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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

(Text with EEA relevance)

{SWD(2016) 246 final}

{SWD(2016) 249 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

- **Reasons for and objectives of the proposal**

Climate change is a trans-boundary problem which cannot be solved by national or local action alone. Since 1992, the EU has worked to develop joint solutions and drive forward global action to tackle climate change.

The Paris Agreement was adopted in December 2015 at the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change (UNFCCC). The Agreement includes a long-term goal and spells out that the contribution from land use and forests in reaching the long term climate mitigation objectives will be critical.¹

This proposal also implements EU commitments under the Paris agreement on climate change. On 10 June 2016 the Commission presented a proposal for the EU to ratify the Paris agreement². This proposal followed the Commission's assessment of the Paris agreement³.

The European Council's guidance on including land use, land use change and forestry (LULUCF) into the EU's 2030 climate and energy framework is also reflected in the EU's Intended Nationally Determined Contribution. The EU announced that its target is "an economy-wide absolute reduction from base year emissions", reaching "at least 40% domestic reduction", covering 100% of the EU's emissions. As for LULUCF, it was added that "policy on how to include Land Use, Land Use Change and Forestry into the 2030 greenhouse gas mitigation framework will be established as soon as technical conditions allow and in any case before 2020."⁴

The objective of this proposal is to determine how the LULUCF sector will be included into the EU climate policy framework, as of 2021. Up to this date, the Kyoto Protocol places constraints on the EU and each of its Member States, as they need to ensure that the LULUCF sector does not yield extra emissions. However, the Kyoto Protocol will expire at the end of 2020. Consequently, governance for the LULUCF sector needs to be further developed within the EU.

- **Consistency with existing policy provisions in the policy area**

The current 2020 EU climate policy framework covers most sectors and greenhouse gases. It consists of two main elements:

- (a) The EU Emissions Trading System (EU ETS);

¹ The new long term goal was defined as achieving "a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century." Paris Agreement, Art. 4 (1)

² Proposal for a COUNCIL DECISION on the conclusion on behalf of the European Union of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change, COM/2016/0395 final

³ Communication from the Commission to the European Parliament and the Council: The Road from Paris: assessing the implications of the Paris Agreement and accompanying the proposal for a Council decision on the signing, on behalf of the European Union, of the Paris agreement adopted under the United Nations Framework Convention on Climate Change, COM/2016/0110 final

⁴ Intended Nationally Determined Contribution of the EU and its Member States, 6 March 2015, <http://www4.unfccc.int/submissions/INDC/Published%20Documents/Latvia/1/LV-03-06-EU%20INDC.pdf>

(b) Sectors⁵ outside the EU ETS are addressed by the Effort Sharing Decision (ESD).

Progress towards the 2020 targets is ensured through annual reporting obligations and compliance checks, set out in Regulation 525/2013/EC.⁶

Emissions and removals⁷ of greenhouse gases in LULUCF are currently covered by international obligations under the Kyoto Protocol only, up to 2020. The implementation of the current LULUCF Decision (529/2013/EU) is under way and will deliver improved accounting systems by 2020. Without a legal framework consolidating this implementation and defining the applicable rules for the period post-2020, the way in which LULUCF would be included in the overall framework could be heterogeneous across the EU. Differences in reporting and accounting rules from one Member State to the other would negatively affect the optimal functioning of the single market.

- **Consistency with other Union policies**

A legal proposal for the inclusion of LULUCF into the 2030 EU climate and energy policy framework is a key part of the Commission strategy for a *resilient Energy Union with a forward looking climate change policy*, underpinning its decarbonisation dimension. The proposal is also needed to complete the integrated framework for climate and energy policies up to 2030 endorsed by the European Council in October 2014.

According to the international rules under UN Framework Convention on Climate Change and the Kyoto Protocol, emissions related to biomass use are reported and accounted for under LULUCF, i.e. biomass use in the energy sector is zero rated. In this way double counting of emissions is avoided.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

Articles 191 to 193 of the Treaty on the Functioning of the European Union confirm and specify EU competencies in the area of climate change. The legal basis for this proposal is Article 192.

- **Subsidiarity (for non-exclusive competence)**

Climate change is a trans-boundary problem which cannot be solved by national or local action alone. The European Union competence to take action on climate change derives from Article 191 of the Treaty on the Functioning of the European Union. As the EU addresses climate change commitments jointly, LULUCF also needs to be addressed in a coordinated manner.

