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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF 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

(Text with EEA relevance)

{SEC(2021) 554 final} - {SWD(2021) 551 final} - {SWD(2021) 609 final} -
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EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The **European Green Deal Communication**¹ launched a new growth strategy for the EU that aims to transform the EU into a fair and prosperous society with a modern, resource-efficient and competitive economy. It reaffirms the Commission's ambition to increase its climate targets and make Europe the first climate-neutral continent by 2050. Furthermore, it aims to protect the health and well-being of citizens from environment-related risks and impacts. The necessity and value of the European Green Deal have only grown in light of the very severe effects of the COVID-19 pandemic on the health and economic well-being of the Union's citizens.

Tackling climate change is an urgent challenge. In line with the scientific findings of the Intergovernmental Panel on Climate Change (IPCC) Special Report, global net-zero CO₂ emissions need to be achieved around 2050, and neutrality for all other greenhouse gases later in the century. This urgent challenge requires the EU to step up its action and demonstrate global leadership by becoming climate neutral by 2050. This objective is set out in the Communication '**A Clean Planet for all**' - A European strategic long-term vision for a prosperous, modern, competitive and climate-neutral economy'².

Based on a comprehensive impact assessment, the Commission's Communication of 17 September 2020 on **Stepping up Europe's 2030 climate ambition**³ proposed to raise the EU's ambition and put forward a comprehensive plan to increase the European Union's binding target for 2030 towards at least 55% net emission reduction, in a responsible way. Raising the 2030 ambition now helps give certainty to policymakers and investors, so that decisions made in the coming years do not lock in emission levels inconsistent with the EU's objective to be climate neutral by 2050. The 2030 target is in line with the Paris Agreement objective to keep the global temperature increase to well below 2°C and pursue efforts to keep it to 1.5°C.

The Communication proposes to move towards a more stringent contribution from the LULUCF sector and, as a further step, to combine the agriculture non-CO₂ greenhouse gas emissions with the land use, land use change and forestry sector, thereby creating a newly regulated land sector (covering emissions and removals from agriculture, forestry and other land use). This can promote synergies between land-based mitigation actions and enable more integrated policymaking and policy implementation at the national and EU level. The analysis underpinning the Communication shows that the land sector would have the potential to become climate-neutral by around 2035 in a cost-effective manner, and subsequently generate more CO₂ removals than greenhouse gas emissions.

The European Council endorsed the new EU binding target for 2030 at its meeting of December 2020⁴. It also called on the Commission "*to assess how all economic sectors can best contribute to the 2030 target and to make the necessary proposals, accompanied by an in-depth examination of the environmental, economic and social impact at Member State*

¹ COM(2019) 640 final.

² COM(2018) 773 final.

³ COM(2020) 690 final.

⁴ European Council Conclusions 10-11 December 2020 EUCO 22/20 CO EUR 17 CONCL 8.

level, taking into account national energy and climate plans and reviewing existing flexibilities”.

To this end, the **European Climate Law** makes the EU’s climate neutrality target legally binding, and raises the 2030 ambition by setting the target of at least 55% net emission reduction by 2030 compared to 1990.

In order to follow the pathway proposed in the European Climate Law, and deliver this increased level of ambition for 2030, the Commission has reviewed the climate and energy legislation currently in place that is expected to reduce greenhouse gas emissions by 40% by 2030 and by 60% by 2050.

This ‘Fit for 55’ legislative package, as announced in the Commission's Climate Target Plan, is the most comprehensive building block in the efforts to implement the ambitious new 2030 climate target, and all economic sectors and policies will need to make their contribution.

The initial regulatory framework for the land use, land use change and forestry (LULUCF) sector, as laid down in Regulation (EU) 2018/841, was adopted in 2018 and covers CO₂ emissions and removals and greenhouse gas emissions of CH₄ and N₂O resulting from the management of land, forests and biomass during the period from 2021 to 2030. It contributes to the previous Union’s emission reduction target of at least 40% by 2030 compared to 1990, by ensuring that the sum of total emissions does not exceed the sum of total removals generated by the sector after the application of the accounting rules and of the flexibility with the “effort sharing” (or ESR) sector set out by Regulation (EU) 2018/842.

The proposal to amend Regulation (EU) 2018/841 as part of the ‘Fit for 55’ package aims to strengthen the contribution of the LULUCF sector to the increased overall climate ambition for 2030. To this end, the proposal: sets out the overall Union target of net greenhouse gas removals in the LULUCF sector to 310 million tonnes of CO₂ equivalent in 2030; reinforces the obligation for Member States to submit integrated mitigation plans for the land sector and enhances monitoring requirements using digital technologies; aligns the objectives with related policy initiatives of biodiversity and bioenergy; determines the Union target of climate neutrality for 2035 in the land sector (which combines the LULUCF sector and the non-CO₂ agricultural sector); and commits the Commission to make proposals for national contributions to the 2035 target by 2025.

The proposed amendment introduces only minor, non-substantive, changes in the LULUCF regulatory framework for the first compliance period, i.e. from 2021 to 2025. In contrast, significant change takes place with the beginning of the second compliance period from 2026 to 2030. In order to simplify implementation and compliance, the Kyoto-inspired land accounting rules will no longer be applied post 2025, and the flexibility between LULUCF and with the “effort sharing” sectors will be adjusted, in line with the European Climate Law. The overall Union target of net greenhouse gas removals of 310 million tonnes of CO₂ equivalent will be distributed between Member States as annual national targets for the period from 2026 to 2030, and be based on the emissions and removals reported in the greenhouse gas inventories and the areas of managed land. A new system of governance of the target compliance will be introduced and the land use flexibility mechanism addressing risk of non-compliance by Member States will be adjusted. From 2031 onwards, the scope of the Regulation will be expanded to include non-CO₂ emissions from the agriculture sector, thus covering the whole land sector framework for the first time with one climate policy instrument.

- **Consistency with existing policy provisions in the policy area**

The 'Fit for 55' climate and energy package is a comprehensive step in overhauling Union legislation to align it with the EU's increased climate ambition. All initiatives in the package are closely interlinked.

This legislative proposal is complementary to the proposals made in the package and maintains consistency with the:

- (a) Revision of the EU Emissions Trading System (ETS) Directive 2003/87/EC⁵;
- (b) Effort Sharing Regulation (EU) 2018/842⁶;
- (c) Amendment to the Renewable Energy Directive (EU) 2018/2001⁷ to implement the ambition of the new 2030 climate target;

There are also strong interlinkages with other Commission initiatives on protecting and enhancing nature-based carbon removals, improving the resilience of the EU's forests to climate change, restoring degraded land and ecosystems, rewetting peatlands and promoting the bio-economy, including the use of durable harvested wood products, in full respect of ecological principles fostering biodiversity:

- a) EU Biodiversity Strategy for 2030⁸;
- b) Farm to Fork Strategy for a fair, healthy and environmentally-friendly food system⁹;
- c) [EU Forest Strategy¹⁰];
- d) [EU Nature Restoration Targets]¹¹;
- e) EU Strategy on Adaptation to Climate Change¹²;
- f) EU Strategy to Reduce Methane Emissions¹³;
- g) [EU Soil Strategy¹⁴];
- h) A sustainable Bioeconomy for Europe¹⁵;
- i) Circular Economy Action Plan for a cleaner and more competitive Europe¹⁶;
- j) Zero Pollution Action Plan¹⁷;

⁵ Directive 2003/87/EC of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (L275, 25.10.2003, p. 32).

⁶ Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

⁷ Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328 21.12.2018, p. 82).

⁸ COM(2020) 380 final.

⁹ COM/2020/381 final.

¹⁰ [...]

¹¹ [...]

¹² COM/2021/82 final.

¹³ COM/2020/663 final.

¹⁴ [...]

¹⁵ COM/2018/673 final

¹⁶ COM/2020/98 final.

¹⁷ COM/2021/400 final.

k) A long-term Vision for the EU's Rural Areas¹⁸.

- **Consistency with other Union policies**

The proposals of the 'Fit for 55' package should be consistent with all EU actions and policies and help the EU achieve the increased 2030 target and a successful and just transition towards the 2050 climate neutrality objective, as stated by the Commission in the European Green Deal Communication. As such, this initiative is linked to many other policy areas, including the Union's external policies.

The Commission is improving its better regulation guidelines and supporting tools with the objective that all EU initiatives live up to a green oath to 'do no harm'.

The Technical Support Instrument supports Member States in designing and implementing reforms. The support is provided upon request and covers a wide range of policy areas, including the Recovery Resilience Plans, the green transition and LULUCF related issues.

The LULUCF sector is connected to all ecosystems and economic activities that rely on the land and the services it provides. Therefore, the LULUCF Regulation presents synergies with other EU policies that cover land-related activities, mainly the Common Agricultural Policy¹⁹, environmental policies and the energy policy, particularly in respect of renewable energy.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

The legal basis for this proposal is Article 192 of the Treaty on the Functioning of the European Union (TFEU). In accordance with Article 191 and 192(1) TFEU, the European Union shall contribute to the pursuit, inter alia, of the following objectives: preserving, protecting and improving the quality of the environment; promoting measures at international level to deal with regional or worldwide environmental problems, and in particular combating climate change.

- **Subsidiarity (for non-exclusive competence)**

Climate change is a trans-boundary problem, which cannot be solved by national or local action alone. Coordination of climate action must be taken at European level and, where possible, at global level. EU action is justified on grounds of subsidiarity as set out in Article 5 of the Treaty on European Union. Since 1992, the European Union has worked to develop joint solutions and drive forward global action to tackle climate change. More specifically, action at EU level will provide for cost effective delivery of the 2030 and long-term emission reduction objectives while ensuring fairness and environmental integrity. Articles 191 to 193 of the TFEU confirm and specify EU competencies in the area of climate change.

An increase in the 2030 target for EU GHG reductions will impact most, if not all, sectors across the EU economy. The increase of that target may furthermore require policy responses in many fields, including beyond climate, forestry and land use policy. The actions taken by Member States under the LULUCF Regulation framework have strong linkages with other policies, in particular agriculture, biodiversity and habitat protection, adaptation, and also energy policy due to the renewable energy aspects. Interdependencies between the different policies involved have a cross-national impact, emissions reduction and removal targets are determined per Member State, and principles, on which basis the Member States will report

¹⁸ COM/2021/[345] final.

¹⁹ COM/2018/392 final.

on their achievements and measure their progress towards reaching their individual targets and targets of the EU as a whole are laid down in Regulation (EU) 2018/1999²⁰. Action at the EU level is indispensable and coordinated EU policies have a much bigger chance of leading to a true transformation towards a climate neutral economy by 2050.

- **Proportionality**

This proposal complies with the proportionality principle because it does not go beyond what is necessary in order to achieve the objectives of implementing the EU's target for reducing greenhouse gas emissions for the period 2021 to 2030 in a cost-effective manner, while ensuring fairness and environmental integrity.

The European Climate Law sets out the binding Union 2030 climate target for a domestic reduction of net greenhouse gas emissions by at least 55% compared to 1990 levels by 2030. This proposal covers a large part of these greenhouse gas emissions, and revises the LULUCF Regulation in order to achieve this objective.

- **Choice of the instrument**

The objectives of the present proposal can best be pursued through an amendment of the existing LULUCF Regulation, introducing changes to the established legislative framework in order to reach increased Union 'climate ambition and ensuring direct and uniform applicability of the provisions throughout the Union at the same time.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

The LULUCF Regulation entered into force in 2018 but applies since the beginning of 2021, hence so far only first steps have been carried out to prepare for its implementation; these activities have highlighted some implementation challenges. In particular, the analysis of the integrated national energy and climate plans (NECPs)²¹ as submitted by the Member States end-2019 showed that the LULUCF sector is yet to be treated as an integrated component of Member States 'climate strategies. The process of establishing the Forest Reference Levels for each Member State revealed the challenges behind the implementation of this complex accounting rule, and capacity building activities to support a large number of Member States in preparing for the implementation of the LULUCF Regulation highlighted the challenges behind the gaps in national monitoring and reporting systems.

- **Stakeholder consultations**

The Inception Impact Assessment was published for feedback on 29 October 2020 for four weeks, and received a total of 93 responses. Furthermore, in order to collect evidence and ensure greater transparency, the Commission organised a public consultation for each of the proposals from 13 November 2020 to 5 February 2021; the consultation on the revision of the LULUCF Regulation received 235 respondents. These indicated a preference for more

²⁰ Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p.1).

²¹ COM/2020/564 final, <https://europa.eu/!xc64CH>

ambitious removal targets for the LULUCF sector, an option selected by 45% of respondents (mostly, academia, EU citizens and NGOs). In second place, integrated targets for the land sector were preferred by 35% of the respondents, mostly from the private sector. A strengthening of flexibility with the ESR was the most preferred option among 20% of respondents, mostly public authorities. A detailed summary of the feedback to the Inception Impact Assessment and of the results of the public consultation are presented in Annex 2 of the Impact Assessment for this proposal.

