Revision of the LULUCF Regulation

Strengthening the role of the land use, land-use change and forestry sector in climate action

OVERVIEW

To align regulations and policies with the legally binding goals – delivering, by 2030, a 55 % net greenhouse gas emissions reduction compared with 1990, and reaching climate neutrality in Europe by 2050 – on 14 July 2021, the European Commission presented its first proposals under the ‘fit for 55’ package. The package included amendments to Regulation (EU) 2018/841 on emissions and removals from land use, land-use change and forestry (the LULUCF Regulation).

Industry stakeholders fear too rigid frameworks, drawing attention to local circumstances and integrated value chains. Environmental organisations broadly find LULUCF removals ambitions too low, calling for carbon storage through protection of nature sites rather than storage in wood products.

The European Parliament and Council adopted their positions in June 2022. A trilogue agreement, reached on 11 November 2022, changes the approach from balancing emissions and removals in the LULUCF sector to increasing removals. In 2030, LULUCF carbon removals will need to reach 310 million tonnes of CO2 equivalent. Parliament approved the agreed text on 14 March 2023. The regulation was published in the Official Journal on 21 April, and enters into force on 11 May.
Introduction

The European Green Deal, which seeks to make Europe the first climate-neutral continent by 2050, is one of the six political priorities of the von der Leyen Commission. The European Climate Law of April 2021 made this ambition legally binding, while also increasing the greenhouse gas (GHG) emissions reduction target for 2030 from 'at least' 40 % to 'at least' 55 % net, compared with 1990.

On 14 July 2021, the European Commission published a proposal to amend Regulation (EU) 2018/841 on the inclusion of GHG emissions and removals from land use, land-use change and forestry (the LULUCF Regulation) as part of the EU’s climate and energy framework. The aim of the proposed amendments is to strengthen the LULUCF sector’s contribution to climate action.

One of the key differences between the EU’s 2020 and 2030 emissions reduction targets is the change from a direct emissions reduction target to a net emissions target. A net target is reached by subtracting GHG removals from the total GHG emissions. Removals of GHGs or of carbon dioxide can occur through technological or nature-based solutions. All scenarios for achieving the temperature targets of the Paris Agreement rely on carbon removal solutions.

The LULUCF sector plays a key role in natural carbon removal, which is essential for balancing the remaining GHG emissions to achieve net-zero by 2050, and for achieving negative emissions from 2051. The LULUCF ecosystems provide a significant carbon sink capacity, which, however, has shrunk over the past decade. The current proposal seeks to reverse this trend and increase carbon removal.

Context

Three key pieces of climate legislation currently implement the overall European Union GHG emissions reduction target: Directive 2003/87/EC on the EU emissions trading system (the ETS Directive), Regulation (EU) 2018/842 (the Effort-sharing Regulation, ESR), and the LULUCF Regulation. The LULUCF sector became a key part of the EU’s regulatory framework for 2020-2030 following the October 2014 European Council conclusions, which also pointed out the need to ‘ensure coherence between the EU’s food security and climate change objectives’. Moreover, the Kyoto Protocol, adopted in 1997, committed the EU Member States to applying the ‘no-debit’ rule (see box). The above three acts are complemented by others, including on renewable energy and energy efficiency, and by CO₂ standards for new cars and vans and for heavy-duty vehicles.

The existing legislative framework for ensuring the achievement of the EU’s 2030 climate and energy targets, which also includes the Governance Regulation (EU) 2018/1999 laying out the rules for planning, reporting and monitoring progress to align to the 2030 targets, is not sufficient to achieve the increased 2030 ambition. A 2019 progress report estimated that full implementation of all relevant EU law provisions could lead to a 45 % reduction of GHG emissions by 2030 in the EU-28. The European Climate Law made initial amendments to the provisions in the Governance Regulation.

Existing situation

The LULUCF Regulation requires that all Member States adhere to the 'no-debit' rule over two five-year periods, and envisages efforts to increase the LULUCF carbon sink from 2030 onwards. It
introduces accounting obligations for all types of land use from 2021 onwards; for wetlands, these obligations arise from 2026 onwards. Non-CO₂ emissions from the agricultural sector’s land-use practices are covered by the provisions of the ESR, while CO₂ emissions or removals on agricultural lands are reported under the relevant LULUCF land category.