- **Proportionality**

The inclusion of LULUCF into the 2030 framework will provide a common framework on how the sector can be counted towards the EU's joint reduction target. The choice of action in

⁵ The so-called "non-ETS" with more than 55% of the EU's total emissions e.g. CO₂ emissions from transport, heating of buildings, non-CO₂ emissions from agriculture and waste

⁶ Regulation 525/2013/EC on a mechanism for monitoring and reporting greenhouse gas emissions and for reporting other information at national and Union level relevant to climate change and repealing Decision No 280/2004/EC

⁷ When CO₂ is absorbed from the atmosphere, for example when trees and plants grow, this is termed "removal", in contrast to an emission which occurs when the biomass is burnt or decays.

pursuit of the various objectives related to LULUCF will be up to the Member States, thereby also fully respecting subsidiarity.

- **Choice of the instrument**

The European Council has agreed to a single binding objective for climate and energy policy between 2021 and 2030, for an overall economy-wide reduction of at least 40% of greenhouse gas emission levels below 1990 levels. Requirements are placed on the Member States to contribute to achieving the necessary emission reductions as well as on the European Environment Agency. This proposal accompanies that of for a Regulation [] 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, which covers more than half of these greenhouse gas emissions, and the objective of the proposal is best pursued through a Regulation.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

There was no related ex-post evaluation or fitness check related to this proposal.

- **Stakeholder consultations**

Between March and June 2015, the European Commission conducted a public consultation on how best to address emissions from agriculture, forestry and other land use in the context of the 2030 EU climate and energy policy framework. In total, 138 contributions were received. On the policy architecture options, half of respondents had no clear preference, and approximately one third of respondents, mostly environmental NGOs and forestry organisations, were in favour of keeping LULUCF as a separate pillar within the climate policy framework. The option of merging agriculture and LULUCF in a separate pillar outside the ESD received the least support. National governments showed most preference for a separate LULUCF pillar, possibly with flexibility, or to merging LULUCF into the ESD. The wide ranging set of views meant that no single option considered by the Commission was able to respond to all these opinions. Accounting was regarded as key to environmental integrity by most respondents. Strong interest was shown to streamline parallel reporting systems and continue with forest reference levels.

- **Collection and use of expertise**

The quantitative assessment of future impacts in the EU is consistent with the analyses undertaken for the 2030 framework proposal and the Regulation [] 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. The Commission contracted the National Technical University of Athens, International Institute for Applied Systems Analysis and EuroCare to model EU scenarios.

- **Impact assessment**

The Impact Assessment has been prepared and developed in full cooperation with the applicable *Better Regulation* guidance, and has been evaluated by the Regulatory Scrutiny Board, receiving a Positive opinion. Improvements as recommended by the Board have been incorporated into the final version.

In the conclusion of the Impact Assessment, a stand-alone LULUCF policy pillar, which would continue to be utilised together with the no-debit rule, was identified as the preferred option. A limited degree of flexibility between LULUCF and the non-ETS sectors would be enabled, justified on the need derived from the lower mitigation potential of agriculture and the share of the agriculture sector for each Member State. This option would be compatible with food security and biodiversity objectives and would not result in negative employment effects. Such a hybrid option would limit changes of the overall architecture and would thereby minimize administrative burden and red tape while maximising the contributions to the overall achievement of the EU's 2030 targets. The inclusion of LULUCF on the basis of such a hybrid option would also incentivize additional mitigation action in the land and forestry sector and hence be fully compliant with the long term vision for limiting temperature increase as outlined in the Paris Agreement.

- **Regulatory fitness and simplification**

In line with the Commission commitment to Better Regulation, the proposal has been prepared inclusively, based on transparency and continuous engagement with stakeholders. As LULUCF accounting is done at national level, with the technical support from research institutes or agencies, associated administrative burden and costs for administering compliance will only affect the Member States, the Commission and the European Environment Agency. There are no direct reporting obligations for microenterprises, Small and Medium Enterprises or other enterprises under the current legislation. The proposal would not change this situation.

By far the most significant proposed change is to streamline the two existing parallel reporting systems into a single system. This will reduce administrative burden and costs for Member States and the Commission. As to the administrative impacts of the accounting rule changes, this is expected to be minimal, because the relevant accounting rules have already been set up as a consequence of LULUCF Decision 529/2013/EU. The administrative costs of the existing regime were analysed in the Impact Assessment accompanying the proposal for the existing LULUCF Decision (SWD (2012) 41 final).