- **Collection and use of expertise**

The quantitative assessment of the economic, social and environmental impacts is based on integrated economic land use modelling by IIASA with GLOBIOM and G4M. The policy scenario (MIX) takes into account likely biomass demands from other sectors and follows the assumptions of the 1.5TECH scenario of the EU long-term strategy^{22,23}. The MIX scenario projects that the net LULUCF sink by 2030 will be at similar levels as in the period 2016-2018. The impact of specific measures for emission reduction or enhanced removals was modelled with marginal abatement cost curves. This analysis demonstrated that significant increases in the land sink can be achieved at relatively low costs (5-10 EUR/tonne of CO₂). It also showed cost-efficient emission reductions require action on all land uses, such as improved forest management, afforestation, avoided deforestation for forest lands, set aside of land use on organic soils and improved cropland management strategies on agricultural land.

Information on the contribution of the LULUCF sector to the Green Deal was gained through a service contract carried out by a consortium of external experts, which focused among other tasks on problems, objectives and options for the revision of the LULUCF Regulation and analysis of reports submitted by Member States under the LULUCF Decision (529/2013).

Additional information was gathered through numerous external studies such as the LULUCF compliance study, Capacity building for greenhouse gas inventories, Carbon farming pilot study, etc.

- **Impact assessment**

The Impact Assessments for the different initiatives are based on integrated modelling scenarios that reflect the interaction of different policy instruments on economic operators, in order to ensure complementarity, coherence and effectiveness in achieving the 2030 and 2050 climate ambition.

The Impact Assessment accompanying this proposal complements the analysis conducted in the 2020 impact assessment supporting the 2030 Climate Target Plan. This formed the analytical basis to set the objective of at least net 55% reduction in GHG emissions by 2030 compared to 1990, the climate neutrality objective in the land sector for 2035, and the Union-wide climate neutrality objective by 2050.

Moreover, the Impact Assessment accompanying this proposal has been prepared and developed in line with the applicable Better Regulation guidance and recommendations of the Regulatory Scrutiny Board, who issued a positive opinion with reservations on 19 April 2021. The recommended improvements suggested by the Board were addressed in the final version.

²² COM(2018) 773 final: A Clean Planet for all - A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy.

²³ In-Depth Analysis in Support of the Commission Communication COM(2018) 773.

Problems and objectives

The Impact Assessment identified three main problems, with corresponding drivers and objectives.

The first problem is that carbon removals in the land sector have been decreasing in recent years: due to increasing harvesting rates related to wood demand and forest aging, continued emissions from organic soils, natural disasters and a lack of policy and financial incentives. Thus, the first objective of this proposal is to stop and reverse this trend, in line with an ambition to achieve a climate-neutral land sector in 2035.

The second problem is the insufficient integration of the land sector into climate policies, due to the fact that the Agriculture and LULUCF sectors have no integrated target, are covered by two different pieces of legislation, and are linked by flexibility rules which presented some limitations. The corresponding objective is to ensure a fair, flexible and integrated climate policy framework to incentivise effective policymaking and implementation, and to enhance cost-efficient and synergistic mitigation action in the land sector. This is of particular importance given the high potential to increase the synergies between climate mitigation measures and environmental protection measures related to land management both in areas under agriculture and forestry as well as natural and semi-natural areas. The restoration of carbon rich ecosystems as well as the sustainable use of soils and forests will both contribute to addressing the climate and biodiversity crisis.

The third problem is that the accounting, monitoring and reporting rules as set out in the current LULUCF Regulation present implementation challenges: in particular, the process to establish Forest Reference Levels has proven to be burdensome and there are still many gaps in the accuracy of LULUCF estimates. This problem corresponds to an objective to simplify the accounting rules and to exploit the opportunities created by existing land monitoring technologies and datasets to better monitor the climate performance of the LULUCF sector.

Policy options

Following this analysis and the elements outlined in the Communication on Stepping up Europe's 2030 climate ambition, the Impact Assessment described three options.

The first option looks at alternative ways to design national LULUCF targets, assuming that no flexibility channel exists between the LULUCF sector and the ESR sectors. One proposed way of doing this is to simplify the accounting benchmark for managed forest land by using a historic average instead of the Forest Reference Level. Another way is to set a single removal target based on all emissions and removals reported in the inventory and to distribute it among Member States according to the recent emissions and removals and the area of managed land; the EU target is set in line with a trajectory towards a climate-neutral land sector in 2035.

The second option also sets a single removal target based on reported emissions and removals, but it proposes a lower EU target for 2030 corresponding to the recent performance of the LULUCF sector (i.e. the 2016-2018 average); by adding the possibility to generate LULUCF credits for compliance with ESR targets, this option creates incentives to overachieve the LULUCF targets, potentially reaching a level of removals in line with a trajectory towards a climate-neutral land sector in 2035.

The third option combines emissions from the Agriculture sector and emissions and removals from the LULUCF sector under a single “land sector” pillar, and features three elements: a planning process to ensure land-based climate neutrality in 2035, national binding targets for the land sector in 2030, and national binding targets for the land sector 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 ESR targets) with an EU-wide objective of land-based climate-neutrality in 2035. The preferred option 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.

- **Regulatory fitness and simplification**

In line with the Commission commitment to Better Regulation, the proposal has been prepared inclusively, based on transparency and continuous engagement with stakeholders.

- **Fundamental rights**

The proposal respects the fundamental rights and observes the principles recognised in particular by the Charter of Fundamental Rights of the European Union²⁴. In particular, it contributes to the objective of a high level of environmental protection in accordance with the principle of sustainable development as laid down in Article 37 of the Charter of Fundamental Rights of the European Union.

4. BUDGETARY IMPLICATIONS

Budgetary implications for the Member States are related to the possibility of trading surpluses when overachieving their targets, and to the necessity of high quality monitoring and reporting in the LULUCF sector involving e.g. re-use of EU programmes (e.g. Copernicus) and data sources already used for other policies.

This proposal foresees a comprehensive review, in 2025, of the national inventory data submitted by Member States pursuant to Article 26(4) of Regulation (EU) 2018/1999 (‘the Governance Regulation’). The review will allow the Commission to determine the LULUCF annual targets of the Member States for the period 2026-2030, based upon the average of greenhouse gas emissions of each Member State during the years 2021, 2022 and 2023. The review will also update the 2030 emission allocation path for the ESR and revise the annual allocations for the years 2026 to 2030. Furthermore, the 2027 comprehensive review for the purpose of compliance foreseen in the Governance Regulation will be maintained. Such tasks will require the support of an external contractor, for an estimated price of EUR 2M for each review (2025, 2027).

Secondary legislation will also be required setting out detailed rules related to LULUCF on the Union Registry, and monitoring and reporting of emissions and verification of compliance reports. The implementation will require elaborate IT developments in the Union Registry to deal with new type of allowances linked to LULUCF-ESR flexibility, and new operators (Member States).

Furthermore, following the change in 2026 of the reporting and compliance mechanism, the implementation will require upgraded and enhanced provision of monitoring using the European Environment Agency and related data services under the Copernicus programme.

²⁴ OJ C 326, 26.10.2012, p. 391.

The implications for the EU budget are presented in the attached legislative financial statement. IT development and procurement choices will be subject to pre-approval by the European Commission Information Technology and Cybersecurity Board.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

Transparent, regular reporting of Member State obligations coupled with robust compliance checks are fundamental elements ensuring progress in delivering the EU long-term emission reduction commitments. The initiative builds on the process based on integrated national energy and climate plans and the robust transparency framework for greenhouse gas emissions and other climate information that is contained in Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action. The Commission will use *inter alia* the information reported by Member States under the Governance Regulation as a basis for its regular assessment of progress. This includes information on greenhouse gas emissions, policies and measures, projections and adaptation. The Commission will also make use of this information for the Environmental Implementation Reviews and the monitoring of the Environment Action Programmes. Information obtained from Member States may be complemented by systematic atmospheric observations through *in situ* as well as remote sensing observations, such as those provided by Copernicus.

Enhanced quality of monitoring and reporting of emissions and removals in the land use, land use change and the forestry sector becomes more prominent with the introduction of the EU net emissions reduction target based on the numbers reported in the greenhouse gas inventories. Coherence with other EU policies that also rely on land monitoring – such as the Common Agricultural Policy, biodiversity policies, and the Renewable Energy Directive – is also of strong significance, providing important administrative and cost synergies. Thanks to evolutions in land monitoring technologies, there are abundant opportunities to monitor land use changes at low cost and in a timely fashion (e.g. by using approaches based on remote sensing, including from the Copernicus Sentinel satellites or commercially available services). Such timely, EU coverage digital geo-data will not only facilitate GHG reporting but also guide mitigation action to areas with the highest potential for emission reductions, and more generally enable environmental action, biodiversity, nature protection and land use planning. Upgrading the monitoring approach in the LULUCF Regulation, thereby introducing a level playing field for all Member States with respect to using comparable and standardized approaches in line with available tools and technologies, is therefore of major importance and will ensure adoption of best practices for monitoring.

- **Detailed explanation of the specific provisions of the proposal**

The most important changes in the legal LULUCF framework contributing to reach the increased climate ambition of the Union concern the following Articles:

Article 2 Scope

The initial scope setting out the “land accounting categories” applies only for the period 2021-2025 in the amended Regulation. Managed Wetlands is included within the scope of the amendment for 2021-2025 only for MS that notified the intention to include it by 31 December 2020 (selected by just two Member States).

The scope for the period 2026-2030, is based directly upon reported emissions and removals for the greenhouse gas inventory pursuant to Regulation (EU) 2018/1999 and reflects exactly the reporting categories as set out in the Common Reporting Format under the UNFCCC

reporting guidelines (e.g. peatlands and peat-extraction is included in the reporting category Wetlands).

The scope for a combined land use and non-CO₂ agriculture sector from 2031 onwards is introduced in the last paragraph, also reflecting the reporting categories as set out in the Common Reporting Format.

Article 4 Commitments and targets

In the original Article 4, the term “commitments” was used to express the obligation without a specific numerical target. The new Article 4 “Commitments and targets” will be revised to reflect the three periods:

Commitments for 2021-2025

Under the current rules, the Member States are committed to ensure that the greenhouse gas emissions do not exceed removals, calculated as the sum of total emissions and total removals in the accounting categories as defined in the scope (Article 2(1)); the “no-debit rule”. These commitments will be limited only to the first period of the application of the amended Regulation, i.e. from 2021 to 2025.

Member States targets for 2026-2030

For the period from 2026 to 2030, the Union target will be set out to reach net removals of 310 million tonnes CO₂ equivalent by 2030, based on the greenhouse gas inventory from the years 2016, 2017 and 2018. The Union target of 310 million tonnes CO₂ equivalent of net removals will be distributed among the Member States in order to determine binding national targets of minimum net removals to achieve in 2030 according to a table in Annex IIa.

Two considerations make the use of recent data preferable. First, the start point for the trajectory should be as close to the compliance period as possible – this has a technical impact that eliminates the need for setting a benchmark like the Forest Reference Level. Second, the LULUCF inventories starting with the 2023 submission will be the first to be under conditions of the Governance Regulation, and thus of a higher standard. In 2025, based on the results of a comprehensive review of the reported greenhouse gas inventory, the Commission will adopt an implementing act determining the annual targets based on the verified emissions and removals from years 2021, 2022 and 2023 for each Member State. The most recent reviewed data will therefore serve as a basis for setting the annual targets trajectory for 2026-2029 towards achieving the national net removal targets for 2030.

The 2030 target will be the starting point of the land sector pathway between 2030 and 2050 for achieving economy-wide climate neutrality, and allow monitoring progress towards net zero greenhouse gas emissions by 2050.

Commitments to climate neutrality in 2035

From 2031 onwards, the LULUCF sector will include the non-CO₂ emissions from agriculture sector and the amended Regulation will aim towards the objective to achieve climate neutrality in the Union-wide greenhouse gas emissions and removals in the combined sectors at the latest by 2035; reducing emissions to net zero by that date and generating negative emissions thereafter. The Member States are obliged to contribute to reach the collective target and need to present how they intend to achieve this objective in their updated integrated national energy and climate plans by June 2024. In view of the submitted plans, the Commission will propose, by the end of 2025, individual Member State targets and EU-wide measures for post-2030 period. The post-2030 individual targets for the Member States will be the subject to an impact assessment and a new legislative proposal.

From 2036 onwards, the combined sector will need to generate further carbon removals to balance remaining emissions in other sectors, based on a robust carbon removal certification system. This policy framework could start to progressively combine the land sector with other sectors (beyond agriculture) that have exhausted their emissions reduction possibilities, or that have achieved for instance over 90% emission reductions. Thus, an incentive to steadily increase carbon removals in the combined sectors for period up to 2050 would be preserved.

Article 9 Accounting for harvested wood products

The Communication **Stepping up Europe's 2030 climate ambition** points towards initiatives concerning carbon farming and certification of carbon removals that should increasingly be deployed in the run up to 2030. Hence, such new business models to increase carbon sequestration need to be promoted while at the same time, land users must make the necessary efforts to avoid depleting further their carbon stock, especially in soils.