Considering the long time it takes for the effects of mitigation actions under LULUCF to materialise, a standard transition period of 20 years applies to areas converted by means of deforestation or afforestation. The regulation ensures consistency with categories and reporting requirements under the United Nations Framework Convention on Climate Change (UNFCCC) and overall with the guidelines provided by the Intergovernmental Panel on Climate Change (IPCC).

For managed forest land, Member States are obliged to account for changes in projected emissions or removals using the forest reference level (FRL) benchmark. The FRL for each Member State was set in a delegated act in October 2020, preceded by a two-year process involving the submission of draft national forestry accounting plans (including proposed FRLs) by Member States; a consultation with experts; and a series of technical recommendations and reviews. In calculating the developments in respect of net emissions or removals compared with the FRL, Member States are obliged to report on harvested biomass, depending on the type. For harvested wood products (HWP), the carbon storage period can vary according to the type (primarily paper, wood panels or sawn wood), whereas biomass for energy or designated as solid waste assumes immediate emissions. Annex V to the regulation provides methodological guidance in reporting carbon storage in harvested biomass.

There is flexibility between the ESR (Article 7) and the LULUCF Regulation (Article 12) to allow for the limited transfer of removal credits (LULUCF) or emissions allocations (ESR), the aim being to ensure compliance across the legislative framework. Member States can also choose to bank LULUCF credits from the first accounting period (2021-2025) towards the second accounting period (2026-2030) or transfer them to another Member State.

According to the latest data, 2019 net removals from LULUCF stood at 249 million tonnes of CO₂ equivalent (Mt CO₂e) in the EU-27. Net emissions were reported from cropland, grassland, wetlands, settlements and other land, while forest land and harvested wood products delivered net removals outweighing the above categories’ emissions.

In the 2013-2019 period, net LULUCF removals declined by over a fifth, from 322 Mt CO₂e to 249 Mt CO₂e. Reasons include increased harvesting rates, ageing forests and natural disturbances such as forest fires or bark beetle damage. According to projections in the impact assessment accompanying the climate target plan communication, removals will further decrease to 225 Mt CO₂e in 2030 under the current ‘no-debit’ approach.

**Parliament's starting position**

The European Parliament called for a mid-century zero-emissions strategy back in 2017, and has maintained pressure to increase climate ambitions and legislative frameworks through various resolutions. In its March 2019 resolution, the Parliament welcomed the Commission’s November 2018 strategy, A clean planet for all, which sets out a vision of net-zero GHG emissions by 2050. The Parliament, however, stressed the need to prioritise direct emissions reductions and actions conserving and enhancing the EU’s natural sinks and reservoirs, rather than rely on carbon removal technologies. During the 2018 trilogue negotiations on the climate and energy legislative framework, the Parliament backed reduced emissions allocations under the ESR, which includes agriculture, while also bolstering the LULUCF Regulation provisions by adding that from 2030, they should go beyond the ‘no-debit’ rule.

In its 15 January 2020 resolution on the European Green Deal, the Parliament asked the Commission to increase the emissions reduction target for 2030 and to ensure legally binding targets for 2030 and 2040, by including these in the proposal on the European Climate Law. Within the same
resolution, the Parliament reiterated the importance of sustainable agricultural practices, including through agro-forestry, in contributing to the EU climate objectives. These practices include sustainable forest management and carbon capture, which would also provide other significant ecosystem services beneficial to the environment and biodiversity.

In its October 2020 resolution on deforestation, the Parliament requested the Commission to propose an EU legal framework to halt and reverse EU-driven global deforestation. Stressing the need for a legal framework, the Parliament pointed out that emissions from land-use change, mostly due to deforestation, are the second biggest cause of climate change after the burning of coal, oil and gas. It also highlighted that forests, in particular primary forests, are significant natural carbon sinks and are indispensable in the fight against climate change in line with the Paris Agreement's goals. In June 2021, the Parliament adopted its resolution on the EU biodiversity strategy for 2030, recounting the importance of forests for ecosystem services and biodiversity, while also noting the sustainable economic potential of a circular bioeconomy. The Parliament called for a moratorium on logging of primary and old-growth forests, and reiterated the need to harmonise datasets and utilise digitalisation and big data to ensure adequate environmental and biodiversity protection.

