 target of at least -55% net greenhouse gas emission reductions the European Commission will present in July proposals to revise the EU climate and energy legislation for the period 2021-2030. This position paper addresses key issues for the revision of the EU Regulation on Land Use, Land Use Change and Forestry (LULUCF), please refer to our accompanying position papers with regards to our general demands on the overall EU climate policy architecture, the revision of the EU energy targets and carbon pricing¹.

Revision of the LULUCF Regulation is a chance to mitigate both the climate and biodiversity crises. The cheapest, most effective, and most readily available way to increase carbon sequestration is to protect and restore forests, peatlands, and other natural ecosystems. The current EU legislation far from incentivises this, leading to continuous loss of biodiversity and little to no climate crisis mitigation ambition in the sector. Urgent and far-reaching changes are needed, commensurate with the speed and scale of the climate emergency we face.

¹ An overview of CAN Europe's position papers can be found at: www.caneurope.org/news-publications

Main elements of the Climate Action Network Europe LULUCF position

1. A LULUCF sector target that is separate and not fungible with emission reductions

Net removals by the LULUCF sector need be additional to emissions reductions in other sectors and kept under a separate target with **no flexibility with the ETS and ESR sectors**. This is critical because emission reductions and removals in the LULUCF sector are not equal to emissions in other sectors and the two cannot simply be considered fungible. Measuring emissions and removals in the land sector is less accurate and land-based carbon stocks cannot be considered permanent in the same way as reducing fossil fuel emissions and keeping fossil fuels in the ground can. The climate and ecological crisis requires all sectors to do their maximum effort without progress in one undermining progress in the other.

2. A separate forward looking target of -600Mt by 2030 to LULUCF sector

Climate Action Network Europe remains of the view that the EU should reduce its net greenhouse gas emissions to zero by 2040 and by 2030 to reduce its greenhouse gas emissions by at least 65% compared to 1990. In addition, we call on **the EU to aim to increase the EU LULUCF sector's net contribution to -600 million tonnes (Mt) annually by 2030**, through a rapid expansion of practices that are a win-win for climate and biodiversity, and for the Commission and Member States to undertake urgent work on how to achieve this goal collectively across the EU.

3. Account honestly of everything that the atmosphere sees

The current LULUCF Regulation fails to provide full transparency on how member states set their forest reference levels, which can lead to large amounts of unaccounted emissions. Setting an overall LULUCF target of -600 Mt by 2030, with individual targets at the national level, allows for **accounting in relation to a future goal instead of an historical point in time or a constructed future baseline**. We also call for **an immediate start of accounting of wetland emissions** rather than delaying to 2026 as foreseen under the current Regulation.

4. Ensure synergies and concrete links between the LULUCF sector and the EU's biodiversity strategy

Revision of the LULUCF Regulation is a chance to mitigate both the climate and biodiversity crises, but changes in the incentives for forestry and land use can have either negative or positive consequences for biodiversity. The revised legislation must remain mindful of the impacts to biodiversity and ensure that concrete links will be drawn between the LULUCF Regulation and the European Union biodiversity objectives, including those set out in the European Union Biodiversity Strategy, in the EU Restoration Law and the Birds and Habitats Directive. CAN Europe calls for a development of a complementary carbon stock reporting system that allows to address these gaps, particularly with respect to monitoring biodiversity, resilience and the hence quality of carbon stocks and allows ensuring that the system does not incentivise conversion of biodiversity rich ecosystems.

Background and a more detailed CAN Europe position paper

Short analysis of the current LULUCF Regulation now under revision

The current EU Regulation for the Land Use, Land Use Change and Forestry was adopted in 2018 as part of the 2021-2030 EU's energy and climate policy framework that aimed to implement the EU's greenhouse gas emissions reduction target of at least -40% by 2030. The Regulation kept the LULUCF sector in its own pillar outside the -40% target with its own rules for accounting for emissions and removals, but allowed Member States to use the LULUCF sink to offset 280 Mt of emissions to cover their obligations under the Effort Sharing Regulation.

The core component of the Regulation is setting a "no-debit" rule, requiring Member States to ensure that accounted emissions (debits) from all land-use categories within the LULUCF sector do not exceed accounted removals (credits) from 2021 to 2030. However, the accounting rules for determining debits or credits still allow for significant loss of carbon sinks and stocks that are not visible in the accounting books by setting baselines that incorporate future harvesting levels that 'bake in' past emissions and that exclude emissions from wetlands.