The proposal will introduce a more explicit pathway towards new products (construction materials, fibres/polymers) and re-direct the sense of the article to act as a chapeau for carbon removal/farming certification, encapsulating harvested wood products as one such example.

Article 12 General flexibilities

Under the amended Regulation, the Member States will not be able any more to 'bank' surplus removals at the end of the period 2021-2025. However, the amendment ensures the allocation of a share of Member States' surplus removals at the end of the period 2021-2025 to an established flexibility mechanism under the second period from 2026 to 2030 (see the newly inserted Article 13b).

In addition, the Member States will be obliged to report on the use of the revenues from trading and expected to reinvest these revenues into climate projects.

Article 13 Managed Forest Land Flexibility

The scope of present Article 13 will be limited to the 2021 to 2025 accounting period, with the total available flexibility amounting to a share of the flexibility surplus, which was unused by the Member States during the period from 2021 to 2025 under Article 13.

A surplus after the first period is expected, given that currently forest net removals in major Member States are significantly larger than the adopted Forest Reference Levels. Consequently, nearly all forest rich Member States will likely meet their commitments for the period from 2021 to 2025 under the LULUCF Regulation without the need to use their flexibility. It is therefore probable that this would leave a significant share of the available flexibility unused, which can supply the newly established mechanism for the redistribution of any unused Managed Forest Land compensation for Member States hit by natural disturbances.

In addition, the current provision concerning the special flexibility for Finland will be removed and replaced by Article 13a in the amended Regulation.

Article 13a Additional compensations

Similarly to Article 13, the application of this article will be limited to the accounting against the first compliance period, 2021-2025 and the main motivation for its existence is to avoid any ambiguity in the interpretation of the extent of special flexibility assigned to Finland.

The amendment will specify the amount of the available compensation to 5 million tonnes of CO₂ equivalent, i.e. half of the current amount, since applicable only until the end of 2025. Furthermore, the compensation to forest land reported as converted to other land will be limited until the end of 2017. The compensation will be allowed to be used only for the

purpose of compliance with the 2021-2025 commitment, ensuring that no credits are used for trading, nor banked to the second period 2026-2030.

Article 13b Land use flexibility mechanism for the years 2026 to 2030

Since the change towards the reporting-based national target makes the current Articles 10 (Natural disturbances) and 13 (Managed forest land flexibility) redundant from 2025, a new flexibility mechanism is introduced in the amended Regulation for the period from 2026 to 2030 to help Member States deal with the uncertainties of the sector, in particular from natural disasters. It will operate under similar principles to the current Article 13, extending the scope from forest land to all the land relevant for the target compliance. The mechanism would then deal with any unexpected decrease in net removals on all land categories, not only forest, due to pest, fire, and storms, on condition of clear evidence to be submitted by the Member States in accordance with existing criteria (Annex VI) .

The new elements (compared to the original Art 13) will be:

During the period 2026-2030, units from the flexibility mechanism can be used to cover the full scope between target and reporting in each Member State, not just for forest land.

The access to the flexibility mechanism, in 2032 for the period 2026-2030, is set at half of the maximum amount set out in Annex VII, i.e. 178 million tonnes of CO₂ equivalent.

Any unused amount could be reallocated by Commission decision and through the Registry to Member States where their need in particular in relation to natural disturbances is demonstrated in accordance with principles in Annex VI, and this has exceeded the pre-defined per Member State levels in Annex VII.

Article 13c Governance of the targets

With the shift towards the national annual targets for net removals in the period from 2026 to 2030, similar principles will be introduced as exist in the compliance framework under the Effort Sharing Regulation (EU) 2018/842, such as a penalty of non-compliance of 8% on the gap to compliance in 2030, with respect to the subsequent target/allocation setting post-2030. In the case where a Member State fails to comply with its 2030 target at the end of the second compliance period, despite the transfer option from another MS and the relevant share of the flexibility mechanism, the gap between its 2030 target and the net emissions reduction really achieved in 2030 will be added to its target determined for 2031.

Amendment of Regulation (EU) 2018/1999

The reason why Regulation (EU) 2018/1999²⁵ is amended together with Regulation (EU) 2018/841 is that it includes the rules for monitoring and reporting on greenhouse gas emissions and removals and for tracking the progress of the Member States towards achieving the targets under Regulation (EU) 2018/841.

Amendment to Article 4 of Regulation (EU) 2018/1999 reflects in the National Energy and Climate Plans the national targets set for the period from 2026 to 2030 and the commitment of climate neutrality in 2035. Amendment to Article 38 enables to carry out a comprehensive review of national inventory data in 2025, in order to be able to set out the national annual targets of the Member States during 2026 to 2030. In addition, amendment to Annex V, Part

²⁵ Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p.1).

3, put in place measures increasing the accuracy of the monitoring and reporting of the greenhouse gas emissions and removals in the LULUCF sector.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF 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

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 192(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee²⁶,

Having regard to the opinion of the Committee of the Regions²⁷,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The Paris Agreement, adopted in December 2015 under the United Nations Framework Convention on Climate Change (UNFCCC) entered into force in November 2016 (“the Paris Agreement”). Its Parties have agreed to hold the increase in the global average temperature well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1,5 °C above pre-industrial levels.
- (2) Tackling climate and environmental-related challenges and reaching the objectives of the Paris Agreement are at the core of the Communication on ‘The European Green Deal’, adopted by the Commission on 11 December 2019²⁸. The necessity and value of the European Green Deal have only grown in light of the very severe effects of the COVID-19 pandemic on the health and economic well-being of the Union’s citizens.
- (3) The Union committed to reducing the Union’s economy-wide net greenhouse gas emissions by at least 55 % below 1990 levels by 2030 in the updated nationally

²⁶ OJ C [...], [...], p. [...].

²⁷ OJ C [...], [...], p. [...].

²⁸ COM(2019)640 final.

determined reduction commitment submitted to the UNFCCC Secretariat on 17 December 2020²⁹.

- (4) In Regulation (EU) 2021/1119 of the European Parliament and of the Council³⁰, the Union has enshrined the target of economy-wide climate neutrality by 2050 in legislation. That Regulation also establishes a binding Union commitment to reduce net greenhouse gas emissions (emissions after deduction of removals) by at least 55 % below 1990 levels by 2030. All sectors of the economy are expected to contribute to achieving that target, including the land use, land use change and forestry sector. The contribution of net removals to the 2030 Union climate target is limited to 225 million tonnes of CO₂ equivalent. In the context of Regulation (EU) 2021/1119, the Commission reaffirmed in a corresponding statement its intention to propose a revision of Regulation (EU) 2018/841 of the European Parliament and of the Council³¹, in line with the ambition to increase net carbon removals to levels above 300 million tonnes of CO₂ equivalent in the land use, land use change and forestry sector by 2030.
- (5) In order to contribute to the increased ambition to reduce greenhouse gas net emissions from at least 40 % to at least 55 % below 1990 levels, binding annual targets for net greenhouse gas removals should be set out for each Member State in the land use, land use change and forestry sector in the period from 2026 to 2030 (in analogy to the annual emission allocations set out in Regulation (EU) 2018/842 of the European Parliament and of the Council³²), resulting in a target of 310 millions of tonnes CO₂ equivalent of net removals for the Union as a whole in 2030. The methodology used to establish the national targets for 2030 should take into account the average greenhouse gas emissions and removals from the years 2016, 2017 and 2018, reported by each Member State, and reflect the current mitigation performance of the land use, land use change and forestry sector, and each Member State's share of the managed land area in the Union, taking into account the capacity of that Member State to improve its performance in the sector via land management practices or changes in land use that benefit the climate and biodiversity.
- (6) The binding annual targets for net greenhouse gas removals should be determined for each Member State by a linear trajectory. The trajectory should start in 2022, on the average of greenhouse gas emissions reported by that Member State during 2021, 2022 and 2023 and end in 2030 on the target set out for that Member State. For Member States that improve their methodology of calculating the emissions and removals, a concept of technical correction should be introduced. A technical correction should be added to the target of that Member State corresponding to the

29

https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/European%20Union%20First/EU_NDC_Submission_December%202020.pdf

30 Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).'

31 Regulation (EU) 2018/841 of the European Parliament and of the Council of 30 May 2018 on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry in the 2030 climate and energy framework, and amending Regulation (EU) No 525/2013 and Decision No 529/2013/EU (OJ L 156, 19.6.2018, p. 1).

32 Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

effect of the change in methodology on the targets and the efforts of the Member State to achieve them, in order to respect environmental integrity.

- (7) The Communication of 17 September 2020 on Stepping up Europe's 2030 climate ambition³³ outlined an option to combine agriculture non-CO₂ greenhouse gas emissions with land use, land use change and forestry net removals, thus creating a newly regulated land sector. Such combination can promote synergies between land-based mitigation actions and enable more integrated policymaking and policy implementation at national and Union level. To this end, the obligation for Member States to submit integrated mitigation plans for the land sector should be reinforced.
- (8) The land sector has the potential to become rapidly climate-neutral by 2035 in a cost-effective manner, and subsequently generate more greenhouse gas removals than emissions. A collective commitment aiming to achieve climate-neutrality in the land sector in 2035 at EU level can provide the needed planning certainty to drive land-based mitigation action in the short term, considering that it can take many years for such action to deliver the desired mitigation outcomes. Moreover, the land sector is projected to become the largest sector in the EU greenhouse gas flux profile in 2050. It is therefore particularly important to anchor that sector to a trajectory that can effectively deliver net zero greenhouse gas emissions by 2050. By mid-2024, the Member States should submit their updated integrated national energy and climate plans in accordance with Article 14 of Regulation (EU) 2018/1999 of the European Parliament and of the Council³⁴. The plans should include relevant measures by which each Member State best contributes to the collective target of climate neutrality in the land sector at EU level in 2035. On the basis of these plans, the Commission should propose national targets, ensuring that the Union-wide greenhouse gas emissions and removals in the land use, land use change and forestry sector and the emissions from the agriculture non-CO₂ sectors are at least balanced by 2035. Contrary to the EU level target of climate neutrality for the land sector by 2035, such national targets will be binding and enforceable on each Member State.
- (9) The accounting rules set out in Articles 6, 7, 8 and 10 of Regulation (EU) 2018/841 were designed to determine the extent to which mitigation performance in the land use, land use change and forestry sector could contribute to the 2030 EU target for reduction of greenhouse gas net emissions of 40 %, which did not include the land use, land use change and forestry sector. In order to simplify the regulatory framework for that sector, the current accounting rules should not apply after 2025, and the compliance with national targets of the Member States should be verified on the basis of reported greenhouse gas emissions and removals. This ensures methodological consistency with Directive 2003/87/EC of the European Parliament and of the Council³⁵, Regulation (EU) 2018/842 of the European Parliament and of the Council³⁶,

³³ COM(2020) 562 final.

³⁴ Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p.1).

³⁵ Directive 2003/87/EC of the European Parliament and of the Councils of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading with the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32) as amended by Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance

and the determination of the new target for reduction of greenhouse gas net emissions of at least 55 %, which also includes the land use, land use change and forestry sector).

- (10) In order to enhance greenhouse gas removals, individual farmers or forest managers need a direct incentive to store more carbon on their land and their forests. New business models based on carbon farming incentives and on the certification of carbon removals need to be increasingly deployed in the period until 2030. Such incentives and business models will enhance climate mitigation in the bio-economy, including through the use of durable harvested wood products, in full respect of ecological principles fostering biodiversity and the circular economy. Hence, new categories of carbon storage products should be introduced in addition to the harvested wood products. The emerging business models, farming and land management practices to enhance removals contribute to a balanced territorial development and economic growth in rural areas. They also create opportunities for new jobs and provide incentives for relevant training, reskilling and upskilling.
- (11) Considering the specificities of the land use, land use change and forestry sector in each Member State, as well as the fact that Member States need to increase their performance to achieve their national binding targets, a range of flexibilities should remain at the disposal of the Member States, including trading surpluses and the extension of forest-specific flexibilities, while respecting the environmental integrity of the targets.
- (12) Discontinuing the current accounting rules after 2025 creates a need for alternative provisions for natural disturbances such as fire, pest, and storms, in order to address uncertainties due to natural processes or as a result of climate change in the land use, land use change and forestry sector. A flexibility mechanism linked to natural disturbances should be available to Member States in 2032, provided that they have exhausted all other flexibilities at their disposal, put in place appropriate measures to reduce the vulnerability of their land to such disturbances and that the achievement by the Union of the 2030 target for the land use, land use change and forestry sector is completed.
- (13) With the setting of binding national annual targets for greenhouse gas removals based on the reported greenhouse gas emissions and removals from 2026 onwards, the rules for target compliance should be set out. The principles laid down in Regulation (EU) 2018/842 should apply *mutatis mutandis*, with a penalty for non-compliance calculated in the following way: 108% of the gap between the assigned target and the net removals reported in the given year will be added to the greenhouse gas emission figure reported in the subsequent year by the Member State.
- (14) In order to ensure uniform conditions for the implementation of the provisions of Regulation (EU) 2018/841 concerning the setting out of the annual target allocations for Member States, implementing powers should be conferred on the Commission.

cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814 (OJ L 76, 19.3.2018, p. 3).