During trilogue negotiations on the proposal for the European Climate Law, the Parliament and the Council achieved consensus on limiting the contribution of removals towards the 2030 target to 225 Mt CO₂e, in order to maximise direct emissions reductions. The Parliament further received the Commission's confirmation that the proposal on the revision of the LULUCF Regulation would aim to increase net carbon removals to levels above 300 Mt CO₂e in the LULUCF sector by 2030, to achieve a de facto 57% net reduction of emissions by 2030.

Council and European Council starting position

In December 2019, the European Council endorsed the 2050 climate-neutrality vision. A year later, it committed to increasing the 2030 target to 55% net emissions reductions compared with 1990, and submitted this position as the EU's nationally determined contribution under the Paris Agreement.

Preparation of the proposal

The adoption of the European Climate Law made the European Green Deal vision of climate neutrality by 2050 legally binding, thus placing the requirement on EU policies and sectors to contribute to its achievement. As, according to the Green Deal communication, existing policies would only reduce GHG emissions by 60% by 2050, the Commission climate target plan of September 2020 proposed to raise the 2030 ambition from 40% to 55%, to ensure a pathway compatible with 2050 climate neutrality. The plan was accompanied by an impact assessment, of which EPRS made an initial appraisal. The Commission's 2021 work programme subsequently announced an overhaul of the entire existing policy framework, along with new initiatives through a ‘fit for 55’ package.

In the autumn of 2020, the Commission provided a one-month feedback period on its inception impact assessment on the revision of the LULUCF Regulation, followed by a three-month public consultation aimed at gathering input from stakeholders. The final proposal is accompanied by an impact assessment; an EPRS initial appraisal of the Commission’s impact assessment is available.

The Commission's Regulatory Scrutiny Board (RSB) filed its opinion on the impact assessment for the revision in April 2021. The RSB noted significant shortcomings but gave a positive opinion on condition that the following main points be addressed: the insufficient justification for the choice of preferred option, especially as regards the need for a 2035 target at this point; and a lack of information on the preferred option's impacts, specifically regarding its costs and benefits and the related stakeholder views.
The changes the proposal would bring

The proposal suggests significant innovation and restructuring between the current framework pillars, towards a policy focused on increasing the carbon sink potential of land use and forestry. The majority of the proposed changes would take effect from 2026. The Commission proposal sets three specific objectives, which the amendments will seek to achieve.

Objective 1: A climate-neutral land sector by 2035

The Commission proposes expanding the LULUCF Regulation to include, starting from 2031, non-CO₂ emissions from the agricultural sector. Establishing this new ‘land sector’ pillar within climate policy should ensure a holistic and strategic view on the role of land use in the EU. Addressing the RSB concerns, the Commission offers the following arguments as justification for setting a joint 2035 climate-neutrality target for agriculture, forestry and land use (AFOLU) at this stage: long lead times in nature-based actions; the need for planning certainty; and the need to set a clear long-term policy direction for the 2028-2035 common agricultural policy.

Increasing LULUCF net removals is a key step towards the first objective. The ambition is to reverse the current trend of declining LULUCF net removals and deliver, in 2030, 310 Mt CO₂e removals. To do so, the Commission proposes amending Article 4 as follows: changing its title from ‘Commitments’ to ‘Commitments and targets’, and introducing targets within it relating to each of the periods towards 2030:

- 2021 to 2025 – ‘no-debit’ rule;
- 2026 to 2030 – binding minimum national 2030 net-removal targets per Member State (see table in annex IIA to the proposal);
- 2031 to 2035 – climate-neutrality commitment for the land sector by 2035 and negative emissions thereafter.

Member States would need to describe, in the June 2024 update to their integrated national energy and climate plans, how they plan to achieve the goal. Non-CO₂ agricultural emissions and removals are included from 2031 in the amended scope under article 2(3). Following the 2023 global stocktaking agreed in the Paris Agreement (Article 14 thereof), the Commission would, within six months, prepare a report to the European Parliament and Council, assessing the regulation in force, the impact of flexibilities and the need for further policies or measures. Subsequently, the Commission would, in 2025, propose post-2030 individual targets, subject to an impact assessment and a new legislative proposal. The new proposal would include a post-2035 framework, extending the scope of the LULUCF Regulation to include GHG emissions and removals from additional sectors, such as the marine and freshwater environment. To deliver on the 2035 target, agricultural emissions would need to drop. The proposed increase of the ESR target (by 11 percentage points) to a collective 40 % emissions reduction by 2030, in combination with CAP policies for sustainability, would be a start in supporting the achievement of such an emissions drop.

