Greenhouse gas emissions and removals resulting from activities related to land use, land use change and forestry (LULUCF): accounting rules and information on actions

2012/0042(COD) - 12/03/2012 - Legislative proposal

PURPOSE: to gradually integrate the land use, land use change and forestry (LULUCF) sector into the Union’s climate policy by means of a separate legal framework which addresses the sector’s specific profile and by ensuring a robust and harmonised accounting framework.

PROPOSED ACT: Decision of the European Parliament and of the Council.

BACKGROUND: appropriate land uses and management practices in forestry and agriculture can limit emissions of carbon and enhance removals from the atmosphere. Such practices are covered by the LULUCF sector, which comprises mostly carbon dioxide (CO2) emissions and removals by terrestrial ecosystems, generally estimated as carbon stock changes. **Agriculture, forestry, related industries and energy are the most important economic sectors relevant for LULUCF and they can contribute to the reduction of emissions and enhancement of sinks in several ways.**

Although the LULUCF sector does not yet count towards the Union’s emission reduction target for 2020, it counts in part towards the Union’s commitment under the Kyoto Protocol to the UNFCCC for the period from 2008 to 2012. However, the existing international accounting rules, which are a mix of voluntary and mandatory practices, have **significant drawbacks**. Most importantly, **accounting is voluntary** for most LULUCF activities, notably for forest management (representing about 70% of the sector) and for cropland and grazing-land management (representing about 17% of the sector). As a result, accounting in this first commitment period under the Kyoto Protocol varies greatly between Member States. Another drawback is the lack of incentives for climate change mitigation in forestry. **Improvements in accounting are necessary** to create a level playing field within the agricultural, forestry and related industries and energy sectors in the Member States with a view to ensuring their consistent treatment within the Union’s internal market.

IMPACT ASSESSMENT: the impact assessment investigated **three key** issues that need to be addressed when assessing how LULUCF should be included in the Union’s greenhouse gas emission reduction commitments, namely how to:

1. ensure robust accounting rules for emissions and removals;
2. achieve robust monitoring and reporting;
3. establish the appropriate policy context for bringing the sector into the Union’s climate change commitments.

Based on the policy context for including the sector in the Union’s commitments currently regulated by the ESD and the EU ETS, the impact assessment considered **three options for including LULUCF**, namely as part of the ESD, as a separate framework or by delaying inclusion altogether. Each option addressed the issues of accounting and monitoring. The potential social, economic and environmental impacts of the various options were considered in detail.

The impact assessment concluded that there were good reasons to include LULUCF in the Union's greenhouse gas emission-reduction commitments, namely to improve their policy coherence, environmental integrity and economic efficiency. But this will only be possible if the right policy context for LULUCF is put in place. The high variability of emissions and removals in forests means that annual emission reduction targets of the kind that apply to other sectors are unsuitable. The long lead times needed for mitigation measures to take effect also set LULUCF apart from most other sectors. In view of this, the impact assessment indicated that **a separate legal framework** for LULUCF would be the preferred option.

In terms of accounting, the suitable options identified included **mandatory accounting of emissions and removals from both forestry and agricultural activities** and giving equal weight to mitigation action irrespective of whether it was taken in the forestry, agriculture, related industries or energy sectors.

LEGAL BASIS: Article 192(1) of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the main objective of this Decision is to **establish robust and comprehensive accounting rules for LULUCF as well as to enable future policy development towards the full inclusion of LULUCF** in the Union's greenhouse gas emission reduction commitments when the conditions are right. To this end this Decision establishes a framework for:

- a **mandatory accounting obligation** on Member States as regards greenhouse gas emissions by sources and removals by sinks associated with agricultural and forestry activities in the LULUCF sector and voluntary accounting for revegetation and wetland drainage and rewetting;
- the **general accounting rules** that must be applied;
- the **specific accounting rules** for afforestation, reforestation, deforestation, forest management, changes in the harvested wood products pool, cropland management, grazing land management, revegetation, and wetland drainage and rewetting;
- the specific rules for accounting for **natural disturbances**;
- adopting **LULUCF Action Plans** in Member States designed to limit or reduce emissions by sources and maintain or increase removals by sinks associated with LULUCF activities, and for the evaluation of those plans by the Commission;
- the Commission is empowered to adopt delegated acts in order to:

    1. update the definitions in the light of changes to definitions adopted by the bodies of the UNFCCC or the Kyoto Protocol or other multilateral agreement relevant to climate change concluded by the Union;

    2. amend Annex I to add accounting periods and ensure consistency between those accounting periods and the relevant periods applicable to Union emission reduction commitments in other sectors,

    3. amend Annex II with updated reference levels in accordance with the proposed reference levels submitted by Member States pursuant to Article 6 subject to corrections made in accordance with this Decision;

    4. revise the information specified in Annex III in accordance with scientific progress and to revise the conditions relating to the accounting rules for natural disturbances laid down in Article 9(2) in the light of scientific progress or to reflect revisions to acts adopted by UNFCCC or Kyoto Protocol bodies.

BUDGETARY IMPLICATION: this Decision will be implemented using the existing budget and will not have an impact on the multi-annual financial framework.

DELEGATED ACTS: this proposal contains provisions empowering the Commission to adopted delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union.