While the no-debit rule is a central starting point, the Regulation neither prohibits Member States from reducing their carbon sink nor does it incentivise increasing it. What is more, the Regulation allows the EU sink to decrease. Forest lands, which contribute most to the sink, are accounted for through a complex process of setting Forest Reference Levels, and then comparing these projected levels to actual sinks. Member States play a key role in the process and have an incentive to politically manipulate their reference levels in order to have more lenient LULUCF targets.

Much more can be done in all land sectors to reduce emissions, increase sinks and the resilience and hence longevity of carbon stocks, and simultaneously protect and restore ecosystems and biodiversity. Protecting the remaining natural ecosystems and restoring degraded lands, in particular forests and wetlands is the most important and most urgent priority for all EU land sectors.

To summarise, the LULUCF Regulation fails to incentivise adequate action on the LULUCF sector to contribute appropriately and in sync with biodiversity and climate adaptation strategies to the EU's climate effort that is required for meeting the goals of the Paris Agreement.

Implications of the European Climate Law to the LULUCF sector

The recently adopted European Climate Law sets a binding goal of reaching net zero greenhouse gas emissions in the EU by 2050. The Law also addresses the EU's 2030 target and caps the LULUCF sector's contribution toward the EU's at least -55% net 2030 greenhouse gas target to annual removals of 225 Mt (reported as -225Mt)².

This cap defines that the sectors outside LULUCF will need to reduce emissions by at least 52.8% by 2030 under the net 55% target. Most importantly the cap ensures that increased ambition in the LULUCF sector will not result in decreased ambition in the ETS and ESR sectors. Therefore, if the EU's LULUCF sink remains as it is today, or further increases, the EU's combined emissions and removals net effort should result in surpassing the -55% from 1990 level.

Another important implication to the LULUCF sector set by the European Climate Law is that after emissions and removals have achieved balance, the net zero target, the EU aims to achieve net negative emissions. In other words within a couple of decades the EU will need to remove more carbon from the atmosphere annually than its sectors altogether will emit.

1-2. A separate forward looking target of -600Mt by 2030 to LULUCF sector

Across the EU, the lands under LULUCF as a whole remain a net sink, currently (2019) removing 264 Mt annually. This 265 Mt consists of approximately 135 Mt of emissions (mainly from croplands, wetlands and land conversion to settlements) and of -400 Mt of removals (mainly from managed forests). Unmanaged land remains outside the scope of the Regulation. The carbon sink has been decreasing in the last few years significantly to current -265 Mt. Under the current policy the sink is allowed to further decrease to -225 Mt by 2030 without Member States accumulating any debits. This is what is expected to occur if member states move on with plans to increase forest harvesting and continue to drain peatlands soils for agriculture, forestry and peat extraction.

² Under the current Regulation's no-debit-rule the sink is allowed to decrease to -225 Mt by 2030 without Member States accumulating any debits.

To meet the long term goals of the Paris Agreement, the land-use sectors must urgently increase the amount of CO₂ that is removed from the atmosphere and stored in landscapes long term, and do so while restoring ecosystems, so as to support and enhance the long-term viability of natural resources, ecosystem services, biodiversity, and ecological food production. If the EU wants to contribute towards limiting warming to 1.5°C without significant overshoot there is a pressing need for the land sector to be part of the solution over the coming decade. Business as usual is not acceptable.

CAN Europe calls for a -600 Mt annual net removal target (carbon dioxide equivalent) for the LULUCF sector by 2030, to be achieved through a rapid expansion of practices that are a win-win for climate and biodiversity. We base our call on the number of academic studies that have been recently released that assess the potential size of an ecologically viable LULUCF sink in the EU - aligned with the adaptation needs and the EU's Biodiversity Strategy. Öko Institute's Exploratory Analysis of an EU Sink and Restoration Target³, which reviews a wide range of existing studies, assesses a potential for an EU net sink up to -600 Mt annually by 2030. The EU Transition Pathways Explorer EUCalc⁴, put together by a large academic consortium, shows a potential for the LULUCF sink of -570 Mt per year in 2030, and -787 Mt in 2050. Two recent academic papers identify a potential in the EU's LULUCF sector far beyond -1000 Mt/yr by 2030⁵. The European Commission, in its Impact Assessment on the 2030 target⁶ is looking at significantly lower LULUCF targets for 2030, only up to 340 Mt per year.