Objective 2: A fair, flexible and integrated framework

Member States have different starting points to consider, including economic factors, latitude and topography, when asked to either increase removals or decrease agricultural emissions. The Commission’s annual removal targets will take this into account and will continue to provide flexibility mechanisms such as inter-Member State trading. Details are given in paragraphs 5 and 6 of the amended article 12; another amendment in this article stipulates that Member States will no longer be able to bank surplus removals from the first period. A land-use flexibility mechanism to address natural disturbances impacts is set up, with a percentage of the expected surplus removals at the end of 2025 also being mentioned. This mechanism, as outlined in the inserted article 13b, seeks to reduce uncertainties, allowing allocations to Member States experiencing unexpected decreases of removals relating to natural disturbances.
An integrated land sector framework could, according to the impact assessment, optimise land-use planning and better exploit the potential of cost-efficient carbon sequestration. Article 9 on carbon storage products seeks to incentivise mitigation action at the level of the land manager. Delegated acts are envisaged in order to expand the categories of carbon storage products as listed in Annex V, in line with the IPCC guidelines.

The Commission proposal highlights the importance of creating a level playing field and promoting results-based payments by establishing a mechanism for carbon removal certification as well as advancing the carbon farming initiative. The Commission’s 2022 work programme included a legislative proposal on carbon removal certification, and that was published in November 2022.

Objective 3: Simplification

The current regulation includes complex accounting procedures requiring a certain capacity level, datasets and ensuing high regulatory costs. The change to a net target for 2030 allows moving away from the various benchmark accounting procedures and integrating emissions and removals within the sector into the GHG inventories, following the example of other sectors. An amended article 8 provides that the use of the forest-reference-level approach is limited to the first period towards 2025. Article 13(c) on governance of the targets determines the measure to be taken if a Member State falls short of its national target in the second period (2026-2030).

Further to this, the LULUCF proposal envisages revisions to the Governance Regulation (EU) 2018/1999. What follows is a brief outline of the revisions to this regulation. Article 4 is updated to mention not only commitments but also the national targets under the LULUCF Regulation and the goal of a climate-neutral land sector in 2035. Article 2 is updated to include a definition of geographical information systems and geo-spatial application. Finally, the 2025 inventory review procedure allowing the Commission to adopt implementing acts, determining the binding national emissions and removals per Member State is set out in the amended article 38.

The ‘fit for 55’ proposals are deeply intertwined, the aim being to deliver a coherent legislative framework for the 2030 climate targets and set the foundation for the ensuing period. As an example, revised sustainability criteria for energy biomass are included in the revision of the Renewable Energy Directive II (RED II). The LULUCF proposal makes links to other European Green Deal key initiatives relating to the revision exercise, such as the recent EU forest strategy, the ‘farm to fork’ strategy and the EU biodiversity strategy.

Advisory committees

The European Committee of the Regions (CoR) adopted its opinion at its 146th plenary session at the end of April 2022. The opinion raises arguments against merging non-CO2 emissions from agriculture with LULUCF from 2031, and further points to risks in excessive flexibilities while suggesting territorial impact assessment to take account of differences in impacts among regions and types of stakeholders, such as farmers or foresters.

The European Economic and Social Committee (EESC) adopted its opinion on 8 December 2021. The EESC calls for national legislative frameworks to incentivise sustainable business models and practices, further ensuring training initiatives and promoting new practices along with financial support for these. The EESC points to the need for global action and, finally, calls for the inclusion of wetland emissions as soon as possible.
National parliaments

The deadline for national parliaments to raise concerns over subsidiarity was 8 November 2021. The Irish Parliament finds that several of the ‘fit for 55’ package proposals, including the LULUCF revision, do not comply with the principle of subsidiarity. For instance, it points to the proposal’s inadequacy in meeting the procedural requirements, specifically regarding the provision of detailed indicators as would justify the need for action at EU level. The French Senate upholds that granting the Commission the power to adopt, in 2025, implementing acts setting Member States’ annual emissions and removals targets towards 2030, is a prerequisite for reaching climate neutrality. On 28 February 2022, after further examination, the European Affairs Committee adopted a draft resolution.

