

Incentives to climate change mitigation across the agri-food value chain

Technical Workshop 2 on Effectiveness: Summary report

Summary of main takeaways from the workshop

Input from the workshop participants was sought on the expected effectiveness of the five shortlisted policy options in mitigating greenhouse gas (GHG) emissions from the agrifood value chain. The main takeaways per policy option are synthesised below:

- Cross-cutting considerations:
 - It was mentioned by some participants that any chosen policy option should have a broad coverage of GHG emissions.
 - Action is needed on-farm, throughout the value chain, and at the consumer-level; supporting farmers is especially important, including for covering the costs of certain climate-friendly practices, MRV requirements, but also for knowledge-transfer.
 - The setup of a reliable MRV system built on quality on-farm data is essential to ensure the effectiveness of any policy option. This however needs to be balanced against the administrative burden placed on operators. Support as well as a step-by-step approach (starting with a simple system that evolves over time) were mentioned as potential options to facilitate the setup of a robust MRV system.
 - Competitiveness of farmers (with a specific focus on the increased risk for carbon leakage) and the EU agricultural sector as well as fair distribution of costs along the value chain were regarded as vital, also with regard to the forthcoming workshop.
 - Views differed amongst participants regarding the choice of preferred policy option and some emphasised the need for a balanced discussion on all options.
 - A participant emphasized the need to consider arable and animal production in an integrated manner. This approach involves evaluating the impact of minimizing emissions across the entire agricultural system while maximizing sector-wide productivity.
 - The importance of having primary data for all options was noted by some, possibly paired with funds to pay for improved on-farm data.
- Carbon Farming Procurement:
 - Measures should be taken to foster the demand for units (e.g., link with MCS) as well as their supply (e.g., the incentive matching the price of producing a unit, public authorities acting as buyers of last resort).
 - A centralised unit exchange system at EU level, although potential drawbacks should be considered and minimised (e.g. that some farms might miss out in a Europe-wide reverse auctioning market and that the same measures may have different costs across the EU).
 - Some form of insurance against the risk that the effectiveness of removal may vary due to circumstances beyond the control of farmers could be considered as part of this policy option. On the other hand concerns were expressed about the applicability

- of insurance schemes, and the fact that this system would lead to additional costs and administrative burdens for farmers.
- Measures to support management practises in the long run: what to do with front-runners that have already stored a lot of carbon in their soils and what about rewarding already stored carbon?
 - Mandatory Climate Standard with a point of obligation for (i) feed producers and/or food processors, or (ii) retailers and/or other actors further downstream (i.e. caterers):
 - An MCS could be implemented faster than an ETS, which is an important consideration in view of the urgency of climate action.
 - Moreover, an MCS could allow the inclusion of other environmental and social requirements (biodiversity, animal welfare, etc) in the reporting and accounting framework, therefore providing co-benefits.
 - Agri-Food ETS with a point of obligation for (i) feed producers and/or food processors, or on-farm:
 - According to some participants, an ETS was seen as a more coordinated and efficient approach to reduce emissions, which also leads to more cost-efficient outcomes and allows revenues to feed back into support for farmers.
 - Other participants said that the implementation of an ETS is likely to result in numerous side effects and trade-offs, potentially causing harm to existing programs. Additionally, introducing a system that lacks the support of farmers is unlikely to succeed. Even if the point of obligation does not fall directly on farmers, they will inevitably face pressure. Ultimately, it must be acknowledged that farmers will be impacted regardless.
 - Some participants mentioned that there is too much focus on AgETS.
 - Some design elements discussed include the de-minimis threshold and/or the exclusion of organic farms, the question of free allocation as well as the need to include concrete and effective price incentives in the ETS system.