³⁶ Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council³⁷.

- (15) In view of setting out the net greenhouse gas removals targets for the Member States for the period from 2026 to 2030, the Commission should exercise a comprehensive review to verify the greenhouse gas inventory data for the years 2021, 2022 and 2023. For this purpose, a comprehensive review should be carried out in 2025, in addition to the comprehensive reviews that the Commission is to carry out in 2027 and 2032 in accordance with Article 38 of Regulation (EU) 2018/1999.
- (16) Due to the change to reporting-based targets, the greenhouse gas emissions and removals need to be estimated with a higher level of accuracy. Moreover, the Communication from the Commission on EU Biodiversity Strategy for 2030³⁸, the Farm to Fork Strategy for a fair, healthy and environmentally-friendly food system³⁹, the EU Forest Strategy⁴⁰, the revised Directive (EU) 2018/2001 of the European Parliament and of the Council⁴¹ and the Communication from the Commission on Forging a climate-resilient Europe - the new EU Strategy on Adaptation to Climate Change⁴² will all require enhanced monitoring of land, thereby helping to protect and enhance the resilience of nature-based carbon removals throughout the Union. The monitoring and reporting of emissions and removals needs to be upgraded, using advanced technologies available under Union programmes, such as Copernicus, and digital data collected under the Common Agricultural Policy, applying the twin transition of green and digital innovation.
- (17) The expected anthropogenic changes to marine and freshwaters environment use though, for instance, planned expansion of offshore energy, potential increase in aquaculture production and the increasing levels of nature protection to meet the EU Biodiversity Strategy targets will influence greenhouse gas emissions and their sequestration. Currently these emissions and removals are not included in the standard reporting tables to the UNFCCC. Subsequently to the adoption of the reporting methodology, the Commission will consider reporting on the progress, feasibility of analysis and impact of extending the reporting to marine and freshwater environment based on the latest scientific evidence of these fluxes when carrying out the review in accordance with Article 17(2) of this Regulation.
- (18) Regulations (EU) 2018/841 and (EU) 2018/1999 should therefore be amended accordingly,

³⁷ Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

³⁸ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions EU Biodiversity Strategy for 2030 - Bringing nature back into our lives (COM(2020) 380 final).

³⁹ COM/2020/381 final.

⁴⁰ [...]

⁴¹ Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).

⁴² COM/2021/82 final.

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EU) 2018/841 is amended as follows:

- (1) Article 1 is replaced by the following:

‘Article 1

Subject matter

This Regulation sets out rules concerning:

- (a) commitments of Member States for the land use, land use change and forestry sector that contribute to achieving the objectives of the Paris Agreement and meeting the greenhouse gas emission reduction target of the Union for the period from 2021 to 2025;
- (b) accounting of greenhouse gas emissions and removals from the land use, land use change and forestry sector and for checking the compliance of Member States with the commitments referred to in point (a) for the period from 2021 to 2025;
- (c) a Union target for net greenhouse gas removals in the land use, land use change and forestry sector for the period from 2026 to 2030;
- (d) targets for net greenhouse gas removals in the land use, land use change and forestry sector for Member States for the period from 2026 to 2030;
- (e) commitments of Member States to take the necessary measures aiming towards the collective achievement of climate-neutrality in the Union by 2035 in the land use, land use change and forestry sector including emissions by the non-CO₂ agriculture.’;

- (2) Article 2 is replaced by the following:

‘Article 2

Scope

1. This Regulation applies to emissions and removals of the greenhouse gases listed in Section A of Annex I, reported pursuant to Article 26(4) of Regulation (EU) 2018/1999 of the European Parliament and of the Council⁴³ and occurring on the territories of Member States in the period from 2021 to 2025 in any of the following land accounting categories:

- (a) land use reported as cropland, grassland, wetlands, settlements or other land, converted to forest land (‘afforested land’);
- (b) land use reported as forest land converted to cropland, grassland, wetlands, settlements or other land (‘deforested land’);
- (c) land use reported as either of the following (‘managed cropland’):

⁴³

Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p.1).

- (i) cropland remaining cropland;
- (ii) grassland, wetland, settlement or other land, converted to cropland;
- (iii) cropland converted to wetland, settlement or other land;
- (d) land use reported as either of the following ('managed grassland'):
 - (i) grassland remaining grassland;
 - (ii) cropland, wetland, settlement or other land, converted to grassland;
 - (iii) grassland converted to wetland, settlement or other land;
- (e) land use reported as forest land remaining forest land ('managed forest land');
- (f) where a Member State has notified to the Commission its intention to include such land use in the scope of its commitments pursuant to Article 4(1) by 31 December 2020, land use reported as either of the following ('managed wetland'):
 - wetland remaining wetland;
 - settlement or other land, converted to wetland;
 - wetland converted to settlement or other land.

2. This Regulation also applies to emissions and removals of the greenhouse gases listed in Section A of Annex I, reported pursuant to Article 26(4) of Regulation (EU) 2018/1999 and occurring on the territories of Member States in the period from 2026 to 2030, in any of the following land reporting categories and/or sectors:

- (a) forest land;
- (b) cropland;
- (c) grassland;
- (d) wetlands;
- (e) settlements;
- (f) other land;
- (g) harvested wood products;
- (h) other;
- (i) atmospheric deposition;
- (j) nitrogen leaching and run-off.

3. This Regulation also applies to emissions and removals of the greenhouse gases listed in Section A of Annex I, reported pursuant to Article 26(4) of Regulation (EU) 2018/1999 and occurring on the territories of Member States from 2031 and onwards, in any of the land categories listed in paragraph 2, points (a) to (j) and in any of the following sectors:

- (a) enteric fermentation;
- (b) manure management;
- (c) rice cultivation;
- (d) agricultural soils;
- (e) prescribed burning of savannas;

- (f) field burning of agricultural residues;
- (g) liming;
- (h) urea application;
- (i) ‘other carbon-containing fertilizers’;
- (j) ‘other’;’.

(3) Article 4 is replaced by the following:

‘Article 4

Commitments and targets

1. For the period from 2021 to 2025, taking into account the flexibilities provided for in Articles 12, 13 and 13a, each Member State shall ensure that greenhouse gas emissions do not exceed greenhouse gas removals, calculated as the sum of total emissions and total removals on its territory in all of the land accounting categories referred to in Article 2(1).

2. The 2030 Union target for net greenhouse gas removals is 310 million tonnes CO₂ equivalent as a sum of the Member States targets established in accordance with paragraph 3 of this Article, and shall be based on the average of its greenhouse gas inventory data for the years 2016, 2017 and 2018.

Each Member State shall ensure that, taking into account the flexibilities provided for in Articles 12 and 13 and 13b, the annual sum of its greenhouse gas emissions and removals on its territory and in all of the land reporting categories referred to in Article 2(2), points (a) to (j), in each year in the period from 2026 to 2030 does not exceed the limit established by a linear trajectory, ending in 2030 on the target set out for that Member State in Annex IIa. The linear trajectory of a Member State shall start in 2022.

3. The Commission shall adopt implementing acts setting out the annual targets based on the linear trajectory for net greenhouse gas removals for each Member State, for each year in the period from 2026 to 2029 in terms of tonnes CO₂ equivalent. These national trajectories shall be based on the average greenhouse gas inventory data for the years 2021, 2022 and 2023, reported by each Member State. The value of the 310 million tonnes CO₂ equivalent net removals as a sum of the targets for Member States set out in Annex IIa may be subject to a technical correction due to a change of methodology by Member States. The method for determination of the technical correction to be added to the targets of the Member States, shall be set out in these implementing acts. For the purpose of those implementing acts, the Commission shall carry out a comprehensive review of the most recent national inventory data for the years 2021, 2022 and 2023 submitted by Member States pursuant to Article 26(4) of Regulation (EU) 2018/1999.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 16a.

4. The Union-wide greenhouse gas emissions in the sectors set out in Article 2(3), points (a) to (j), shall aim to be net zero by 2035 and the Union shall achieve negative emissions thereafter. The Union and the Member States shall take the necessary measures to enable the collective achievement of the target for 2035.

The Commission shall, by 31 December 2025 and on the basis of integrated national energy and climate plans submitted by each Member State pursuant to Article 14 of Regulation (EU) 2018/1999 by 30 June 2024, make proposals for the contribution of each Member State to the net emissions reduction.’;

- (4) in Article 6, paragraphs 1 and 2 are replaced by the following:

‘1. Member States shall account for emissions and removals resulting from afforested land and deforested land calculated as the total emissions and total removals for each of the years in the period from 2021 to 2025.

2. By way of derogation from Article 5(3), and no later than 2025, where land use has been converted from cropland, grassland, wetland, settlements or other land to forest land, a Member State may, 30 years after the date of that conversion, change the categorisation of such land from land converted to forest land to forest land remaining forest land, where such change is duly justified based on the IPCC Guidelines.’;

- (5) in Article 7, paragraphs 1, 2 and 3 are replaced by the following:

‘1. Each Member State shall account for emissions and removals resulting from managed cropland calculated as emissions and removals in the period from 2021 to 2025 minus the value obtained by multiplying by five the Member State’s average annual emissions and removals resulting from managed cropland in its base period from 2005 to 2009.

2. Each Member State shall account for emissions and removals resulting from managed grassland calculated as emissions and removals in the period from 2021 to 2025 minus the value obtained by multiplying by five the Member State’s average annual emissions and removals resulting from managed grassland in its base period from 2005 to 2009.

3. During the period from 2021 to 2025, each Member State that includes managed wetland in the scope of its commitments shall account for emissions and removals resulting from managed wetland, calculated as emissions and removals in that period minus the value obtained by multiplying by five the Member State’s average annual emissions and removals resulting from managed wetland in its base period from 2005 to 2009.’;

- (6) Article 8 is amended as follows::

- (a) paragraph 1 is replaced by the following:

‘1. Each Member State shall account for emissions and removals resulting from managed forest land, calculated as emissions and removals in the period from 2021 to 2025 minus the value obtained by multiplying by five the forest reference level of the Member State concerned.’;

- (b) in paragraph 3, the first sentence is replaced by the following:

‘Member States shall submit to the Commission their national forestry accounting plans, including a proposed forest reference level, by 31 December 2018 for the period from 2021 to 2025.’;

- (c) paragraphs 7, 8, 9 and 10 are replaced by the following:

‘7. Where necessary based on the technical assessments and on, where applicable, the technical recommendations, Member States shall communicate their revised

proposed forest reference levels to the Commission by 31 December 2019 for the period from 2021 to 2025. The Commission shall publish the proposed forest reference levels communicated to it by Member States.

8. Based on the proposed forest reference levels submitted by Member States, on the technical assessment carried out pursuant to paragraph 6 of this Article and, where applicable, on the revised proposed forest reference level submitted under paragraph 7 of this Article, the Commission shall adopt delegated acts in accordance with Article 16 amending Annex IV with a view to laying down the forest reference levels to be applied by the Member States for the period from 2021 to 2025.

9. If a Member State does not submit its forest reference level to the Commission by the dates specified in paragraph 3 of this Article and, where applicable, paragraph 7 of this Article, the Commission shall adopt delegated acts in accordance with Article 16 amending Annex IV with a view to laying down the forest reference level to be applied by that Member State for the period from 2021 to 2025, based on any technical assessment carried out pursuant to paragraph 6 of this Article.

10. The delegated acts referred to in paragraphs 8 and 9 shall be adopted by 31 October 2020 for the period from 2021 to 2025.’;

(7) Article 9 is amended as follows:

(a) the title is replaced by the following:

‘**Carbon storage products**’;

(b) paragraph 2 is replaced by the following:

‘2. The Commission shall adopt delegated acts in accordance with Article 16 in order to amend paragraph 1 of this Article and Annex V by adding new categories of carbon storage products, including harvested wood products, that have a carbon sequestration effect, based on IPCC Guidelines as adopted by the Conference of the Parties to the UNFCCC or the Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement, and ensuring environmental integrity.’;

(8) Article 10 is amended as follows:

(a) paragraph 1 is replaced by the following:

‘At the end of the period from 2021 to 2025, Member States may exclude from their accounts for afforested land and managed forest land greenhouse gas emissions, resulting from natural disturbances, that exceed the average emissions caused by natural disturbances in the period from 2001 to 2020, excluding statistical outliers (‘background level’). That background level shall be calculated in accordance with this Article and Annex VI.’;

(b) in paragraph 2, point (b), ‘2030’ is replaced by ‘2025’:

(9) Article 11 is amended as follows:

(a) the title is replaced by the following:

‘**Flexibilities and governance**’;

(b) paragraph 1 is replaced by the following:

(c) ‘1. A Member State may use:

(a) the general flexibilities set out in Article 12; and

(b) in order to comply with the commitment in Article 4, the managed forest land flexibility set out in Articles 13 and 13b.