Stakeholder views

In the July Eurobarometer on climate action, 90% of respondents agreed with the goal to make the EU climate neutral by 2050. The LULUCF public consultation, ahead of the proposal, received 235 responses. Answering the questionnaire, a majority (52%) would like to see the LULUCF sector contribute towards the climate targets beyond the current ‘no-debit’ rule. In addition, 66% believe that an improved monitoring, reporting and verification framework is important, and 56% support the use of satellite imagery in this regard. As regards combining agriculture non-CO₂ and LULUCF emissions into a new pillar, the respondents’ feedback to the questionnaire is not clear, although the majority support legally binding national targets in such a pillar.

Views diverge when it comes to approaches to carbon storage and removals. While the bio-based sector favours active forest management and removals credited in harvested wood products, environmental non-governmental organisations (NGOs) remain critical of this approach, favouring preservation of existing natural sinks. In a joint statement on the draft forest strategy, 14 EU forest and forest-based sector associations ask the Commission to ensure consideration of the integrated value chains within forestry, including those relating to maintaining healthy and resilient forests, and not focus solely on long-lived wood products. Echoing this, the paper on the RED II revision file, drafted by seven of the 14 associations, calls for the biomass cascading principle to take into account local social circumstances and avoid placing too rigid a focus on sustainability, pointing also to subsidiarity concerns in the Commission’s approach. The seven organisations linked to the bioenergy value chain further criticised the lack of regulatory clarity resulting from a new revision process ahead of the full transposition of the 2018 directive.

NGOs including Fern, WWF and CAN Europe say the Commission is not going far enough to reverse the bioeconomy incentives in RED, failing to protect carbon sinks and ultimately risking the climate-neutrality target for 2050. They call for increased removals targets of 600 Mt CO₂e in 2030 and avoiding flexibilities, separating removals and reductions, as emissions reductions are generally more permanent, whereas LULUCF-related removals risk reversal due to natural disturbances or change in practices. Fern also criticise industry’s lobbying approach.

The eight-week feedback period for the Commission’s adopted proposal ended on 8 November 2021. All documents are available on the LULUCF revision page on ‘Have your say’.

Academic views

A 2019 analysis of the existing LULUCF Regulation by the German Öko-Institut pointed to the lack of safeguards for biodiversity or old-growth forest protection, or incentives for long-term mitigation planning in the sector. In 2020, researchers at the institute identified a lack of accuracy and completeness in current reporting practices, pointing out the need for improved data sources. Furthermore, they argued that a lack of detail in reporting limits the visibility of effects of different management practices, and thus discourages mitigation action in Member States. A 2021 article in
Nature Climate Change also notes significant differences between countries’ assessment of land-use mitigation prospects in GHG inventories, compared with results from global assessment models.

A 2020 article in Nature, using satellite data to compare harvested forest areas in Europe, suggests a 49% harvest increase in 2016-2018 compared with 2011-2015. A 2021 study from the European Commission’s Joint Research Centre on woody biomass for energy confirms inconsistencies in the data on sources and uses, while also noting an increasing trend in woody biomass use.

Experts discussed the LULUCF revision with policy-makers during a Committee on the Environment, Public Health and Food Safety (ENVI) workshop in May 2021. The workshop proceedings provide a full account of the event, including the agenda of the discussion and the main points raised by the experts. Among the key messages were: the need for simpler accounting and more accurate monitoring; recommendations to set a future target for removals based on potential; and the need to deliver an appropriate regulatory framework while carefully considering the trade-offs between the long-term priorities for carbon sinks and biodiversity with bio-based industries’ short-term need for resources. Revenue-generating incentives were mentioned as avenues for reducing the opportunity costs of mitigation efforts for landowners. However, some participants insisted that adopting a more holistic approach to healthy soils would increase the overall value of efforts from an ecosystem services perspective. Others pointed out the risk that forest harvesting could shift to locations outside the EU, if limits are put on EU harvest rates.

Legislative process

European Parliament

The proposal was sent to the co-legislators on 14 July 2021. In the European Parliament, the ENVI committee was assigned the file, with Ville Niinistö (Greens/EFA, Finland) appointed as rapporteur. On 17 December 2021, the draft report was published and opened for Members’ proposed amendments. The committee adopted its report on 17 May 2022 and submitted it for a vote in the June 2022 plenary session, where it was adopted with minor amendments, see further below.