The proposal identifies flexibility and synergies of cost-effective mitigation between all activities related to agriculture and land use. The proposal is aligned with the INSPIRE Directive (Directive 2007/2/EC) concerning digital and geographic data.

This proposal is not an initiative within the Regulatory Fitness Programme.

- **Fundamental rights**

As the proposed policy primarily addresses Member States as institutional actors it is consistent with the Charter for fundamental rights.

4. BUDGETARY IMPLICATIONS

The indirect impacts on Member States' budgets will depend on the choice of national policies and measures for greenhouse gas emission reductions and other mitigation action in the land use sector covered by this initiative chosen in each specific country. The proposal eliminates one (of the existing two) reporting frameworks, streamlining the process of accounting compared to that required under the Kyoto Protocol. This will reduce the administrative costs for Member States and the European Commission. This proposal has very limited implications for the EU budget, which are presented in the attached legislative financial statement.

5. OTHER ELEMENTS

• **Implementation plans and monitoring, evaluation and reporting arrangements**

Environmental integrity always needs to be kept in mind when considering options allowing the enhanced use of flexibility. Mitigation activities in LULUCF should result in additional, measurable and sustainable enhancement of carbon sinks. Assurance of these conditions requires a rigorous monitoring, reporting and verification system.

International obligations under the UNFCCC framework will mean that the reporting exercise remains annual. Monitoring and reporting continues to rely on the requirements specified in Regulation 525/2013/EC, amended to purpose by this Regulation. Regulation 525/2013/EC should be further complemented in order to create a comprehensive post-2020 monitoring and compliance framework for all non-ETS sectors, including LULUCF. These provisions are planned to be integrated into the Governance of the Energy Union, for which a Commission proposal is foreseen by the end of 2016 in the Commission's work programme and might be further streamlined as part of that proposal. Accounting of LULUCF actions is best enabled over longer periods. For LULUCF to be integrated with the other sectors in the Non-ETS, compliance checks will take place every five years.

• **Detailed explanation of the specific provisions of the proposal**

Article 1: Subject matter

This article explains that the Regulation lays down the commitments of Member States towards meeting the greenhouse gas emission reduction commitment of the Union for the period from 2021 to 2030, and rules for accounting and checking compliance.

Article 2: Scope

The article defines the scope of coverage of the Regulation. It mirrors the coverage of the existing EU legislation for Member States under the Kyoto Protocol (529/2013/EU). The mandatory scope is in essence forest land and agricultural land, and land for which the use has changed from or to these uses. The approach proposed discards the parallel Kyoto Protocol reporting framework and streamlines the system with the UNFCCC "land-based" reporting framework. The scope includes greenhouse gases CO₂, CH₄ and N₂O.

Article 3: Definitions

The article defines specific terminology.

Article 4: Commitments

The commitment for each Member State is to ensure that the LULUCF sector should have, after the application of the accounting rules specified in the Regulation, and taking into account the flexibilities, no net emissions on their territory. This principle is referred to in the Impact Assessment as the "no-debit rule".

Article 5: General accounting rules

The Article lays down general rules to avoid double counting, to manage the transitions between land use categories and to account for each carbon pool, except those falling under a "*de minimis*" rule. It is closely based on the general accounting rules in Decision 529/2013/EU, adding a dynamic rule for the transition of land use categories.

Article 6: Accounting for afforested land and deforested land

This article outlines the specific accounting rules for land use changed *from* (deforested) and *to* (afforested) forest land. These land accounting categories are accounted using the "gross-

net" approach, i.e. accounting emissions and removals over the period in their entirety. It is essentially the same as in Decision 529/2013/EU, except for introducing the option of using 30 years instead of the default value for transitioning other land use categories to forest land. The use of this value instead of the default value should be duly justified in the Member State's greenhouse gas inventory submitted to the UNFCCC, in accordance with the Intergovernmental Panel on Climate Change Guidelines.

Article 7: Accounting for managed cropland, managed grassland and managed wetland

This article outlines the specific accounting rules for managed cropland, grassland and wetland, including categories of land changing *from* and *to* these categories. This land use change is accounted relative to emissions or removals compared to a historical reference.