To achieve a 600 Mt net LULUCF goal for 2030 there need to be radical changes to how we use land across the EU, facilitated by a significant reduction in the consumption and production of animal products such as meat and dairy, a reform of the EU's bioenergy rules, and a shift to a more circular economy. Emissions from organic soils need to be drastically reduced, through careful application of re-wetting approaches, and carbon stocks on cropland dramatically increased, through a major expansion of agroforestry and other climate and biodiversity-friendly farming practices. In forests, harvesting rates must be reduced significantly and forests must be managed with a close-to-nature approach, as the forests' ability to absorb carbon is closely related to harvesting rates.

³ Böttcher et al (2021) www.oeko.de Exploratory Analysis of an EU Sink and Restoration Target <https://www.oeko.de/fileadmin/oekodoc/GP-Sink-Target.pdf>

⁴ The EU Transition Pathways Explorer EUCalc <https://www.european-calculator.eu/>

⁵ While the two papers by Griscom et al and Roe et al identify an EU LULUCF sector potential of more than -1000 Mt annually by 2030, some concerns have been raised that the upper ranges might also imply unsustainable land use practices.

⁶ Stepping up Europe's 2030 climate ambition Commission Impact Assessment https://ec.europa.eu/clima/sites/clima/files/eu-climate-action/docs/impact_en.pdf

Reducing harvesting should go hand in hand through more efficient use of timber by recycling more and avoiding burning, waste and short lived products such as paper. Total timber harvesting in EU countries grew by approximately 20% between 2000 and 2018, leading to the current level when 77% of the EU's annual timber growth is harvested. Reducing harvesting from 77% to 50% of annual growth can, in the next 30 years, close to double the carbon intake by EU's forests to 488 Mt annually. In close-to-nature managed forests, trees can grow bigger and get older before being harvested, allowing for forest structures similar to natural forests to develop providing important habitat for many plant and animal species. Close-to-nature forests store more carbon and are more resilient to extreme weather events such as drought, floods, wildfires and heatwaves. The European Commission and EU Member States should undertake urgent work from a 'bottom-up' perspective on how to achieve the technical potential for increased net removals in the LULUCF sector identified by the academic studies mentioned above, and the policy framework needed to ensure that this is done in a socially fair and ecologically sustainable way.

Under the current Regulation the LULUCF sink's contribution toward the 40% reduction target was capped to an overall 280 Mt over 10 years. CAN Europe is of the opinion that the EU ETS and the ESR sectors need to reduce 65% by 2030, and removals by the LULUCF sector should be additional to this and under a separate target. The cap set by the text of the Climate Law increases transparency compared to the Commission's original legislative proposal and is a limited (although inadequate) measure to ensure that emission reductions are treated separately from net removals in the land use sector. Net removals by the LULUCF sector need be additional to emissions reductions in other sectors and kept under a separate target with no flexibility with the ETS and ESR sectors. This is critical because emission reductions and removals in the LULUCF sector are not equal to emissions in other sectors and the two cannot simply be considered fungible. Measuring emissions and removals in the land sector is less accurate and land-based carbon stocks cannot be considered permanent in the same way as reducing fossil fuel emissions and keeping fossil fuels in the ground can. The climate and ecological crisis requires all sectors to do their maximum effort without progress in one undermining progress in the other. Sinks are also at greater risk of reversal due to climate change induced by continued fossil pollution and hence face greater risk of fires and other nature's hazards including increasing water scarcity and droughts. To minimise these risks, land-use activities must promote ecosystem restoration, which supports biodiversity and therefore improves ecosystem resilience and climate adaptation.

3. Accounting honestly of everything that the atmosphere sees

The current LULUCF Regulation fails to provide full transparency on how Member States set their forest reference levels, which can lead to large amounts of unaccounted emissions.

First and foremost in the new revision, the accounting rules need to incentivise positive action on the ground. They must be clear and transparent to allow assessment toward the EU's carbon neutrality goal and toward the Paris Agreement's long term goals. Setting an overall LULUCF target of -600 Mt by 2030, with individual targets at the national level, allows for accounting in relation to a future goal instead of an historical point in time or a constructed future baseline.

This would also allow for accounting rules for forests to be aligned with greenhouse gas emissions reported in national inventories instead of applying an additional set of rules to generate a derived reference level. This approach would benefit transparency and accountability, reduce the risk of "hidden emissions" and generally incentivise action in the land use sector.