The committee report does not support the Commission’s proposal to merge, from 2030, non-CO₂ emissions from agriculture with LULUCF into a new land pillar for climate action. MEPs have expressed concern, also noted in the draft report, that this could negatively impact efforts, within the agricultural sector, to ensure direct emissions reductions. During the committee process, the appropriate 2030 target for carbon removals from LULUCF received much attention. In the end, the report supports the target of 310 Mt CO₂e from LULUCF, yet proposes an additional target of 50 Mt CO₂e to come from voluntary carbon farming initiatives. To this end, the report asks the Commission to provide an overview of available funds and measures to support such initiatives down to farm level, including training and re-/upskilling. The legislative proposal on a carbon removal certification scheme, announced in the Commission’s 2022 work programme, is built into the text so as to become a legally required delivery from the Commission, to further support delivery of the targets. The Commission should, by the end of 2024, put forward a progress report on LULUCF net-removals increase and agricultural emissions decrease, assessing whether the trajectories, taking into consideration national climate and energy plans, are in line with the EU Climate Law commitments. The report would make recommendations for national-level targets and sub-targets for both sectors, ensuring policy coherence, and, if appropriate, the Commission should put forward legislative proposals to secure contributions from all sectors.

By 2025, the regulation should be amended to include five-yearly LULUCF targets from 2035 to 2050. In the 2026-2029 period, to ensure delivery of the 2030 LULUCF target, the Commission should, at both EU and Member State level, set annual binding LULUCF net-GHG removals targets and sub-targets for net-GHG emissions from the cropland, grassland and wetland categories. Non-compliance at national level would result in a penalty on the following year’s target. Consecutive non-compliance would trigger recommendations for action from the Commission, and
the Member State concerned would have to revise its national energy and climate plan and long-
term strategy within six months of receiving them. An assessment following the global stocktake is
expected to result in expansion of the scope, in the post-2030 period, to cover coastal, marine and
freshwater ecosystems and the coastal ecosystem.

When it comes to trading surplus removal credits between Member States, ENVI proposes to set a
minimum price for such credits at the average cost of ETS allowances for the specific transfer year.

The report proposes to rename the proposed 2026-2030 land-use flexibility mechanism as a ‘natural
disturbances mechanism’. Support allocations could be made following natural disturbances,
including ecosystem perturbations due to climate change, providing the Member State could show
that adequate adaptation measures were taken in advance to prevent such impacts.

The committee adopted the Commission’s proposed reporting simplification towards
emissions and removals accounting in accordance with IPCC guidelines. Tier-based
reporting requirements (see box) were, however, increased from 2026, with ENVI
proposing to add Tier 3 requirements for land-use units under high future climate risks,
units under protection or restoration, and high carbon stock units. The Commission
proposed that for the 2021-2025 period, Tier 1 would apply, with Tier 2 for some
categories, and that from 2026, Tier 2 would apply to all reporting categories. The committee report
argues that an enhanced monitoring and reporting system is essential to ensure the resilience of
nature-based carbon removals and delivery across a range of policies.

The ENVI committee report puts a general focus on ensuring policy coherence, in particular with the
Commission’s 2020 EU biodiversity strategy, its 2018 bioeconomy strategy and its 2021 EU
soil strategy. Compliance reports are to include assessments of trade-offs and synergies when it
comes to action in biodiversity rich areas or others areas concerned by the above strategies.
Furthermore, the report stresses the need to use advanced monitoring tools such as Copernicus
satellites and soil samples to assess carbon sequestration in soils. The report further proposes to give
the Commission the power to adopt delegated acts to amend the Governance Regulation, adding
new land categories to the land-use units for protection or those for restoration, to fulfil
commitments under the biodiversity strategy and new EU forest strategy for 2030, and under the
expected regulatory framework on nature restoration. The report asks Member States to take into
account the ‘do not significant harm’ principle and the pillar of social rights in their planning.