It is essentially the same as in Decision 529/2013/EU, except that a more recent historical reference is proposed in order to improve accuracy of the estimates, align better with the rest of the non-ETS sectors, and simplify accounting by reducing the need for the historical time series.

Article 8: Accounting for managed forest land

This Article provides for accounting rules for managed forest land using a forest reference level to exclude the effects of natural and country-specific characteristics. It is closely based on the relevant rules in Decision 529/2013/EU. The article also establishes an EU governance framework to be used given the expiry of the Kyoto Protocol post-2020. Provisions aim at enhancing the accuracy and transparency of the forest reference levels and the process establishing them. This should include stakeholder consultation in the Member States and a review assisted by Member State experts.

Article 9: Accounting for harvested wood products

This article determines the accounting approach to this carbon pool in afforested land and managed forest land. The methodology is essentially unchanged compared to Decision 529/2013/EU.

Article 10: Accounting for natural disturbances

This Article permits Member States to exclude emissions from natural disturbances (forest fire, pest invasion, etc.) from their accounts. The methodology is essentially unchanged compared to Decision 529/2013/EU. The establishment of the background level will, in the absence of the Kyoto Protocol review, need to be transparent. The Commission will therefore oversee that the applicable guidance and rules have been respected.

Article 11: Flexibilities

This article provides for Member States to compensate for emissions from one land accounting category by removals from another land accounting category in their territory. It also enables a Member State to cumulate the net removals identified in their accounts over the 10 year period. Excess removals may be transferred to another Member State to help ensure their compliance with the no-debit rule. Finally, Member States are required to ensure adequate monitoring that is in compliance of this regulation, in order to avail of the flexibilities.

Article 12: Compliance check

This Article outlines the requirements for Member States to ensure appropriate monitoring for accounting purposes, and establishes regular compliance checks by the Commission. In order to ensure a high standard of quality the European Environment Agency will assist the Commission in this work.

Article 13: Registry

This Article relates to the use of Registry for transactions while ensuring no double counting.

Article 14: Exercise of delegation

The proposal empowers the Commission to adopt delegated acts according to relevant procedures.

Article 15: Review

A review of all elements of the regulation to determine whether they remain fit for purpose is to be performed in 2024, and every 5 years thereafter.

Article 16: Consequential amendments to Regulation No. 525/2013/EU

Regulation No. 525/2013/EU is being amended in order to ensure that the reporting requirements currently applying to LULUCF are continued within the framework of that Regulation. Member States are required to report yearly their relevant GHG emissions and they will continue to be required to report every two years on their projections and policies and measures implemented to ensure compliance with their targets. Monitoring requirements for LULUCF are strengthened to ensure the environmental integrity of accounting.

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(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,
Having regard to the Treaty on the Functioning of the European Union, and in particular Article 192(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee⁸,

Having regard to the opinion of the Committee of the Regions⁹,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) A binding target of at least a 40% domestic reduction in economy-wide greenhouse gas emissions by 2030 compared to 1990 was endorsed in the Conclusions of the European Council of 23-24 October 2014 on the 2030 climate and energy policy framework. The Council meeting on 6 March 2015 formally approved this contribution of the Union and its Member States as their Intended Nationally Determined Contribution.
- (2) The European Council conclusions foresaw that the target should be delivered collectively by the Union in the most cost-effective manner possible, with the reductions in the Emissions Trading System (ETS) and non-ETS sectors amounting to 43% and 30% by 2030 compared to 2005 respectively, with efforts distributed on the basis of relative GDP per capita.
- (3) On 10 June 2016 the Commission presented the proposal for the EU to ratify the Paris agreement. This legislative proposal forms part of the implementation of the Union's commitment to economy-wide emission reductions as confirmed in the intended nationally determined reduction commitment of the Union and its Member States submitted to the Secretariat of the United Nations Framework Convention on Climate Change ('UNFCCC') on 6 March 2015.¹⁰

⁸ OJ C [...], [...], p. [...].

⁹ OJ C [...], [...], p. [...].

