

ANNEX to the EEB Response to the Public Consultation on EU Climate Targets for 2040

Clarification on the future role of ESR and links with the ETS

In 2018, the ESR represented 57% of the total GHG emissions in the EU. The regulation sets legally binding annual GHG emissions targets that each Member State must reach. However, they are aggregate targets – in other words, Member States can choose to focus their GHG reduction efforts on some sectors to achieve their target, leaving GHG emissions from other sectors untouched. While this system has been set up to achieve efficient emissions reductions, in practice it may allow lower climate ambition than would be efficient in some sectors based on other criteria, such as their ability to lobby against regulation. Consequently, non-CO2 emissions from agriculture have been largely left unaddressed to reach the national targets. According to the EEA, Effort Sharing emissions have declined by almost 11% between 2005 and 2018 but agriculture, the third largest source of emissions in the ES sectors, contributed only 1% of the emissions reduction effort. The EEA has also warned that under the current regime and with existing measures, agricultural GHG emissions would stagnate until at least 2030.

This highlights that to ensure consistent progress across its entire economy, the EU needs binding targets at both national and (EU) sectoral levels. Furthermore, Member States should be required to break down these targets into national sectoral targets covering all GHG emissions from all sectors (including those covered by the EU ETS).

Clarification on labelling

Labelling of goods and services (appears on numerous occasions in the questionnaire), when well designed, can play a role in supporting better consumer choices; however it must always be part of a broader policy package seeking to reshape the broader environment in which these choices are made. Manufacturers and retailers must also be engaged (and regulated where needed) to ensure that their commercial practices are in line with climate and sustainability objectives. When it comes to the design of labelling schemes, there should be strict rules ensuring transparency and integrity. The information on a label must be given in good faith; it must be transparent, true, and complete, allowing for informed decision making by consumers, and not carry a risk of greenwashing (for instance, it must not provide information on “net” emissions, but instead keep statements on emissions, on the one hand, and removals, on the other, separate at all times). Additionally, when it comes to bio-based products and services, it is paramount that the information given is not focused solely on greenhouse gases, but instead includes biodiversity, water, soil, etc., to avoid promoting practices that are more efficient in terms of GHG but could have negative impacts on biodiversity, natural resources, or other forms of pollution.

ETS and IED

With a view on the 2040 climate goals, it is essential that the ETS Directive market approach works in synergy with the regulatory approach of the Industrial Emissions Directive (IED).

In the last 12 years the CO₂ emissions of industrial installations (except combustion of fuels) have remained the same (source: EU Transaction Log), severely hampering the climate-neutrality goal of the EU. We cannot afford to lose another decade and being forced to implement radical measures in the 2040-2050 decade.

Including CO₂ emission limits in IED permits and promoting Best Available Techniques for decarbonisation will provide an additional lever to reach the EU net-zero target during the 2030-2050 timespan.

The EU ETS legislation has been reviewed many times over the past 20 years, and each review led to the strengthening of the cap, and an increase of the linear reduction factor. In the middle of a climate crisis, this trend should continue. In addition, the Paris Agreement has a “no backsliding” principle for Nationally Determined Contributions to which the EU is accountable. The European Commission 2040 climate target assessment must therefore only consider an increase of the linear reduction factors specified in the ETS Directive.

In addition, removals should not be integrated into the EU ETS in the post-2030 climate framework. Mitigation deterrence is a critical concern when considering the integration of removal into the ETS. The “residual” emissions claimed by sectors will likely be significantly higher because of the mere potential for CDR inclusion when compared to the continued exclusion of offsetting through removals in the ETS.

The role of carbon pricing and non-carbon pricing instruments for agricultural emissions and land-based removals

Any carbon pricing on agricultural emissions and payments for carbon removals must be instituted in a robust and transparent way, preventing any potential perverse incentives. In particular, there should never be equivalence or fungibility between emissions reductions and land-based carbon sequestration; which have fundamentally different permanence, monitorability, and warming impacts. Therefore, emissions reductions and land-based removals should be dealt through separate systems, avoiding any potential offsetting between the two. Allowing offsetting would result in greenwashing, make the EU fall short of its climate targets and will undermine the EU’s ambition in the global arena. Removals and emission reductions must be supported as complements, not as substitutes - therefore separation of targets and policies is necessary.

