Initial stakeholder event on "Incentivising climate action for a sustainable and competitive agri-food value chain"

Summary of main takeaways from the workshop

Overall, the main discussions revolved around the need for a **comprehensive approach to emissions reduction in agriculture**, which include all actors of the value-chain, not only putting responsibilities on the farmer, the challenges of dividing cost burdens and the importance of incorporating broader sustainability issues in decision-making. There were discussions on the scientific and socio-economic reasons why emission reductions in the agri-food value chain are necessary, which was also met with a fruitful debate on how to ensure fair distribution of responsibilities. The panellists and other workshop participants recognised the necessity of reducing GHG emissions in the agriculture sector while addressing the specific needs of farmers to ensure fairness and long-term viability of sustainable farming practices.

Similar to the previous study, many considered a downstream emissions trading system (ETS) more practical, and challenges for small-scale farmers were brought up. It was mentioned that a whole value chain approach is needed to minimise the additional burden on farmers. There is a need to reduce emissions whilst increasing removals via farm diversification, utilising new techniques, having access to the right inputs and the right downstream markets, whilst derisking the sector. Further, ensuring corporate responsibility in financing sustainability transitions is vital for long-term stability and can aid in the minimising long-term uncertainty. Transparency in data collection and monitoring as well as reliability in standards was cited as being necessary for accelerating the transition to a sustainable value chain, whilst also attracting sustainable finance. Finally, an enabling policy mix was cited as necessary alongside any market-based policy.

Additional main takeaways specific to **Part 1** **on showcasing business opportunities**, particularly for farmers, are as follows:

- There exist diverse business case options driven by different incentive models that show how sustainability transition can be adopted in their plans.
- Databases tracking carbon reductions are pivotal in commercializing sustainability and directing green transition funds to farmers.
- Differentiated solutions are needed for small farmers due to varying resources and skills gaps in sustainable practices.
- Integration of new technologies and sectoral standards are critical for emissions reduction and sustainable practices in the agrifood chain.
- The EU must prioritize transforming resources into practical solutions while maintaining international standards to attract investments.
- Simplified, transparent, and reliable standards are crucial for accelerating the transition to sustainable practices.
- A value chain approach is essential to address transparency issues and improve crisis management in agriculture.
- Blended finance approaches (involving public and private funding) are seen as the best way forward to support sustainable investments, since financial institutions face risks due to farm operation asymmetry.
- Ensuring fair cost division across the value chain and advocating for corporate responsibility in financing sustainability transitions are vital for long-term stability.

Additional main takeaways specific to **Part 2** **on addressing key policy questions** that can facilitate the transition towards a sustainable agri-food value chain are as follows:

- Rewetting of peatlands, forest restoration and resilient agricultural systems are promising activities that can lead to high quality carbon removals.
- There is a need for robust criteria for protecting biodiversity and limiting carbon to ensure resilient ecosystems. Reliable key performance indicators are needed for biodiversity, carbon, water, soil quality, and pollinators in agricultural systems.
- There is a need to look beyond carbon emissions and consider the multifaceted impacts of methane and nitrous oxide on the environment and our health.
- Food security and growing nutritious food is of importance.

- Emission reductions and carbon removals are equally important, so LULUCF carbon removals should be considered as different than agricultural emissions.
- A downstream ETS still seems to be favoured by the panellists among the different options, however, some would argue that an ETS combining upstream and downstream would be more focused on effectiveness and fairness, ensuring that all value chain actors are responsible.
- There is a need to thoroughly assess the impacts of all policy options and to ensure that a pricing system is accompanied by an enabling policy mix.
- Levelling the playing field should be a top priority to ensure the competitiveness of EU industries. The EU could leverage its' 'front runner' role and international climate finance to disseminate its' standards to third countries.
- Data monitoring and transparency can act as an enabler for an effective single system for certification and monitoring, whilst allowing for farmers to remain unified across Member States and encouraging sustainable blended finance.