

Incentivising climate action for a sustainable and competitive agri-food value chain

Workshop 1: policy options

Tuesday 10th of September 2024

Study for the European Commission - DG CLIMA

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Agenda

- 9:15-9:30 Welcome and introduction to the project (EC)
- 9:30-10:00 Presentation by the Consortium (incl Q&A)
- 10:00-11:00 Expert presentations on possible policy options for a market-based instrument for the agri-food value chain
- 11:00-12:15 Break-out sessions
- 12:15-13:00 Lunch break
- 13:00-14:00 Presentations of discussions from breakout sessions in plenary setting
- 14:00-15:30 Final discussion inspired by breakout sessions
- 15:30-15:45 Closing remarks (EC and Consortium)

Housekeeping rules

Recording of the workshop:

- Morning plenary session recorded
- Breakout sessions and afternoon plenary NOT recorded

GDPR rules:

- We would like to maintain a list of the participating organisations and use it for reporting purposes and information on our future website. If you do not want to see your organisation in the list, please let the organisers know.

Participation and rules of engagement:

- One-person limit
- Breakout room assignment
- Raise your hand if you wish to speak and only unmute yourself once you have been given the floor by the moderator
- Please state your name and affiliation when you intervene

Use of the chat function:

- For comments or questions
- Please, prioritise asking content-related questions orally as these will be answered immediately and make the discussion more lively



Welcome and introduction to the project (EC)



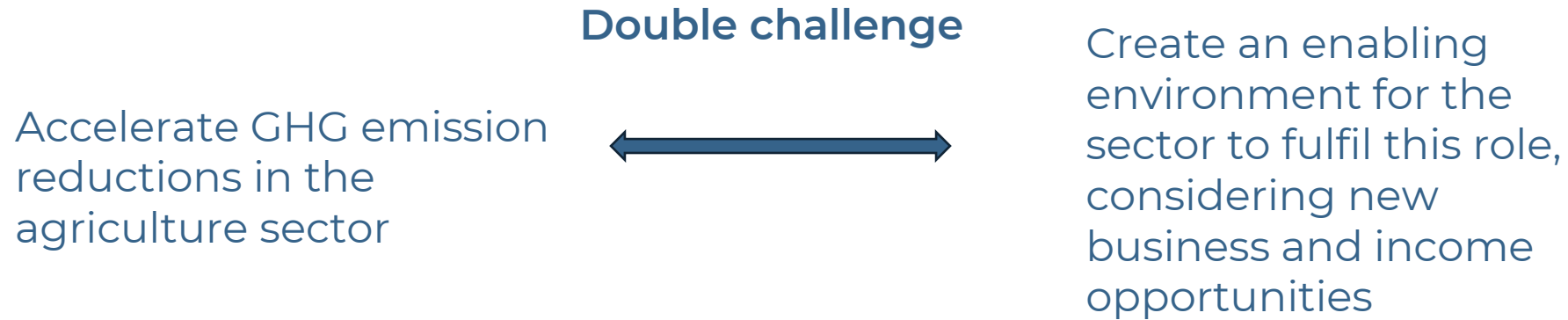
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Presentation by the Consortium



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Aim of the study

Contribute to a **better understanding** of policy options for sustainable climate action across the agri-food value chain and the impacts on competitiveness, farmer income and consumer prices.

Purpose of the study

The project team will support DG CLIMA in assessing
viable policy options more concretely

Engagement
and
Transparency

Active input
from
stakeholders

In-depth
assessment

legal and
practical
feasibility

economic, social,
administrative,
and
environmental
impact

Study Timeline





Shaping the policy options for in-depth assessment

Use of information gathered: to inform the study only (no publicly- available minutes)

Worksheets will help in shaping the policy options following our workshop discussions

Background paper presentation ⁽¹⁾ Trinomics

Three types of policy interventions:

- **boosting finance** for certified on-farm climate mitigation activities
- implementing **mandatory climate standards**
- establishing an **agri-food emissions trading system**



CRCF as a key tool facilitating policy implementation

Background paper presentation ⁽²⁾ Trinomics

1. **Boosting finance** for certified on-farm climate mitigation activities

1.a. Stronger **alignment of CSRD reporting with CRCF** rules

1.b. **Public procurement** of CRCF units

Possible mechanisms:

- Feed-in-Tariffs
- Reverse auctioning

1.c. **Facilitation of forward contracts** for CRCF units by public authorities

2. Implementing **mandatory climate standards**

- Mandatory scope 3 emission reduction requirements for downstream agri-food actors
- Builds on existing momentum for corporate climate commitments and reporting requirements
 - ★ Renewable Energy Directive GHG savings criteria for biofuels – a comparable existing EU policy approach
 - LCA-based GHG thresholds
 - Accounts for emissions from crop cultivation and soil carbon removals

3. Establishing an **agri-food emissions trading system**

- Setting a cap on emissions + linear reduction factor
- Central role of MRV
- Mechanisms for incentivising emission reductions and carbon removals by non-obligated parties
 - Direct link
 - Indirect link – Carbon Central Bank
 - No link – use of ETS revenues



Expert presentations



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Faustine Bas-Defossez

EEB, Director for Nature, Health and Environment

Strategic Dialogue on the future of agriculture

Eve Tamme

Director of Climate Principles

Policy Design



Simon Humberto Krog

Deputy head of the Danish Ministry of Taxation's
Climate division

Lessons learned on the introduction of the carbon
tax on livestock emissions





Lunchbreak – reconvening at 13:20



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Breakout sessions



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Synthesis of breakout session #1

Q1: Among the three presented types of policy interventions—boosting finance for carbon farming, implementing mandatory climate standards, or establishing emissions trading systems—which do you find the most effective and/or feasible? What is its key advantage?