For the proposed revisions of article 9 on carbon storage products, the report specifies that these
must be sustainable and science-based with high environmental integrity. Whereas the Commission
proposed that it should have the power to adopt delegated acts to expand categories of carbon
storage products including HWP, in annex V, MEPs chose to change this back to only HWP
categories, limiting the scope of the possible additions. For carbon storage products, the
Commission should submit an assessment report only after the entry into force of the framework
for certification of carbon removals and update of IPCC guidelines. The assessment report should
consider benefits and trade-offs from a range of perspectives, including but not limited to:
harvesting levels, biodiversity concerns, farm-level impacts and overall environmental integrity
from the inclusion of sustainably sourced, long-lived bio-based carbon storage products. The report
could be accompanied by a legislative proposal to amend the regulation.

The Parliament adopted its position, largely following the committee report, during the June 2022
plenary session, with 472 votes in favour, 124 votes against, and 22 abstentions. However, the
Parliament decided to remove the additional target of 50 Mt CO₂e to come from voluntary carbon
farming initiatives, inserting instead that 'additional measures and initiatives at Union level to support carbon farming' shall 'amplify' the LULUCF removal target. Such measures and initiatives, including methodologies, would supplement the regulation from one year after its entry into force. Plenary also took out the proposal in the ENVI report to assign sub-targets and related methodologies for specific types of land categories. Finally, rules on specific aspects of sustainable forest management to increase CO₂ uptake from the atmosphere were removed from the ENVI report in plenary. The file was referred back to the ENVI committee with a mandate for trilogue negotiations.

Council

The Council held an initial informal exchange on the 'fit for 55' package at the end of July 2021 and a formal debate on 6 October 2021. An overview of progress made on ‘fit for 55’ files in various formations within the Council was released on 22 November 2021. On LULUCF, the progress report pointed to the need for further technical work. In January 2022, environment and energy ministers held a joint working session on the file. The Council working party on the environment had examined the proposal over the course of four meetings during the autumn of 2021. As of March 2022, delegations had, according to the presidency note, expressed support for the 310 Mt CO₂e removal target for 2030. In April 2022, agriculture ministers discussed the LULUCF proposal and expressed overall support, with concerns raised on topics such as impacts of natural disturbances and post-2030 LULUCF credit transfers, as included in the effort-sharing proposal.

At the meeting of 28 June 2022, the Environment Council adopted a general approach, in which ministers gave support to the 310 Mt CO₂e removal target as well as national binding targets for the 2026-2030 period. The Council’s general approach, however, states that the national targets should be for the period as a whole, rather than intermediate annual targets as proposed by the Commission. A 2026-2030 LULUCF emissions/removals budget with indicative annual values would help guide Member States’ progress. Specific details and considerations were added regarding the flexibility mechanism for natural disturbances, adding the need to take account of long-term and more diffuse impacts of climate change such as desertification over time, particularly relating to Member States with a high proportion of organic soils, where such processes, in combination with legacy land-management practices, may result in an increase in land-use emissions.

Trilogue agreement

The Parliament and the Council reached a provisional political agreement on 11 November 2022. The agreed text follows the Commission’s proposed 2030 target to deliver net 310 Mt CO₂e removals in 2030 from the LULUCF sector. There is no mention of ‘at least’ in relation to the 2030 target, which was included in the Parliament’s negotiating position from June 2022. Likewise, the Parliament’s encouragement to Member States to overachieve did not stay in Article 4, but it can be found in the recitals. Considering the 225 Mt CO₂e limit set in the EU Climate Law on the role of removals in delivering the 2030 target of a 55 % net emissions reduction, the now-agreed LULUCF target will deliver a net reduction in emissions of 57 % by 2030.

The 'no-debit' approach will continue to apply for the period until 2025, after which each Member State will have a nationally binding 2030 target for removals and emissions from LULUCF. The nationally binding 2030 targets have not been adjusted from the Commission’s proposal, although Annex I has had columns added to show the increase in effort based on each country’s 2016/2017/2018 average LULUCF removals or emissions baseline. A linear trajectory will be drawn up for each Member State, starting in 2022 and ending with the nationally binding 2030 LULUCF target. The starting point will be the average of a Member State’s reported GHG inventory data for the years 2021, 2022 and 2023, as recorded in 2025. The final agreement replaces the binding annual targets proposed by the Commission with a four-year budget for 2026-2029, as per Article 4, paragraph 4. If Member States record a deficit compared with the trajectory set for them during that
period, they must compensate for it by achieving a surplus within the same period. The annual limit values will be adopted by the Commission through implementing acts (Article 4.5).