Finland may, besides the flexibilities referred to in the first subparagraph, points (a) and (b), use additional compensations pursuant to Article 13a.'

(10) Article 12 is amended as follows:

(a) paragraph 3 is deleted;

(b) the following paragraphs 5 and 6 are added:

'5. Member States may use revenues generated by transfers pursuant to paragraph 2 to tackle climate change in the Union or in third countries and shall inform the Commission of any such actions taken.

6. Any transfer pursuant to paragraph 2 may be the result of a greenhouse gas mitigation project or programme carried out in the selling Member State and remunerated by the receiving Member State, provided that double counting is avoided and traceability is ensured.';

(11) Article 13 is replaced by the following:

Article 13

Managed forest land flexibility

'1. Where, in the period from 2021 to 2025, total emissions exceed total removals in the land accounting categories referred to in Article 2(1), [accounted for in accordance with this Regulation,] in a Member State, that Member State may use the managed forest land flexibility set out in this Article in order to comply with Article 4(1).

2. Where, in the period from 2021 to 2025, the result of the calculation referred to in Article 8(1) is a positive figure, the Member State concerned shall be entitled to compensate emissions resulted from the calculation provided that the following conditions are fulfilled:

(a) the Member State has included in its strategy submitted in accordance with Article 15 of Regulation (EU) 2018/1999 ongoing or planned specific measures to ensure the conservation or enhancement, as appropriate, of forest sinks and reservoirs; and

(b) total emissions within the Union do not exceed total removals in the land accounting categories referred to in Article 2(1) of this Regulation for the period from 2021 to 2025.

When assessing whether, within the Union, total emissions exceed total removals as referred to in the first subparagraph, point (b), the Commission shall ensure that double counting is avoided by Member States, in particular in the exercise of the flexibilities set out in Article 12 of this Regulation and Articles 7(1) or 9(2) of Regulation (EU) 2018/842.

3. The compensation referred to in paragraph 2 may only cover sinks accounted for as emissions against the forest reference level of that Member State and may not exceed 50 % of the maximum amount of compensation for the Member State concerned set out in Annex VII for the period from 2021 to 2025.

4. Member States shall submit evidence to the Commission concerning the impact of natural disturbances calculated pursuant to Annex VI in order to be eligible for compensation of remaining sinks accounted for as emissions against its forest reference level, up to the full amount of unused compensation by other Member States set out in Annex VII for the period from 2021 to 2025. In case the demand for compensation exceeds the amount of unused compensation available, the compensation shall be distributed proportionally among the Member States concerned.’;

(12) the following Article 13a is inserted:

‘Article 13a

Additional compensations

1. Finland may compensate up to an additional 5 million tonnes of CO₂ equivalent accounted emissions under the land accounting categories managed forest land, deforested land, managed cropland and managed grassland, in the period from 2021 to 2025, provided that the following conditions are fulfilled:

(a) Finland included in its strategy submitted in accordance with Article 15 of Regulation (EU) 2018/1999 ongoing or planned specific measures to ensure the conservation or enhancement, as appropriate, of forest sinks and reservoirs;

(b) total emissions within the Union do not exceed total removals in the land accounting categories referred to in Article 2(1) of this Regulation in the period from 2021 to 2025.

When assessing whether, within the Union, total emissions exceed total removals as referred to in the first subparagraph, point (b), the Commission shall ensure that double counting is avoided by Member States, in particular in the exercise of the flexibilities set out in Article 12 and 13 of this Regulation and Articles 7(1) or 9(2) of Regulation (EU) 2018/842.

2. The additional compensations are limited to:

(a) the amount exceeding the managed forest land flexibility available to Finland in the period from 2021 to 2025 pursuant to Article 13;

(b) the emissions created by historical change from forest land to any other land use category that occurred no later than 31 December 2017;

(c) compliance with Article 4.

3. The additional compensations may not be subject to transfer pursuant to Article 12 of this Regulation or Article 7 of Regulation (EU) 2018/842.

4. Any unused additional compensations out of the amount of 5 million tonnes CO₂ equivalent referred to in paragraph 1 shall be cancelled.

5. The Central Administrator shall carry out paragraph 2, point (a), and paragraphs 3 and 4 of this Article in the Union Registry established pursuant to Article 40 of Regulation (EU) 2018/1999.’;

(13) the following Article 13b is inserted:

‘Article 13b

Land use flexibility mechanism for the period 2026 to 2030

1. A land use flexibility mechanism corresponding to a quantity of up to 178 million tonnes of CO₂ equivalent shall be established in the Union Registry established pursuant to Article 40 of Regulation (EU) No 2018/1999, subject to the fulfilment of the Union target referred to in Article 4(2). The flexibility mechanism shall be available in addition to the flexibilities provided for in Article 12.

2. Where, in the period from 2026 to 2030, the difference between the annual sum of the greenhouse gas emissions and removals on the territory of a Member State and in all of the land reporting categories referred to in Article 2(2), points (a) to (j), and the corresponding target is positive, accounted and reported in accordance with this Regulation, that Member State may use the flexibility set out in this Article in order to comply with its target set out pursuant to Article 4(2).

3. Where, in the period from 2026 to 2030, the result of the calculation referred to in paragraph 2 is positive, the Member State concerned shall be entitled to compensate the excess emissions provided that the following conditions are fulfilled:

(a) the Member State has included in its updated integrated national energy and climate plan submitted pursuant to Article 14 of Regulation (EU) 2018/1999 ongoing or planned specific measures to ensure the conservation or enhancement, as appropriate, of all land sinks and reservoirs, and to reduce the vulnerability of the land to natural disturbances;

(b) the Member State has exhausted all other flexibilities available pursuant to this Article 12 of this Regulation or Article 7(1) of Regulation (EU) 2018/842;

(c) the difference in the Union between the annual sum of all greenhouse gas emissions and removals on its territory and in all of the land reporting categories referred to in Article 2(2), points (a) to (j), and the Union target [of 310 million tonnes CO₂ equivalent of net removals] is negative, in the period from 2026 to 2030.

When assessing whether, within the Union, total emissions exceed total removals as referred to in the first subparagraph, point (c), the Commission shall determine whether to include 20% of net removals not banked by Member States from the period from 2021 to 2025 on the basis of the impact of natural disturbances and applying information submitted by Member States in accordance with paragraph 5 of this Article. The Commission shall in that assessment also ensure that double counting is avoided by Member States, in particular in the exercise of the flexibilities set out in Article 12 of this Regulation and Article 7(1) of Regulation (EU) 2018/842.

4. The amount of the compensation referred to in paragraph 3 of this Article may only cover sinks accounted for as emissions against the target of the Member State in Annex IIa of this Regulation and may not exceed 50 % of the maximum amount of compensation for the Member State concerned set out in Annex VII for the period from 2026 to 2030.

5. Member States shall submit evidence to the Commission concerning the impact of natural disturbances calculated pursuant to Annex VI, in order to be eligible for compensation of remaining sinks accounted for as emissions against the target of a Member State concerned set out in Annex IIa, up to the full amount of unused compensation by other Member States set out in Annex VII for the period from 2026 to 2030. In case the demand for compensation exceeds the amount of unused compensation available, the compensation shall be distributed proportionally among the Member States concerned.'

(14) the following Article 13c is inserted:

‘Article 13c

Governance of the targets

If the reviewed greenhouse gas emissions and removals of a Member State in 2032 exceed the annual targets of that Member State for any specific year of the period 2026 to 2030, taking into account the flexibilities used pursuant to Articles 12 and 13b, the following measure shall apply:

An amount equal to the amount in tonnes of CO₂ equivalent of the excess greenhouse gas net emissions, multiplied by a factor of 1,08, shall be added to the greenhouse gas emission figure reported by that Member State in the following year, in accordance with the measures adopted pursuant to Article 15.’;

- (15) in Article 14, paragraph 1 is replaced by the following:

‘1. By 15 March 2027 for the period from 2021 to 2025, and by 15 March 2032 for the period from 2026 to 2030, Member States shall submit to the Commission a compliance report containing the balance of total emissions and total removals for the relevant period on each of the land accounting categories specified in Article 2(1), points (a) to (f), for the period from 2021 to 2025 and in Article 2(2), points (a) to (j) for the period from 2026 to 2030, using the accounting rules laid down in this Regulation.

The compliance report shall include an assessment of:

- a) the policies and measures regarding trade-offs;
- b) the synergies between climate mitigation and adaptation;
- c) synergies between climate mitigation and biodiversity.

Such report shall also contain, where applicable, details on the intention to use the flexibilities referred to in Article 11 and related amounts or on the use of such flexibilities and related amounts.’;

- (16) in Article 15, paragraph 1 is replaced by the following:

‘1. The Commission shall adopt delegated acts in accordance with Article 16 of this Regulation to supplement this Regulation in order to lay down the rules for the recording and an accurate carrying out of the following operations in the Union Registry established pursuant to Article 40 of Regulation (EU) 2018/1999:

- (a) the quantity of emissions and removals for each land accounting and reporting category in each Member State;
- (b) the exercise of the technical correction pursuant to Article 4(3) of this Regulation;
- (c) the exercise of the flexibilities pursuant to Articles 12, 13, 13a and 13b and
- (d) compliance with the targets pursuant to Article 13c.’;

- (17) the following Article 16a is inserted:

‘Article 16a

Committee procedure

1. The Commission shall be assisted by the Climate Change Committee established by Article 44(3) of Regulation (EU) 2018/1999. That committee shall be a committee

within the meaning of Regulation (EU) No 182/2011 of the European Parliament and of the Council⁴⁴.

2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.’;

(18) in Article 17, paragraph 2 is replaced by the following:

‘2. The Commission shall submit a report to the European Parliament and to the Council, no later than six months after [...] global stocktake agreed under Article 14 of the Paris Agreement, on the operation of this Regulation, including, where relevant, an assessment of the impacts of the flexibilities referred to in Article 11, as well as on the contribution of this Regulation to the Union’s overall 2030 greenhouse gas emission reduction target and its contribution to the goals of the Paris Agreement, in particular with regard to the need for additional Union policies and measures, in view of the necessary increase in greenhouse gas emissions reductions and removals in the Union.

Following the report, the Commission shall make legislative proposals where it deems it appropriate. In particular, the proposals shall set out annual targets and governance aiming towards the 2035 climate-neutrality target as laid down in Article 4(4), additional Union policies and measures, and a post-2035 framework, including in the scope of the Regulation greenhouse gas emissions and removals from additional sectors, such as the marine and freshwater environment.’;

(19) Annex I is amended in accordance with Annex I to this Regulation;

(20) the text set out in Annex II to this Regulation is inserted as Annex IIa.

Article 2

Regulation (EU) 2018/1999 is amended as follows:

(1) in Article 2, the following points (63) and (64) are added:

‘(63) ‘geographic information system’ means a computer system capable of capturing, storing, analysing, and displaying geographically referenced information;

‘(64) ‘geo-spatial application’ means an electronic application form that includes an IT application based on a geographic information system that allows beneficiaries to spatially declare the agricultural parcels of the holding and non-agricultural areas claimed for payment.’;

(2) in point (a)(1) of Article 4, point (ii) is replaced by the following:

‘the Member State’s commitments and national targets for net greenhouse gas removals pursuant to Article 4(1) and (2) of Regulation (EU) 2018/841 and its contributions aim towards reaching the Union objective of reducing greenhouse gas emissions to net zero by 2035 and achieving negative emissions thereafter pursuant to Article 4(4) of that Regulation.’;

(3) Article 38 is amended as follows:

(a) the following paragraph 1a is inserted:

⁴⁴

Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission’s exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

‘In 2025, the Commission shall carry out a comprehensive review of the national inventory data submitted by Member States pursuant to Article 26(4) of this Regulation, in order to determine the annual targets of net greenhouse gas emissions reduction of the Member States pursuant to Article 4(3) of Regulation (EU) 2018/841 and in order to determine the annual emission allocations of the Member States pursuant to Article 4(3) of Regulation (EU) 2018/842’;

(b) in paragraph 2, the introductory sentence is replaced by the following:

‘The comprehensive review referred to in paragraphs 1 and 1a shall include.’

(c) paragraph 4 is replaced by the following:

‘Upon completion of the comprehensive review carried out pursuant to paragraph 1, the Commission shall, by means of implementing acts, determine the total sum of emissions for the relevant years arising from the corrected inventory data for each Member State split between emission data relevant for Article 9 of Regulation (EU) 2018/842 and emission data referred to in Part 1, point (c), of Annex V to this Regulation, and determine the total sum of emissions and removals relevant for Article 4 of Regulation (EU) 2018/841.’;

(4) Annex V is amended in accordance with Annex III to this Regulation.

