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REGULATORY SCRUTINY BOARD OPINION

Proposal for a Regulation of the European Parliament and of the Council

amending Regulation 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, and amending Regulation (EU) 2018/1999

{ COM(2021) 554 }

{ SWD(2021) 609 }

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Brussels,
RSB

Opinion

Title: Impact assessment / Land use, land-use change and forestry – review of EU rules

Overall opinion: POSITIVE WITH RESERVATIONS

(A) Policy context

To achieve climate neutrality by 2050, the Commission has proposed to reduce greenhouse gas emissions by at least 55% by 2030 compared to 1990. This impact assessment analyses how a revision of the Regulation on Land Use, Land-Use Change and Forestry (LULUCF) can contribute to this objective.

LULUCF establishes a framework to keep track of emissions related to land use and forests. It requires Member States to ensure that the net carbon sink from land use does not deteriorate. When Member States overachieve their objectives in terms of carbon sequestration in management of land and forests, they acquire credits that they can use to comply with their national emission reduction targets. These are set under the Effort Sharing Regulation.

(B) Summary of findings

The Board notes the useful additional information provided in advance of the meeting and commitments to make changes to the report. It also notes the significant efforts to coordinate and ensure coherence across the ‘Fit for 55’ initiatives.

However, the report still contains significant shortcomings. The Board gives a positive opinion with reservations because it expects the DG to rectify the following aspects:

- (1) The report does not sufficiently justify the choice of preferred option. It is not clear why an EU level target for the land sector for 2035 needs to be taken now, in addition to binding national LULUCF targets for 2030.**
- (2) The report does not provide sufficient information on the impacts of the preferred option, the resulting costs and benefits and the related stakeholder views.**

This opinion concerns a draft impact assessment which may differ from the final version.

(C) What to improve

(1) The report should strengthen the explanation of the preferred option. It should explain why the seemingly optimal option is not the preferred one given the arguments in the report in favour of better integrating LULUCF into the wider policy framework. The report should explain how the preferred option will address this issue.

(2) The report should better justify why an EU-wide climate neutrality target for the land sector in 2035 needs to be set at this point in time, in addition to binding national LULUCF targets for 2030. The report should clarify the evidence on the basis of which the 2035 target has been defined, and the reason for its inclusion in the preferred option, including its value added and likely impacts. It should analyse the coherence of the 2035 target with the other initiatives of the ‘Fit for 55’ package, whose analysis ends in 2030. It should clarify to what extent the introduction of the 2035 target predetermines changes in the other initiatives after 2030. The report should clarify how a binding EU target would evolve after 2035 to ensure sufficient ambition in the land sectors.

(3) The report should better reflect this two-pronged approach (2030 vs. 2035 targets) in the intervention logic, i.e. in the problem definition, objectives, impact analysis and comparison of options.

(4) The report should be more explicit when analysing the distributional and economic impacts. It should include an analysis of how economic actors in the LULUCF sector will be affected. Stakeholder views should be more prominently included in the analysis, with an explanation on where they converge or diverge on the options considered. As far as possible, the report should quantify the administrative impacts.

(5) The methodological section (in the annex), including methods, key assumptions, and baseline, should be harmonised as much as possible across all ‘Fit for 55’ initiatives. Key methodological elements and assumptions should be included concisely in the main report under the baseline section and the introduction to the options. The report should refer explicitly to uncertainties linked to the modelling. Where relevant, the methodological presentation should be adapted to this specific initiative.

(6) Annex 3 should be reinforced to better explain the costs (including administrative costs), benefits and the impacts on different economic actors.

Some more technical comments have been sent directly to the author DG.

(D) Conclusion

The DG may proceed with the initiative.

The DG must revise the report in accordance with the Board’s findings before launching the interservice consultation.

If there are any changes in the choice or design of the preferred option in the final version of the report, the DG may need to further adjust the attached quantification tables to reflect this.

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|------------|--|
| Full title | Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2018/841 to deliver economy-wide greenhouse gas emissions reductions as part of the European Green deal |
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| Reference number | PLAN/2020/8682 |
| Submitted to RSB on | 10 March 2021 |
| Date of RSB meeting | 14 April 2021 |

ANNEX: Quantification tables extracted from the draft impact assessment report

The following tables contain information on the costs and benefits of the initiative on which the Board has given its opinion, as presented above.

If the draft report has been revised in line with the Board’s recommendations, the content of these tables may be different from those in the final version of the impact assessment report, as published by the Commission.

| <i>I. Overview of Benefits (total for all provisions) – Preferred Option</i> | | |
|--|----------------------|---|
| <i>Description</i> | <i>Amount</i> | <i>Comments</i> |
| <i>Direct benefits</i> | | |
| Reduced GHG emissions, increased removals | High | Co-benefits for climate change adaptation, biodiversity, bio-economy |
| Increased trading of carbon removals at MS-level | Medium | Reduced costs of achieving the targets (cost-efficiency) through better geographic spread of LULUCF action (where it is nearer optimal cost/benefit) |
| Reduced regulatory costs | Medium/High | Reduced administrative burden due to simplification of compliance rules |
| Reduced monitoring costs through re-use of EU programmes (e.g. Copernicus) and other policy data sources | Medium/High | Improved re-use and synergies with other policy datasets will enhance monitoring, and provide a better platform for decision making and selection of actions |
| <i>Indirect benefits</i> | | |
| Policy synergies | High | The planning exercise for the land sector will result in policy synergies thanks to a more integrated approach. |
| Potential for new business models | Medium/High | The more ambitious targets can be implemented by Member States through incentive payments to farmers and foresters or through fostering private carbon markets (see Annex Error! Reference source not found. on carbon farming). |
| Facilitating EU GHG inventory robustness | High | The simplified target system and improved monitoring would lead to better incentives for action in the sector. |

| <i>II. Overview of costs – Preferred option</i> | | | | | | |
|--|--------------------|-----------|------------|-----------|-----------------|-----------|
| | Citizens/Consumers | | Businesses | | Administrations | |
| | One-off | Recurrent | One-off | Recurrent | One-off | Recurrent |
| | | | | | | |

| | | | | | | | |
|--|----------------|-----|-----|-----|-----|--------|---------|
| Simplified targets | Direct costs | n/a | n/a | n/a | n/a | Low | Reduced |
| | Indirect costs | n/a | n/a | n/a | n/a | n/a | n/a |
| Improved use of GIS and related policy data | Direct costs | n/a | n/a | n/a | n/a | Medium | Reduced |
| | Indirect costs | n/a | n/a | n/a | Low | Low | Neutral |
| Integrating land-related policies | Direct costs | n/a | n/a | n/a | n/a | Medium | Reduced |
| | Indirect costs | n/a | n/a | n/a | n/a | Low | Neutral |
| Enhanced planning | Direct costs | n/a | n/a | n/a | n/a | Low | Low |
| | Indirect costs | n/a | n/a | n/a | n/a | n/a | n/a |