When evaluating compliance with the budget and delivery of the 2030 target after the second period, the reported GHG inventory data (in line with the data available in the GHG inventory in 2032) for the years 2021, 2022 and 2023 will be used to take into account Member States’ technical adjustments. The Commission will be able to intervene if any specific technical adjustments would prevent the EU from delivering on the agreed 2030 target.

Flexibilities are kept between LULUCF and the ESR, allowing Member States to sell or purchase removal credits. The revenue from such transactions should be used for climate action, and Member States must inform the Commission of such expenditure. The agreement has amended the text regarding use of revenue from the Parliament’s proposed ‘shall’, indicating an obligation, to ‘should’, indicating encouragement to spend revenues on climate action. The Parliament’s proposal to set a minimum price equal to the average closing price of emissions allowances in the EU ETS in the same year has not been agreed to in the negotiations.

Article 10 retains the natural disturbances mechanism, while more details and requirements to receive compensation on the basis of natural disturbances are added under Article 13 on flexibilities.

In the event that a Member State falls below the national target for the second period, as proposed by the Commission, the discrepancy will be multiplied by 1.08 and added to the country’s 2030 target. The agreed text adds further provisions to strengthen implementation; Article 13d of the text adds a range of corrective actions required from Member States if the annual assessment under Article 29 of the Governance Regulation shows insufficient progress towards the 2030 target.

IPCC Tier 3 reporting for land units with high climate risks, as proposed by the Parliament, is kept. Member States will be required to assess biodiversity and other environmental trade-offs, and how they have taken into account the ‘do no significant harm’ principle in their measures and policies under compliance reporting (Articles 14a and 14b).

The review of the LULUCF Regulation following the first global stocktake is maintained. The Commission must submit a report within six months of the conclusion of the global stocktake that must encompass several aspects, including the possible extension of the scope to cover non-CO₂ GHG emissions from agriculture and the setting of post-2030 targets for the land-use sector.

For the inclusion of sustainably sourced, long-lived carbon storage products that have a net-positive carbon sequestration effect, the Commission must submit a report – also considering environmental trade-offs, particularly for biodiversity – within 12 months of the entry into force of the proposed EU certification framework for carbon removals.

The text was endorsed by the Council’s permanent representatives committee (Coreper) on 21 December 2022 and by the ENVI committee on 16 January 2023. Parliament approved the agreed text on 14 March 2023 with 479 votes in favour, 97 against, and 43 abstentions. The Council then adopted the text on 28 March 2023. The final act was signed on 19 April 2023 and published in the Official Journal on 21 April 2023. The amended LULUCF Regulation enters into force on 11 May 2023. The Governance Regulation is amended in line with the provisions of the amended LULUCF Regulation.

EUROPEAN PARLIAMENT SUPPORTING ANALYSIS


Vikolainen V., *Fit for 55* package: Revising the Regulation on land use, land-use change and forestry (LULUCF), EPRS, European Parliament, February 2022.


**OTHER SOURCES**

Land use, land use change and forestry (LULUCF), Legislative Observatory (OEIL), European Parliament.  

**ENDNOTES**

1 The FRL is based on observed management practices in the 2000-2009 baseline period and forest age-dynamics. However, contrary to Kyoto Protocol approaches, the regulation excludes policy assumptions, to avoid inflating expectations.

2 The majority of emissions resulting from agriculture are methane (CH₄) and nitrous oxide (N₂O) resulting from livestock and manure management, fertilisation, rice cultivation or burning activities. The LULUCF land categories ‘cropland’ and ‘grassland’ already include the agricultural CO₂ emissions or removals linked to those land uses.

3 Finnish flexibility (Article 13a): For the 2021-2025 period, Finland is offered an additional compensation of 5 Mt CO₂e accounted emissions across certain categories, provided that the Finnish long-term strategy includes forest sinks and reservoir conservation and enhancement measures, and that EU total emissions from land categories in Article 2(1) do not exceed removals in the 2021-2025 period. Certain limitations would apply as set out in Article 13a(2). This special allowance was built into the current regulation (10 Mt CO₂e over 2021-2030) specifically to address calculation issues for Finland in the LULUCF Regulation.

4 This section aims to provide a flavour of the debate and is not intended to be an exhaustive account of all different views on the proposal. Additional information can be found in related publications listed under ‘European Parliament supporting analysis’.

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