Article 3

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

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LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2018/841 on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry in the 2030 climate and energy framework

1.2. Policy area(s) concerned

Climate Action
Heading 3 Natural resources and Environment
Title 9 – Environment and Climate Action

1.3. The proposal/initiative relates to:

- ☐ a new action
- ☐ a new action following a pilot project/preparatory action⁴⁵
- ☒ the extension of an existing action
- ☐ a merger or redirection of one or more actions towards another/a new action

1.4. Objective(s)

1.4.1. General objective(s)

To amend the LULUCF Regulation 2018/841 in a manner commensurate with the 2030 climate ambition to reach at least 55% net greenhouse gas emission reductions by 2030 below 1990 levels and with a gradual and balanced trajectory towards climate neutrality by 2050, in a cost-effective and coherent way while taking into account the need for a just transition and the need for all sectors to contribute to the EU's climate efforts.

1.4.2. Specific objective(s)

Specific objective No 1

A climate-neutral land sector by 2035: The 2018 Commission Communication “A Clean Planet for All” makes clear that we need carbon removals to increase significantly if we are to achieve climate neutrality in 2050. Thus, to be on track for climate neutrality in 2050, the EU needs to reverse the recent decline in land-based removals and start implementing actions to increase removals already in this decade, in order to account for the long lead times of land-based climate mitigation.

Specific objective No 2

A fair, flexible and integrated climate policy framework for the land sector: As the opportunities to increase carbon removals are unevenly distributed across Member States, and the multi-functionality of land creates synergies and trade-offs, the revision of the LULUCF Regulation will need to ensure a fair, flexible, and

⁴⁵

As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

integrated policy framework, including the specification of the annual allocations for the period 2026-2030 under both the LULUCF and ESR sectors.

Specific objective No 3

Simplification of the LULUCF rules: the current LULUCF rules are often complex and no longer needed given the new formulation of the -55% target; based on the lessons learnt, in particular with regard to the setting of the FRLs, a number of accounting concepts can be optimised and simplified. This can reduce implementation costs and improve the integration of the LULUCF sector in the overall national climate strategies. In addition, monitoring and reporting systems need to better reflect the climate performance of the sector.

1.4.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

The most important impact of the revision will be an increase in LULUCF removals, to enhance the contribution of the sector to the more ambitious EU 2030 climate target announced in the Climate Target Plan (-55%). This is linked to the first objective of this Impact Assessment, a climate-neutral land sector by 2035. This impact affects Member States authorities, who will need to design ambitious land policies to deliver these targets, and land managers (farmers, forest managers) who will be the actors on the ground; more in general, this impact affects all European and world citizens, as climate action is a public good that is cross-border in nature.

1.4.4. Indicators of performance

Specify the indicators for monitoring progress and achievements.

Indicator nr 1: level of reduction of greenhouse gas emissions in the EU in 2030 (55% net reduction target compared to 1990, as enshrined in the European Climate Law).

Indicator nr 2: level of greenhouse gas removals of the LULUCF sectors in 2030 (3XXMtCO₂eq removal target in 2030)

Indicator nr 3: Combined land sector (LULUCF and agriculture non-CO₂ sectors) climate neutrality target in 2035.

The levels of reduction of greenhouse gas emissions in the EU are reported under Regulation (EU) 2018/1999 and other secondary legislation related to monitoring and reporting under the LULUCF Regulation.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Regulation and the Commission is to develop the relevant implementing measures. Member States shall therefore implement policies and measures and legal and administrative provisions necessary on national level to comply with the proposal.

The Commission will, in relation to this, revise and adopt a limited number of secondary legislative acts, including a comprehensive review of the inventory data

by 2025. The review – of both the LULUCF and ESR sectors – will allow the Commission to determine the average of greenhouse gas emissions of each Member State during the years 2021, 2022 and 2023, update the 2030 emission allocation path and revise annual allocations for the years 2026 to 2030.

Secondary legislation will also be required setting out detailed rules related to LULUCF on the Union Registry, and monitoring and reporting of emissions and verification of compliance reports. The implementation will require elaborate IT developments in the Union Registry to deal with new type of allowances linked to LULUCF-ESR flexibility, and new operators (Member States).

Furthermore, following the change in 2026 of the reporting and compliance mechanism, the implementation will require upgraded and enhanced provision of monitoring using the European Environment Agency and related data services under the Copernicus programme.

- 1.5.2. *Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.*

Climate change is a transboundary problem and EU action can effectively complement and reinforce regional, national and local action. Increasing the 2030 target for EU greenhouse gas reductions will impact many sectors across the EU economy and coordinated action at the EU level is therefore indispensable and has a much bigger chance of leading to the necessary transformation, acting as a strong driver for cost-efficient change and upward convergence.

Besides its capacity to store and sequester carbon, land provides many other important products and services: supplies the bioeconomy sectors with food, feed and feedstocks, provides habitats to biodiversity and many ecosystem services vital for life (e.g. water and air purification), and protects us from some of the consequences of climate change (e.g. floods and desertification). The interdependence between these functions and the capacity of the LULUCF sector to sequester carbon from the atmosphere calls for an integrated approach to climate action in the land sector, in order to optimise land use planning and identify win-win practices.

The potential to increase land-based carbon removals and the associated costs are, moreover, unevenly distributed across Member States. A key factor is the area available for climate action, which depends on topographic or economic factors. Furthermore, the type of soil and land use, combined with other climate-related factors and latitude, all impinge on the potential to enhance removals.

Therefore, the LULUCF Regulation presents synergies with many other EU policy initiatives that cover land-related activities.

- 1.5.3. *Lessons learned from similar experiences in the past*

The LULUCF Regulation is an existing EU policy instrument adopted recently in 2018. The Commission has however gained valuable experience since 2013, when

Decision 529/2013⁴⁶ came into force and required Member States to undertake surrogate accounting for land on their territories.

This proposal builds upon experience gathered in these two regulatory initiatives, as well as the Communication on stepping up Europe's 2030 climate ambition, the Long-Term Strategy for a prosperous, modern, competitive and climate-neutral economy and other relevant European Green Deal initiatives. The initiative also builds on the process based on integrated national energy and climate plans and the framework contained in the Governance Regulation.

1.5.4. Compatibility with the Multiannual Financial Framework and possible synergies with other appropriate instruments

This proposal is a part of the 'Fit for 55' climate and energy package. The overall objective of the package is to align Union legislation with the EU's increased climate ambition. All initiatives in the package are closely interlinked, and each one depends on the design of the others. This legislative proposal is complementary to the proposals made in the package and maintains consistency with them.

There are also strong interlinkages with other Commission initiatives on protecting and enhancing nature-based carbon removals, improving the resilience of the EU's forests to climate change, restoring degraded land and ecosystems, rewetting peatlands and promoting the bio-economy, including the use of durable harvested wood products, in full respect of ecological principles fostering biodiversity:

- a) EU Biodiversity Strategy for 2030⁴⁷;
- b) Farm to Fork Strategy for a fair, healthy and environmentally-friendly food system⁴⁸;
- c) EU Forest Strategy⁴⁹;
- d) [EU Nature Restoration Targets]⁵⁰;
- e) EU Strategy on Adaptation to Climate Change⁵¹;
- f) EU Strategy to Reduce Methane Emissions⁵²;
- g) [EU Soil Strategy⁵³];
- h) A sustainable Bioeconomy for Europe⁵⁴;
- i) Circular Economy Action Plan for a cleaner and more competitive Europe⁵⁵;
- j) Zero Pollution Action Plan⁵⁶;
- k) Long-term Vision for the EU's Rural Areas⁵⁷.

⁴⁶ <http://data.europa.eu/eli/dec/2013/529/oj>

⁴⁷ COM(2020) 380 final.

⁴⁸ COM/2020/381 final.

⁴⁹ [...]

⁵⁰ [...]

⁵¹ COM/2021/82 final.

⁵² COM/2020/663 final.

⁵³ [...]

⁵⁴ COM/2018/673 final

⁵⁵ COM/2020/98 final.

⁵⁶ COM/2021/400 final.

The LULUCF sector is connected to all ecosystems and economic activities that rely on the land and the services it provides. Therefore, the LULUCF Regulation presents synergies with other EU policies that cover land-related activities, mainly the Common Agricultural Policy⁵⁸ and the energy policy, particularly in respect of renewable energy.

1.5.5. Assessment of the different available financing options, including scope for redeployment

-

⁵⁷ COM/2021/[345] final.

⁵⁸ COM/2018/392 final.

1.6. Duration and financial impact of the proposal/initiative

☐ limited duration

☐ in effect from [DD/MM]YYYY to [DD/MM]YYYY

☐ Financial impact from YYYY to YYYY for commitment appropriations and from YYYY to YYYY for payment appropriations.

✓ unlimited duration

✓ Implementation with a start-up period from 2023 to 2024,

✓ followed by full-scale operation.

1.7. Management mode(s) planned⁵⁹

✓ **Direct management** by the Commission

✓ by its departments, including by its staff in the Union delegations;

☐ by the executive agencies

☐ **Shared management** with the Member States

☐ **Indirect management** by entrusting budget implementation tasks to:

☐ third countries or the bodies they have designated;

☐ international organisations and their agencies (to be specified);

☐ the EIB and the European Investment Fund;

✓ bodies referred to in Articles 70 and 71 of the Financial Regulation;

☐ public law bodies;

☐ bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;

☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;

☐ persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.

If more than one management mode is indicated, please provide details in the 'Comments' section.

Comments

As already included in Art 14(4) of the current regulation, assistance in inventory checking and compliance is provided by the EEA.

⁵⁹

Details of management modes and references to the Financial Regulation may be found on the BudgWeb site:
<https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The Commission will continue to monitor and evaluate progress on the application of the LULUC Regulation, which requires Member States to submit to the Commission an annual reporting on emissions, removals policies and measures. The monitoring and reporting, verification (MRV) data obtained through the regulation of the sector(s) through the EEA will be a key source for information for the Commission to evaluate progress in the sectors concerned.

Finally, the Commission regularly carries out studies on various pertinent aspects of EU climate policy.

2.2. Management and control system(s)

2.2.1. *Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

Not applicable - The proposal is not implementing a financial programme but designing a long-term policy. Management mode, funding implementation mechanisms, payment modalities and control strategy in relation to error rates are not applicable. The implementation of this proposal will require the redeployment of human resources within the Commission. Appropriate procedures are in place.

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)*

This initiative does not bring about new significant controls/risks that would not be covered by an existing internal control framework. No specific measures beyond the application of the Financial Regulation have been envisaged.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of	Contribution			
	Number	Diff./Non-diff.[1]	from EFTA countries[2]	from candidate countries[3]	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
3	09 01 01 01	Non-diff.	YES	NO	NO	NO
3	09 02 03	Diff.	YES	NO	NO	NO
3	09 10 02	Diff.	YES	YES	YES	NO
7	20 01 02 01	Non-diff.	NO	NO	NO	NO
7	20 02 06 01	Non-diff.	NO	NO	NO	NO
7	20 02 06 02	Non-diff.	NO	NO	NO	NO
7	20 02 06 03	Non-diff.	NO	NO	NO	NO

- New budget lines requested: Not applicable.

3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

- ☐ The proposal/initiative does not require the use of operational appropriations
- ☒ The proposal/initiative requires the use of operational appropriations, as explained below:

EUR million (to three decimal places)

Heading of multiannual financial framework			3	'natural resources and environment'				
067			2023	2024	2025	2026	2027	TOTAL
Operational appropriations								
09 02 03	Commitments	(1)	1,000	1,000	3,000		2,000	7,000
	Payments	(2)		0,400	1,000	1,800	1,800	5,000
Appropriations of an administrative nature financed from the envelope of specific programmes								
09 01 01 01		(3)			0,192	0,042	0,067	0,301
TOTAL appropriations DG CLIMA	Commitments	= 1 + 3	1,000	1,000	3,192	0,042	2,067	7,301
	Payments	= 2 + 3	-	0,400	1,192	1,842	1,867	5,301
TOTAL operational appropriations	Commitments	(4)	1,000	1,000	3,192	0,042	2,067	7,301
	Payments	(5)		0,400	1,192	1,842	1,867	5,301
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)						
TOTAL appropriations under HEADING 3 of the multiannual financial framework	Commitments	= 4+ 6	1,000	1,000	3,192	0,042	2,067	7,301
	Payments	= 5+ 6	-	0,400	1,192	1,842	1,867	5,301

Heading of multiannual financial framework	7	'Administrative expenditure'
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This section should be filled in using the 'budget data of an administrative nature' to be firstly introduced in the Annex to the Legislative Financial Statement (Annex V to the internal rules), which is uploaded to DECIDE for interservice consultation purposes.