Any attempt to “compensate” for emissions with removals, “conceal” emissions behind removals or “merge” emitting and sequestering sectors directly in a single system, regardless of whether it occurs within or outside of the value chain, constitutes offsetting. That includes, but is not limited to, communicating lower than actual emissions on the basis of removals, taking into account removals when assessing compliance with emission- or emission reduction targets, decreasing the price of emissions with removals, or increasing the emission cap with removals. However, the EEB could envision a system whereby funds are raised through GHG pricing (either through a market based mechanism covering emissions from agriculture or through other instruments, e.g. taxation) which is then used to finance nature restoration measures in the land use sector which sequester carbon.

When it comes to designing carbon pricing mechanisms, the EEB believes several key aspects should be taken into consideration. First, while applying carbon pricing at farm level may seem desirable at first sight, it raises several concerns:

- It would involve considerable administrative burden both for authorities and farmers,
- It places the onus of change entirely on farmers, who are one of the weakest actors in food supply chains, disregarding the considerable influence of other, much bigger, agri-food actors in terms of production methods and models, e.g. input providers, processors, retailers,
- It risks disproportionately impacting smaller and/or more financially vulnerable farms who have less human and financial resources to deal with additional administrative burden.

Second, a pricing mechanism based purely on GHG emissions intensity presents the same flaws as have been [expressed by civil society and organic farmers in relation to sustainability labelling of food](#) in that it risks favouring more intensive methods of production and discriminating against more extensive methods (e.g. organic farming), regardless of their negative or positive impacts on other dimensions of sustainability. When it comes to livestock, for example, a clear differentiation must be made between intensive livestock rearing, which is detrimental to the environment and climate, and high nature value low-density grazing incorporated into an agroecological system, which can be beneficial for biodiversity, ecosystem integrity, and soil fertility.

Third, when considering applying a carbon price at the consumer level, the impacts on lower-income households must be considered and mitigated - for example through reduced taxes on healthy and sustainable foods or through enhanced social security mechanisms to ensure access to healthy and sustainable food for vulnerable households.

Finally, it is unfortunate that the questionnaire required one single answer for the application of both “Stricter standards” and “a carbon price” at the farm level; which are two very distinct policy instruments. For the reasons outlined above, the EEB is rather sceptical of the desirability of applying carbon pricing at farm level. However, we strongly support the application of stricter standards at farm levels. For a start, the 9 conditionality criteria of the Common Agricultural Policy should apply to every single farm in the EU without exemptions (unless fully justified - e.g. permanent crops could not be expected to be part of a crop rotation). This would allow to strongly reduce the ongoing degradation of soils and agro-ecosystems across the EU, which is linked to significant GHG emissions. Furthermore, strict pollution prevention standards should apply to intensive livestock farms, going beyond the weak rules currently included in the Industrial Rearing of Pigs and Poultry Best Available Techniques Reference Document (IRPP BREF). Finally, in light of the major nitrogen pollution issues plaguing much of Europe and of the strategic vulnerability of Europe in terms of fertiliser supplies, stricter standards/rules regarding on-farm nutrients management are urgently needed.

Clarification on permanent storage

The deployment of BECCS is constrained by the availability of biomass, whereby the production of biomass for this purpose would raise major concerns regarding land take,

biodiversity, and food security. Large-scale deployment of BECCS would drive unsustainable levels of land-use change and biomass use that are incompatible with the objectives to increase carbon sequestration in soils and vegetation, and would hinder ecosystem restoration and a transition away from the unsustainable extractive model of agriculture and forestry. Therefore, BECCS should not be considered a viable carbon removal solution.

Energy technologies

Advanced liquid biofuels should be considered only for aviation and maritime which are more difficult to decarbonise.

Opportunities: domestically produced EU energy, lower bills, clean air etc. Requires reduction in absolute energy and resource consumption, as well as a significantly increased energy efficiency. Takes into account other environmental crises such as biodiversity and water.

Challenges: the large-scale deployment of renewables & nature protection at the same time. Availability of land. Public acceptance. Climate change may reduce the expected production of renewables (e.g. hydro due to droughts).