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**NOTE**

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From: Presidency

To: Special Committee on Agriculture / Council

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No. Cion doc.: 11483/16; 11494/16

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Subject: Agriculture and climate change

a) Proposal for a Regulation of the European Parliament and of the Council on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 for a resilient Energy Union and to meet commitments under the Paris Agreement and amending Regulation No 525/2013 of the European Parliament and the Council on a mechanism for monitoring and reporting greenhouse gas emissions and other information relevant to climate change (First reading)

b) Proposal for a Regulation of the European Parliament and of the Council on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry into the 2030 climate and energy framework and amending Regulation No 525/2013 of the European Parliament and the Council on a mechanism for monitoring and reporting greenhouse gas emissions and other information relevant to climate change (First reading)

- Exchange of views on agricultural aspects

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## I. INTRODUCTION

1. At its meeting on 23-24 October 2014, the European Council agreed on the 2030 climate and energy policy framework for the European Union and endorsed a binding EU target of an at least 40% domestic reduction in greenhouse gas emissions by 2030 compared to 1990<sup>1</sup>. In its conclusions, the European Council stated that the target will be delivered collectively by the EU in the most cost-effective manner possible, with reductions amounting to 43% in the EU Emissions Trading System (EU ETS) and 30% in the non-ETS sectors by 2030 compared to 2005.
2. The October 2014 European Council conclusions also contain specific guidance on the sectors not covered by the EU ETS, including on the methodology to be used for setting the national emission reduction targets for 2030, and on the availability and use of flexibility instruments within the sectors covered. According to the conclusions, policy on how to include land use, land use change and forestry (LULUCF) into the 2030 greenhouse gas mitigation framework will be established as soon as technical conditions allow and in any case before 2020.
3. On 20 July 2016, the Commission adopted two legislative proposals on the contribution of the non-ETS sectors towards the overall effort: on binding annual greenhouse gas emissions reductions by Member States from 2021 to 2030 ("Effort Sharing Regulation", covering e.g. CO<sub>2</sub> emissions from transport, heating of buildings, non-CO<sub>2</sub> emissions from agriculture and waste)<sup>2</sup> and on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry into the 2030 climate and energy framework ("LULUCF Regulation")<sup>3</sup>. Building on this regulatory framework, it will be up to Member States to design the most appropriate measures to achieve their national targets. Together with the proposal for the revision of the EU ETS, the two new proposals are intended to ensure achievement of the EU's overall target for greenhouse gas emission reductions by 2030 and the commitments of the EU and the Member States under the Paris Agreement<sup>4</sup>.

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<sup>1</sup> Doc. EUCO 169/14.

<sup>2</sup> Doc. 11483/16 + ADD 1 + ADD 2 + ADD 3.

<sup>3</sup> Doc. 11494/16 + ADD 1 + ADD 2 + ADD 3.

<sup>4</sup> Doc. 12256/16 ADD 1.

4. The proposal for an Effort Sharing Regulation (ESR) sets the national reduction targets based on relative GDP per capita, with the targets for Member States with a GDP per capita above the EU average further adjusted to reflect cost-effectiveness within that group. The proposal maintains existing flexibilities (banking and borrowing, transfers between Member States), and proposes two new flexibilities: a limited use of net removals from certain LULUCF accounting categories towards the targets in the ESR sectors; and the possibility for certain Member States to cancel a limited amount of EU ETS allowances to help them fulfil their obligations under the ESR.
5. The aim of the proposed LULUCF Regulation, which builds on the existing EU-wide accounting rules laid down in Decision No 529/2013/EU, is to define how to include the LULUCF sector into the 2030 climate and energy policy framework. The proposal requires Member States to ensure that accounted greenhouse gas emissions and removals stay in balance and that the overall LULUCF sector does not generate net emissions ("no-debit rule"). Several flexibilities are included to help Member States ensure compliance with that rule: the possibility to use excess allocations from the ESR, compensating emissions from one land category by removals from another, cumulating net removals over the period 2021-2030, and trading of excess removals among Member States. The proposal also introduces a new EU governance process for monitoring of forest management reference levels.

## **II. STATE OF PLAY**

6. The Commission presented its proposals to the Permanent Representatives Committee (COREPER) and the Working Party on the Environment (WPE) on 20 July 2016. This was followed by a more detailed presentation of the impact assessments and the legislative proposals during the WPE meetings of 14 and 20 September 2016. The Commission replied to the delegations questions at the WPE meeting on 29 September 2016.

7. Environment Ministers held a policy debate on the proposals at the meeting of the Council (Environment) on 17 October 2016<sup>5</sup>. The WPE continued its work on 27 October. On 28 October 2016, COREPER held an exchange of views on the impact assessment of the legislative proposals<sup>6</sup>. The WPE continued its work on 24, 25 and 29 November.
8. The European Parliament has appointed Mr Gerben-Jan Gerbrandy (ALDE, NL) as Rapporteur on the ESR proposal and Mr Norbert Lins (EPP, DE) as Rapporteur on the proposal for the LULUCF Regulation.
9. On 25 August 2016, the Council decided to consult the European Economic and Social Committee and the Committee of the Regions on both proposals.
10. The "Agriculture and Fisheries" Council, in preparation of the COP21, held an exchange of views on climate smart agriculture on 22 October 2015<sup>7</sup> and the Chair of the "Agriculture and Fisheries" Council sent a letter to the Chair of the "Environment Council", summarising the outcome of the discussion<sup>8</sup>. On 17 May 2016, Agriculture Ministers had an exchange of views on agriculture and climate<sup>9</sup>. At this meeting, Commissioners Hogan and Arias Cañete presented also the state of play of the implementation of the Paris Agreement, focusing on future proposals on LULUCF and ESR.
11. Although the "Environment" Council is leading the process, the Presidency is of the view that the two proposals can have a major impact on farmers and forest holders and therefore the "Agriculture and Fisheries" Council has an interest in discussing the agricultural aspects of the proposals.
12. On this basis, Agriculture Ministers are invited to take part in an exchange of views on agricultural aspects of two proposals at the meeting of the "Agriculture and Fisheries" Council on 12-13 December 2016. The Presidency has prepared two questions to guide the debate.

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<sup>5</sup> Doc. 12696/16.

<sup>6</sup> Doc. 13911/16.

<sup>7</sup> Doc. 12693/15.

<sup>8</sup> Doc. 14086/15.

<sup>9</sup> Doc. 8772/16.

13. The Special Committee on Agriculture is invited to take note of the questions set out below and to forward them to the Council.

### **III. QUESTIONS FOR MINISTERS**

Against this background and in order to structure the exchange of views on agricultural aspects of the proposals on LULUCF and ESR, the Presidency invites the "Agriculture and Fisheries" Council to address the following questions:

- 1) In the European Council conclusions of October 2014, it is stated that the multiple objectives of the agriculture and land use sector, with their lower mitigation potential, should be acknowledged. Are the Agriculture Ministers of the view that this guidance has been sufficiently recognised by the Commission in the proposal on LULUCF?*
- 2) In the meeting of the commitments under the non-ETS, are the flexibilities in the proposals on the Effort Sharing Regulation and LULUCF adequate from the point of view of agriculture and land use?*
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