EUR million (to three decimal places)

		2023	2024	2025	2026	2027	TOTAL
DG: CLIMA							
Y Human resources		0,608	0,608	0,760	0,760	0,912	3,648
Y Other administrative expenditure		0,055	0,107	0,107	-	-	0,269
TOTAL DG CLIMA	Appropriations	0,663	0,715	0,867	0,760	0,912	3,917
TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments =Total payments)	0,663	0,715	0,867	0,760	0,912	3,917

		2023	2024	2025	2026	2027	TOTAL
TOTAL appropriations under HEADINGS 1 to 7 of the multiannual financial framework	Commitments	1,663	1,715	4,059	0,802	2,979	11,218
	Payments	0,663	1,115	2,059	2,602	2,779	9,218

3.2.2. *Estimated output funded with operational appropriations*

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ↓			Year 2023		Year 2024		Year 2025		Year 2026		Year 2027						TOTAL	
	OUTPUTS																	
	Type 60	Avera ge cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost
SPECIFIC OBJECTIVE No 1 ⁶¹ ...																		
- Registry				0,000		0,000		0,192		0,042		0,067						0,301
- Studies setting				0,300		0,300		0,300										0,900
Subtotal for specific objective No 1																		1,201
SPECIFIC OBJECTIVE No 2 ...																		
- Fair				0,300		0,300		2,300				2,000						4,900
Subtotal for specific objective No 2																		
SPECIFIC OBJECTIVE No 3 ...																		
- Simplification				0,400		0,400		0,400										1,200
Subtotal for specific objective No 3																		
TOTALS				1,000		1,000		3,192		0,042		2,067						7,301

⁶⁰ Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

⁶¹ As described in point 1.4.2. ‘Specific objective(s)...’

3.2.3. Summary of estimated impact on administrative appropriations

- ☐ The proposal/initiative does not require the use of appropriations of an administrative nature
- ☒ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

	2023	2024	2025	2026	2027	TOTAL
HEADING 7 of the multiannual financial framework						
Human resources	0,608	0,608	0,760	0,760	0,912	3,648
Other administrative expenditure	0,055	0,107	0,107	-	-	0,269
Subtotal HEADING 7 of the multiannual financial framework	0,663	0,715	0,867	0,760	0,912	3,917
Outside HEADING 7[1] of the multiannual financial framework						
Human resources	-	-	-	-	-	-
Other expenditure of an administrative nature	-	-	0,192	0,042	0,067	0,301
Subtotal outside HEADING 7 of the multiannual financial framework	-	-	0,192	0,042	0,067	0,301
TOTAL	0,663	0,715	1,059	0,802	0,979	4,218

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

3.2.3.1. Estimated requirements of human resources

- ☐ The proposal/initiative does not require the use of human resources.
- ☒ The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

	2023	2024	2025	2026	2027
Y Establishment plan posts (officials and temporary staff)					
20 01 02 01 (Headquarters and Commission's Representation Offices)	4	4	5	5	6
20 01 02 03 (Delegations)					
01 01 01 01 (Indirect research)					
01 01 01 11 (Direct research)					
Other budget lines (specify)					
Y External staff (in Full Time Equivalent unit: FTE)[1]					
20 02 01 (AC, END, INT from the 'global envelope')					
20 02 03 (AC, AL, END, INT and JPD in the delegations)					
XX 01 xx yy zz [2]	- at Headquarters				
	- in Delegations				
01 01 01 02 (AC, END, INT - Indirect research)					
01 01 01 12 (AC, END, INT - Direct research)					
Other budget lines (specify)					
TOTAL	4	4	5	5	6

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	<p>Additional HR resources are required for:</p> <ul style="list-style-type: none"> - Legal drafting and approval of amendments of secondary legislation setting out detailed implementing rules on auctioning; Union Registry; monitoring and reporting; verification of reports; - Implementation tasks related to the land sector extension to include agriculture non-CO2 emissions; - Monitoring the upgraded and enhanced implementation of monitoring, reporting and verification (MRV) obligations; supervision of work by EEA - Business Analysis for IT adaptations and subsequent operation thereafter of the new elements in the Union Registry. Business Intelligence and Reporting obligations. Customer Relationship Management and coordination of new Service Desk resources.
External staff	

3.2.4. *Compatibility with the current multiannual financial framework*

The proposal/initiative:

- ☒ can be fully financed through redeployment within the relevant heading of the Multiannual Financial Framework (MFF).

that the expenditure will be incurred within the LIFE envelope

- ☐ requires use of the unallocated margin under the relevant heading of the MFF and/or use of the special instruments as defined in the MFF Regulation.

Explain what is required, specifying the headings and budget lines concerned, the corresponding amounts, and the instruments proposed to be used.

- ☐ requires a revision of the MFF.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.5. *Third-party contributions*

The proposal/initiative:

- ☒ does not provide for co-financing by third parties
- ☐ provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

	2023	2024	2025	2026	2027	Total
Specify the co-financing body						
TOTAL appropriations co-financed						

3.3. Estimated impact on revenue

- ☒ The proposal/initiative has no financial impact on revenue.
- ☐ The proposal/initiative has the following financial impact:
 - ☐ on own resources
 - ☐ on other revenue
 - please indicate, if the revenue is assigned to expenditure lines ☐

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative ⁶²						
		Year 2023	Year 2024	Year 2025	Year 2026	Enter as many years as necessary to show the duration of the impact (see point 1.6)		
Article								

For assigned revenue, specify the budget expenditure line(s) affected.

--

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

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⁶²

As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.

LEGISLATIVE FINANCIAL STATEMENT 'AGENCIES'

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LEGISLATIVE FINANCIAL STATEMENT 'AGENCIES'

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2018/841 on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry in the 2030 climate and energy framework [...]

1.2. Policy area(s) concerned

Climate Action

Heading 3 Natural resources and Environment Title 9 – Environment and Climate Action (MFF 2021/27)

1.3. The proposal relates to

☐ a new action

☐ a new action following a pilot project/preparatory action⁶³

✓ the extension of an existing action

☐ a merger of one or more actions towards another/a new action

1.4. Objective(s)

1.4.1. General objective(s)

To amend the LULUCF Regulation 2018/841 in a manner commensurate with the 2030 climate ambition to reach at least 55% net greenhouse gas emission reductions by 2030 below 1990 levels and with a gradual and balanced trajectory towards climate neutrality by 2050, in a cost-effective and coherent way while taking into account the need for a just transition and the need for all sectors to contribute to the EU's climate efforts.

1.4.2. Specific objective(s)

Specific objective No 1

A climate-neutral land sector by 2035: The 2018 Commission Communication “A Clean Planet for All”⁴⁰ makes clear that we need carbon removals to increase significantly if we are to achieve climate neutrality in 2050. Thus, to be on track for climate neutrality in 2050, the EU needs to reverse the recent decline in land-based removals and start implementing actions to increase removals already in this decade, in order to account for the long lead times of land-based climate mitigation.

Objective for EEA: Additional quality checks on agriculture and LULUCF emissions inventories, including consistency checks between EU and MS greenhouse gas inventory data and carbon certification schemes.

⁶³

As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

Actions:

With higher expectations regarding the methods to be used by Member States, the amount of information to be quality checked during the initial checks of the LULUCF inventories will increase, while the timeframe to perform these checks will remain the same.

Consistency between the MS GHG inventory data and carbon certification information at farm level (in case legislation is adopted) will need to be assured.

From 2024: integration of the agriculture non-CO2 QA/QC process so that a consistent check on the agriculture and LULUCF emission inventory data can be performed, in preparation for combined land sector implementation.

Specific objective No 2

A fair, flexible and integrated climate policy framework for the land sector: As the opportunities to increase carbon removals are unevenly distributed across Member States, and the multi-functionality of land creates synergies and trade-offs, the revision of the LULUCF Regulation will need to ensure a fair, flexible, and integrated policy framework.

Objective for EEA: Support comprehensive review of agriculture and LULUCF sector emission inventories

Actions: setup and act as review secretariat to perform together with contracted reviewers a comprehensive reviews of the agriculture and LULUCF sector to both setup compliance targets (2025) and to perform the target compliance check (2027 and 2032).

Specific objective No 3

Simplification of the LULUCF rules: the current LULUCF rules are often complex and no longer needed given the new formulation of the -55% target; based on the lessons learnt, in particular with regard to the setting of the FRLs, a number of accounting concepts can be optimised and simplified. With the revised LULUCF regulation implementing higher Tier methodologies for the MS, and in particular to better distinguish different types of land areas into high carbon stock lands, areas under protection and areas under climate change risk, additional geospatial datasets need to be derived to support Member States. This can reduce implementation costs and improve the integration of the LULUCF sector in the overall national climate strategies. In addition, monitoring and reporting systems need to better reflect the climate performance of the sector.

Objective for EEA: Facilitate improved and annual geographical tracking of carbon pools and developing a pan-European dataset for progress tracking and assessment; Safeguard that increased carbon removals do not lead to negative impact on the environment

Actions:

Support MS in using such data (capacity building), allowing to provide a pan-EU assessment of these land areas and to use such stratified land use areas during the QA/QC and review process of MS data

Setup and implement a bi-annual assessment to safeguard that the increased demand for carbon removals in the agriculture and LULUCF sector do not lead to negative impacts on the environment, in particular biodiversity.

Prepare regular assessments of climate change impacts on state of forestry and agriculture to safeguard capacity of the sectors regarding the CO2 sinks.

1.4.3. *Expected result(s) and impact*

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

The most important impact of the revision will be an increase in LULUCF removals, to enhance the contribution of the sector to the more ambitious EU 2030 climate target announced in the Climate Target Plan (-55%). This is linked to the first objective of this Impact Assessment, a climate-neutral land sector by 2035. This impact affects Member States authorities, who will need to design ambitious land policies to deliver these targets, and land managers (farmers, forest managers) who will be the actors on the ground; more in general, this impact affects all European and world citizens, as climate action is a public good that is cross-border in nature.

1.4.4. *Indicators of performance*

Specify the indicators for monitoring progress and achievements.

Indicator nr 1: level of reduction of greenhouse gas emissions in the EU in 2030 (55% net reduction target compared to 1990, as enshrined in the European Climate Law).

Indicator nr 2: level of greenhouse gas removals of the LULUCF sectors in 2030 (3XXMtCO₂eq removal target in 2030)

Indicator nr 3: Combined land sector (LULUCF and agriculture non-CO₂ sectors) climate neutrality target in 2035.

The levels of reduction of greenhouse gas emissions in the EU are reported under Regulation (EU) 2018/1999 and other secondary legislation related to monitoring and reporting under the LULUCF Regulation.

1.5. **Grounds for the proposal/initiative**

1.5.1. *Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative*

Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Regulation and the Commission is to develop the relevant implementing measures.

Furthermore, following the change in 2026 of the reporting and compliance mechanism, the implementation will require upgraded and enhanced provision of monitoring using the European Environment Agency and related data services under the Copernicus programme.

The revised LULUCF regulation sets ambitious and credible targets for the LULUCF and agricultural sector to support the achievement of a net greenhouse gas emission reduction of at least 55% by 2030 compared to 1990, as set out in the European Climate Law. The revised LULUCF regulation proposal aims to increase carbon sequestration in the agriculture and LULUCF sectors, with the goal of carbon neutrality of the combined two sectors by 2035. At the same, it should ensure that this increased CO₂ removal does not lead to negative impacts on the environment, in particular biodiversity, on public health or on social or economic objectives.

The revised LULUCF regulation will therefore require Member States to use more precise methodologies to estimate emissions and removals from their agriculture and LULUCF sectors, including by making more use of geospatial data to support these higher Tier level calculations. In particular, to be able to identify and track carbon pools within high carbon stock lands, areas under protection and areas under climate change risk, high level

methodologies requiring timely, standardised and EU harmonised datasets and services will be needed, applied in accordance with the IPCC guidelines.

As a consequence of this change from a “no-debit rule” regulation towards a net emissions contribution of the LULUCF sector to the overall EU climate target, which will come into operation from the 2026 year, compliance targets will need to be set requiring additional comprehensive GHG inventory reviews. This will require a preparatory phase during 2024/25.

- 1.5.2. *Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.*

Climate change is a transboundary problem and EU action can effectively complement and reinforce regional, national and local action. Increasing the 2030 target for EU greenhouse gas reductions will impact many sectors across the EU economy and coordinated action at the EU level is therefore indispensable and has a much bigger chance of leading to the necessary transformation, acting as a strong driver for cost-efficient change and upward convergence.

Besides its capacity to store and sequester carbon, land provides many other important products and services: supplies the bioeconomy sectors with food, feed and feedstocks, provides habitats to biodiversity and many ecosystem services vital for life (e.g. water and air purification), and protects us from some of the consequences of climate change (e.g. floods and desertification). The interdependence between these functions and the capacity of the LULUCF sector to sequester carbon from the atmosphere calls for an integrated approach to climate action in the land sector, in order to optimise land use planning and identify win-win practices.

The potential to increase land-based carbon removals and the associated costs are, moreover, unevenly distributed across Member States. A key factor is the area available for climate action, which depends on topographic or economic factors. Furthermore, the type of soil and land use, combined with other climate-related factors and latitude, all impinge on the potential to enhance removals.

The revised LULUCF regulation will need to be supported by a robust and transparent monitoring, reporting and verification (MRV) system that will have to go beyond the current MRV system setup by the existing LULUCF regulation. It will also need to be able to make the link between land management choices made in the agriculture and LULUCF sector and the impact on carbon sequestration and biodiversity protection.