1. Boosting Finance

- Lack of binding objective, which allow for short-term focus
- Concerns around how effectively the option incentivizes climate mitigation
- Additionality of forward contract facilitation by public authorities (explore an option where Commission acts as buyer of last resort?)

2. Mandatory Climate Standards

- Additionality of the mechanisms relative to current policy framework for the sector?
- Mandatory standards are considered desirable in the context of the current perception of sustainable practices implementation as a source of 'competitive disadvantage'
- Connecting agri-food companies setting standards for farmers and farmers setting out mandatory reductions
- In the case SBTi, companies were observed to pursue exclusivity in claiming emissions - potential inertia if multiple actors are obligated

3. Agrifood ETS

- Keeping removals and reductions separate
- Complexity of implementation

Synthesis of breakout session #1

Q2: For the policy option you selected, how would different actors in the value chain interact with each other? Do you see a role for the EU Commission or another public institution to act as an intermediary?

Who are the first processors?

How options can facilitate hard actions

Restoration/transition fund

- For option one, exploring the role of public entities (public contracts, public finance). From other experiences in VCMs this is something that is missing – what is enough to ensure a model that sustains demand
 - Potential of government as a buyer of last resort?
- Concerns around the independence of the intermediary institution
- Point of obligation not equivalent to where the burden of the policy is placed – measures needed to ensure fair distribution of burden, managing cost pass-through considerations

Synthesis of breakout session #1

Questions/thoughts on areas that deserve more in-depth reflection

- Thresholds
- Distinguishing between emission reduction and removals
- Consideration of governments being buyers of last resort
- Not all farmers will be starting from the same baseline (technology, MRV...)
- Mandatory standards: still to link farmers and companies
- Safeguards against negative impacts on biodiversity, AQ, nutrients, animal welfare...
- Coherence with other policies
- Uptake for different options, esp option 1
- MRV

Synthesis of breakout session #2

Q1: Among the three presented types of policy interventions—boosting finance for carbon farming, implementing mandatory climate standards, or establishing emissions trading systems—which do you find the most effective and/or feasible? What is its key advantage?

1. Boosting finance

- Voluntary aspects helpful for farmers, especially ones with existing struggles
- Uncertain if carbon farming leads to sufficient GHG emission reductions
- Interesting as looking at already existing options, focusing on creating opportunities for farmers rather than punishing them
- Giving long-term security for carbon farming incentives to farmers

2. Mandatory carbon farming

- Currently missing in the input paper how it will work

3. Agri-food ETS

- Good that a retail ETS is mentioned in the input paper as addition to the previous study
- Strategic dialogue raises various issues that need further investigation

Synthesis of breakout session #2

Q2: Where is the point of obligation best placed? If your industry were included under the obligation of your selected policy option, what do you see as the essential design features to facilitate compliance? (If selected only boosting finance for carbon farming:) What do you see as the key barriers to the feasibility of the other options?

- Option 1 on boosting finance might be built upon existing mechanisms, in contrast to introducing an ETS that would add a new mechanism in the sector
- To reduce emissions from use of fertiliser an option could be having the point of obligations upstream in the value chain, but discrepancies in emission accounting methods are a concerns
- To reduce emissions from livestock, technical mitigation and changing consumer behavior, although downstream options do not (adequately) emissions related to export
- Minimum standards on several actors on the value chain could be investigated
- Even if the obligations are not always on the farmers, the costs may still ultimately end up with them

Synthesis of breakout session #2

Questions/thoughts on areas that deserve more in-depth reflection

- Everyone agrees on the need for a more in-depth assessment of impacts to make informed best policy option
- Need for a solution working for the whole value chain, particularly on competitiveness
- Consider broader sustainability aspects, not only climate
- Key to focus on effective incentives of each policy option, also on a political perspective
- Focus on the feasibility of options for farmers in practice
- Impacts on the power balance in the agri-food value chain to be considered
- Focus on territorial approach, rather than singular farms
- Need for simplicity, whatever the policy option is
- Great interest in policy mix feasibility



Discussion inspired by the breakout sessions



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Guiding questions for afternoon

Question 1:

The need for a holistic, comprehensive approach was emphasised in the discussions, taking into account the interaction of the agri-food value chain with other policy areas such as biodiversity, air pollution, transport or energy. What do you regard as most important aspects to consider regarding coherence with other legislation and policies in related areas (for all of the policy options)?

Question 2:

There was concern that the farmers would need to carry the financial burden. What could be ways to avoid that the financial burden is being placed on the farmer? How could demand be facilitated, and what options are available to influence consumer behaviour?

Worksheets reminder

Please complete and send your worksheets to **agri-food-climate@trinomics.eu** by September 18th.

All responses will remain anonymous and will only be shared within the consortium.



Closing remarks (EC and Consortium)



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Thank you for your attention!

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