Furthermore, countries would be more likely to increase their ambition level in LULUCF if in addition to clearer accounting, there was a closer connection between concrete management practices and co-benefits for other policy targets, such as the new nature restoration targets.

The current or revised LULUCF regulation will not solve the problems of sustainability of bioenergy in Europe. Firstly, the LULUCF Regulation does not create the incentives for actors in the energy sector to avoid unsustainable bioenergy, hence the need for regulation in the energy sector. Indeed, as the EU Renewable Energy Directive puts it, sustainability criteria are needed in order to: "ensure that [bioenergy delivers] high greenhouse gas emissions savings compared to fossil fuel alternatives". Secondly, unless the accounting rules are radically improved, the current framework will not capture bioenergy climate impacts adequately, because existing (and to some extent future) forest harvesting levels are 'baked-in' to the system and because land can be used for energy crops without that creating a debit. Thirdly, the EU's LULUCF Regulation cannot govern imported bioenergy, and targets in the land use sector in countries supplying the EU are not as stringent as those for emissions reductions in the EU. Finally, the LULUCF regulation does not mitigate against biodiversity impacts other than carbon dioxide uptake, leaving the issue of forest health unaddressed. Given that the criteria in the RED are completely inadequate, and encourage types of bioenergy that increase emissions compared to fossil fuels, the only

solution to the bioenergy problem is a major overhaul of bioenergy regulation during the review of the Renewable Energy Directive (RED II).

The LULUCF Regulation sets out the rules for accounting carbon emissions and removals also in other land categories such as cropland, grasslands and from 2026 onwards also wetlands. Emissions from drained organic soils are among the largest greenhouse gas sources from the LULUCF sector in many European countries and thus a key category for greenhouse gas reporting. CAN Europe calls for an immediate start of accounting of wetland emissions rather than delaying to 2026.

4. Ensure synergies and concrete links between the LULUCF sector and the EU's biodiversity strategy

The LULUCF sector is fundamental, not just to climate change mitigation, but also to the EU's natural environment, its wildlife and people.

The changes in incentives for forestry and land use that are needed to support a major increase in carbon storage in landscapes have 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 celebration. 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 grasslands. That means the EU needs to put in place a policy framework that ensures future pathways towards dramatically increased net removals in the LULUCF sectors are restricted to those that ensure synergies between climate mitigation, biodiversity protection and ecosystem based adaptation. Not all potential measures are equal for biodiversity or people. In light of this, EU legislation must ensure that concrete links will be drawn between the LULUCF Regulation and the European Union biodiversity objectives, including those set out in the European Union Biodiversity Strategy, in the EU Restoration Law and the Birds and Habitats Directive. Regenerating biodiverse ecosystems will also help to ensure decreasing water availability and diverse and resilient ecosystems play a key role in climate adaptation under increasing extreme weather impacts.

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 and how they help fulfil the ecosystem restoration targets.

The EU is bound under the UN Framework Convention on Climate Change and the Paris Agreement to “conserve and enhance both sinks and reservoirs of greenhouse gases”, i.e. also the carbon stocks in the biosphere. The current EU LULUCF Regulation does not address the carbon stocks, but only the annual flows of greenhouse gases. This means it is not possible to see what is happening with carbon reservoirs in the landscape, where they are located, the nature of those stocks, and actions that may positively or adversely affect them.

Nature-based solutions can address climate change, biodiversity loss, human well-being and their interactions in an integrated way, but due to the current carbon accounting that focuses only on the flows, important aspects of the carbon cycle are often missed. This has in some cases led to undervaluation of intact ecosystems.

Current approaches to carbon accounting in land and forests do not support integrated action and hinder the ability to see important differences in land, forest and ecosystem conditions that impact the stability and longevity of carbon storage. Importantly the condition (or integrity) of natural forest and other ecosystems’ carbon stocks is influenced by biodiversity and practices that generate soil health, air and water quality – the closer to natural patterns of biodiversity distribution and abundance, the greater ecosystem stability, resistance to threats and adaptive capacity.

To enable more fit for purpose policy measures that benefit climate, biodiversity, ecosystem services and people, CAN Europe calls for a development of a complementary carbon stock reporting system that allows to address the gaps, particularly with respect to monitoring biodiversity, resilience and the hence quality of carbon stocks and allows ensuring that the system does not incentivise conversion of biodiversity rich ecosystems.