At present, limited EEA resources are available for supporting the MRV of LULUCF emission inventory, according to requirement set in Regulations EU 2018/841 (LULUCF Regulation) and EU 2018/1999 (Governance Regulation)

- 1.5.3. *Lessons learned from similar experiences in the past*

The LULUCF Regulation is an existing EU policy instrument adopted recently in 2018. The Commission has however gained valuable experience since 2013, when Decision 529/2013⁶⁴ came into force and required Member States to undertake surrogate accounting for land on

64

<http://data.europa.eu/eli/dec/2013/529/oj>

their territories. The Commission's services and the EEA have direct experience of evaluating, with the limited resource availability at present (due to the limited scope of application of the regulatory framework at present to LULUCF), Member State LULUCF inventories. This experience has directly revealed the gaps and upgrading effort required to fully modernise the inventory compilation, using tools and services that are built via EU programmes managed by the EEA (foremost, Copernicus).

This proposal therefore builds upon experience gathered in these earlier regulatory initiatives, as well as the Communication on stepping up Europe's 2030 climate ambition, the Long-Term Strategy for a prosperous, modern, competitive and climate-neutral economy and other relevant European Green Deal initiatives, such as Digital Europe. The initiative also builds on the process based on integrated national energy and climate plans and the framework contained in the Governance Regulation and which will form a core part of the future target setting exercise. [...]

1.5.4. *Compatibility with the Multiannual Financial Framework and possible synergies with other appropriate instruments*

This proposal is a part of the 'Fit for 55' climate and energy package. The overall objective of the package is to align Union legislation with the EU's increased climate ambition. All initiatives in the package are closely interlinked, and each one depends on the design of the others. This legislative proposal is complementary to the proposals made in the package and maintains consistency with them.

There are also strong interlinkages with other Commission initiatives on protecting and enhancing nature-based carbon removals, improving the resilience of the EU's forests to climate change, restoring degraded land and ecosystems, rewetting peatlands and promoting the bio-economy, including the use of durable harvested wood products, in full respect of ecological principles fostering biodiversity:

- a) EU Biodiversity Strategy for 2030⁶⁵;
- b) Farm to Fork Strategy for a fair, healthy and environmentally-friendly food system⁶⁶;
- c) EU Forest Strategy⁶⁷;
- d) EU Nature Restoration Plan;
- e) EU Strategy on Adaptation to Climate Change⁶⁸;
- f) EU Strategy to Reduce Methane Emissions⁶⁹;
- g) [EU Soil Strategy⁷⁰];
- h) A sustainable Bioeconomy for Europe⁷¹;
- i) Circular Economy Action Plan for a cleaner and more competitive Europe⁷².

⁶⁵ COM(2020) 380 final.

⁶⁶ COM/2020/381 final.

⁶⁷ [...]

⁶⁸ COM/2021/82 final.

⁶⁹ COM/2020/663 final.

⁷⁰ [...]

⁷¹ COM/2018/673 final

⁷² COM/2020/98 final.

j) Zero Pollution Action Plan⁷³

k) A long-term Vision for the EU's Rural Areas⁷⁴

The LULUCF sector is connected to all ecosystems and economic activities that rely on the land and the services it provides. Therefore, the LULUCF Regulation presents synergies with other EU policies that cover land-related activities, mainly the Common Agricultural Policy⁷⁵ and the energy policy, particularly in respect of renewable energy.

1.5.5. *Assessment of the different available financing options, including scope for redeployment*

-

⁷³ COM/2021/400 final

⁷⁴ [...]

⁷⁵ [...]

1.6. **Duration and financial impact of the proposal/initiative**

☐ **limited duration**

- ☐ Proposal/initiative in effect from [DD/MM]YYYY to [DD/MM]YYYY
- ☐ Financial impact from YYYY to YYYY

☐ **unlimited duration**

- Implementation with a start-up period from YYYY to YYYY,
- followed by full-scale operation.

1.7. **Management mode(s) planned⁷⁶**

✓ **Direct management** by the Commission through

- ☐ executive agencies

☐ **Shared management** with the Member States

☐ **Indirect management** by entrusting budget implementation tasks to:

☐ international organisations and their agencies (to be specified);

☐ the EIB and the European Investment Fund;

✓ bodies referred to in Articles 70 and 71;

☐ public law bodies;

☐ bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;

☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;

☐ persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.

Comments

The Commission will be supported by the European Environment Agency (EEA) as described above in accordance with its annual work programme. The EEA will carry out this work as part of its current mandate and in line with the “Single Programming Document”, setting out, a multiannual and annual work programme of the EEA (Article 32 of Regulation 2019/715 – Financial Framework Regulation).

⁷⁶ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: <https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The Commission will continue to monitor and evaluate progress on the application of the LULUC Regulation, which requires Member States to submit to the Commission an annual reporting on emissions, removals policies and measures. The monitoring and reporting, verification (MRV) data obtained through the regulation of the sector(s) through the EEA will be a key source for information for the Commission to evaluate progress in the sectors concerned.

Finally, the Commission regularly carries out studies on various pertinent aspects of EU climate policy.

[...]

2.2. Management and control system(s)

2.2.1. *Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

Not applicable - The proposal is not implementing a financial programme but designing a long-term policy. Management mode, funding implementation mechanisms, payment modalities and control strategy in relation to error rates are not applicable. The implementation of this proposal will require the redeployment of human resources within the Commission. Appropriate procedures are in place.

[...]

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

[...]

[...]

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)*

This initiative does not bring about new significant controls/risks that would not be covered by an existing internal control framework. No specific measures beyond the application of the Financial Regulation have been envisaged.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.

For the purpose of combating fraud, corruption and any other illegal activity, the provisions of Regulation (EU, Euratom) N°883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) apply to the EEA without any restriction. The EEA has a dedicated anti-fraud strategy and resulting action plan. In addition, the Regulation establishing the EEA sets out the provisions on implementation and control of the EEA's budget and applicable financial rules, including those aimed at preventing fraud and irregularities.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of	Contribution			
	Number	Diff./Non-diff.[1]	from EFTA countries[2]	from candidate countries[3]	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
3	09 02 03	Diff.	YES	NO	NO	NO
3	09 10 02	Diff.	YES	YES	YES	NO
7	20 01 02 01	Non-diff.	NO	NO	NO	NO
7	20 02 06 01	Non-diff.	NO	NO	NO	NO
7	20 02 06 02	Non-diff.	NO	NO	NO	NO
7	20 02 06 03	Non-diff.	NO	NO	NO	NO

- New budget lines requested : n/a

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework			3	Natural Resources and Environment				
[Body]: EEA			2023	2024	2025	2026	2027	TOTAL
Title 1:	Commitments	(1)		1,967	2,006	2,046	2,087	8,106
	Payments	(2)		1,967	2,006	2,046	2,087	8,106
Title 2:	Commitments	(1a)		0,177	0,181	0,184	0,198	0,740
	Payments	(2a)		0,177	0,181	0,184	0,198	0,740
Title 3:	Commitments	(3a)		0,153	1,156	0,159	1,162	2,631
	Payments	(3b)		0,153	1,156	0,159	1,162	2,631
TOTAL appropriations for EEA	Commitments	=1 + 1a + 3a		2,297	3,343	2,390	3,447	11,476
	Payments	=2 + 2a + 3b		2,297	3,343	2,390	3,447	11,476

Heading of multiannual financial framework			7	'Administrative expenditure'				
--	--	--	---	------------------------------	--	--	--	--

EUR million (to three decimal places)

DG: CLIMA	2023	2024	2025	2026	2027	TOTAL
Human Resources	0,608	0,608	0,760	0,760	0,912	3,648
Other administrative expenditure	0,055	0,107	0,107	-	-	0,269
TOTAL DG CLIMA	0,663	0,715	0,867	0,760	0,912	3,917

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	0,663	0,715	0,867	0,760	0,912	3,917
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EUR million (to three decimal places)

		2023	2024	2025	2026	2027	TOTAL
TOTAL appropriations under HEADINGS 1 to 7 of the multiannual financial framework *	Commitments	0,663	3,012	4,209	3,150	4,359	15,393
	Payments	0,663	3,012	4,209	3,150	4,359	15,393

* The budgetary impact of the additional financial resources for the European Environment Agency will be offset through a compensatory reduction from the LIFE budget.

3.2.2. *Estimated impact on [body]'s appropriations*

- ☐ The proposal/initiative does not require the use of operational appropriations
- ☒ The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ↓			Year 2024		Year 2025		Year 2026		Year 2027		Enter as many years as necessary to show the duration of the impact (see point 1.6)						TOTAL	
	OUTPUTS																	
	Type ⁷⁷	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost
SPECIFIC OBJECTIVE No 2 ⁷⁸ ...																		
- comprehensive						1M				1M								2M
- Output																		
- Output																		
Subtotal for specific objective No 1																		
SPECIFIC OBJECTIVE No 2 ...																		
- Output																		
Subtotal for specific objective No 2																		
TOTAL COST																		

⁷⁷ Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).
⁷⁸ As described in point 1.4.2. ‘Specific objective(s)...’

3.2.3. Estimated impact on [body]'s human resources

3.2.3.1. Summary

- ☐ The proposal/initiative does not require the use of appropriations of an administrative nature
- ☒ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

	2023	2024	2025	2026	2027	TOTAL
Temporary agents (AD Grades)		1,636	1,669	1,702	1,736	6,742
Temporary agents (AST grades)		-	-	-	-	-
Contract staff		0,331	0,338	0,344	0,351	1,364
Seconded National Experts		-	-	-	-	-
TOTAL		1,967	2,006	2,046	2,087	8,106

Staff requirements (FTE):

	2023	2024	2025	2026	2027	TOTAL
Temporary agents (AD Grades)	4	8	8	8	8	36
Temporary agents (AST grades)						0
Contract staff	1	3	3	3	3	13
Seconded National Experts						0
TOTAL	5	11	11	11	11	49

Please indicate the planned recruitment date and adapt the amount accordingly (if recruitment occurs in July, only 50 % of the average cost is taken into account) and provide further explanations.

3.2.3.2. Estimated requirements of human resources for the parent DG

- ☐ The proposal/initiative does not require the use of human resources.
- ☒ The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full amounts (or at most to one decimal place)

	2023	2024	2025	2026	2027
Establishment plan posts (officials and temporary staff)					
20 01 02 01 (Headquarters and Commission's Representation Offices)	4	4	5	5	6
20 01 02 03 (Delegations)					
01 01 01 01 (Indirect research)					
01 01 01 11 (Direct research)					
Other budget lines (specify)					
External staff (in Full Time Equivalent unit: FTE)[1]					
20 02 01 (AC, END, INT from the 'global envelope')					
20 02 03 (AC, AL, END, INT and JPD in the delegations)					
XX 01 xx yy zz [2]	- at Headquarters				
	- in Delegations				
01 01 01 02 (AC, END, INT - Indirect research)					
01 01 01 12 (AC, END, INT - Direct research)					
Other budget lines (specify)					
TOTAL	4	4	5	5	6

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	<p>Additional HR resources are required for:</p> <ul style="list-style-type: none"> - Legal drafting and approval of amendments of secondary legislation setting out detailed implementing rules on auctioning; Union Registry; monitoring and reporting; verification of reports; - Implementation tasks related to the land sector extension to include agriculture non-CO2 emissions; - Monitoring the upgraded and enhanced implementation of monitoring, reporting and verification (MRV) obligations - IT adaptations in the Union Registry (together with ETS)
External staff	

Description of the calculation of cost for FTE units should be included in the Annex V, section 3.

3.2.4. *Compatibility with the current multiannual financial framework*

- ☐ The proposal/initiative is compatible the current multiannual financial framework.
- ☒ The proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

The budgetary impact of the additional financial resources for the European Environment Agency will be offset through a compensatory reduction from the LIFE budget. The increase in EEA EU contribution and reduction in LIFE budget will be reflected in the financial programming for future years.

- ☐ The proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework⁷⁹.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

[...]

3.2.5. *Third-party contributions*

- ☒ The proposal/initiative does not provide for co-financing by third parties.
- The proposal/initiative provides for the co-financing estimated below:

EUR million (to three decimal places)

	2023	2024	2025	2026	2027	TOTAL
Specify the co-financing body						
TOTAL appropriations co-financed						

⁷⁹ See Articles 12 and 13 of Council Regulation (EU, Euratom) No 2093/2020 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027.

3.3. **Estimated impact on revenue**

- ☒ The proposal/initiative has no financial impact on revenue.
- ☐ The proposal/initiative has the following financial impact:
 - ☐ on own resources
 - ☐ on other revenue
 - ☐ please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget line: revenue	Appropriation s available for the current financial year	Impact of the proposal/initiative ⁸⁰				
		2023	2024	2025	2026	2027
Article						

For miscellaneous ‘assigned’ revenue, specify the budget expenditure line(s) affected.

Specify the method for calculating the impact on revenue.

⁸⁰

As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.