¹⁰ <http://www4.unfccc.int/submissions/indc/Submission%20Pages/submissions.aspx>

- (4) The Paris Agreement, *inter alia*, sets out a long-term goal in line with the objective to keep the global temperature increase well below 2°C above pre-industrial levels and to pursue efforts to keep it to 1.5°C above pre-industrial levels. In order to achieve this goal, the Parties should prepare, communicate and maintain successive nationally determined contributions. The Paris Agreement replaces the approach taken under the 1997 Kyoto Protocol which will not be continued beyond 2020. The Paris Agreement also calls for a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, and invites Parties to take action to conserve and enhance, as appropriate, sinks and reservoirs of greenhouse gases, including forests.
- (5) The European Council of 23-24 October 2014 also acknowledged the multiple objectives of the agriculture and land use sector, with their lower mitigation potential as well as the need to ensure coherence between the Union food security and climate change objectives. The European Council invited the Commission to examine the best means of encouraging the sustainable intensification of food production, while optimising the sector's contribution to greenhouse gas mitigation and sequestration, including through afforestation, and to establish policy on how to include land use, land use change and forestry ('LULUCF') into the 2030 greenhouse gas mitigation framework as soon as technical conditions allow and in any case before 2020.
- (6) The LULUCF sector can contribute to climate change mitigation in several ways, in particular by reducing emissions, and maintaining and enhancing sinks and carbon stocks. In order for measures aiming in particular at increasing carbon sequestration to be effective, the long-term stability and adaptability of carbon pools is essential.
- (7) Decision No 529/2013/EC of the European Parliament and of the Council,¹¹ as a first step, set out accounting rules applicable to greenhouse gas emissions and removals from the LULUCF sector and thereby contributed to policy development towards the inclusion of the LULUCF sector in the Union's emission reduction commitment. This Regulation should build on the existing accounting rules, updating and improving them for the period 2021-2030. It should lay down the obligations of Member States in implementing those accounting rules and the obligation to ensure that the overall LULUCF sector would not generate net emissions. It should not lay down any accounting or reporting obligations for private parties.
- (8) In order to determine accurate accounts of emissions and removals in accordance with the 2006 Intergovernmental Panel on Climate Change ('IPCC') Guidelines for National Greenhouse Gas Inventories ('IPCC Guidelines'), the annually reported values under Regulation (EU) No. 525/2013 for land use categories and the conversion between land use categories should be utilised, thereby streamlining the approaches used under the UNFCCC and the Kyoto Protocol. Land that is converted to another land use category should be considered in transition to that category for the default value of 20 years in the IPCC Guidelines.
- (9) Emissions and removals from forest land depend on a number of natural circumstances, age-class structure, as well as past and present management practices. The use of a base year would not make it possible to reflect those factors and resulting cyclical impacts on emissions and removals or their interannual variation.

¹¹ Decision No 529/2013/EU of the European Parliament and of the Council of 21 May 2013 on accounting rules on greenhouse gas emissions and removals resulting from activities relating to land use, land-use change and forestry and on information concerning actions relating to those activities (OJ L 165, 18.6.2013, p. 80)

The relevant accounting rules should instead provide for the use of reference levels to exclude the effects of natural and country-specific characteristics. In the absence of the international review under the UNFCCC and the Kyoto Protocol, a review procedure should be established to ensure transparency and improve the quality of accounting in this category.

- (10) When the Commission chooses to be assisted by an expert review team in accordance with Commission Decision (C(2016)3301) in the review of national forestry accounting plans, it should build on the good practice and experience of the expert reviews under the UNFCCC, including as regards participation of national experts and recommendations, and select a sufficient number of experts from the Member States.
- (11) The internationally agreed IPCC Guidelines state that emissions from the combustion of biomass can be accounted as zero in the energy sector with the condition that these emissions are accounted for in the LULUCF sector. In the EU, emissions from biomass combustion are accounted as zero pursuant to Article 38 of Regulation (EU) No. 601/2012 and the provisions set out in Regulation (EU) No. 525/2013, hence consistency with the IPCC Guidelines would only be ensured if these emissions should be covered accurately under this Regulation.
- (12) The increased sustainable use of harvested wood products can substantially limit emissions into and enhance removals of greenhouse gases from the atmosphere. The accounting rules should ensure that Member States accurately reflect in accounts the changes in the harvested wood products pool when they take place, to provide incentives for enhanced use of harvested wood products with long life cycles. The Commission should provide guidance on methodological issues related to the accounting for harvested wood products.
- (13) Natural disturbances, such as wildfires, insect and disease infestations, extreme weather events and geological disturbances that are beyond the control of, and not materially influenced by, a Member State, may result in greenhouse gas emissions of a temporary nature in the LULUCF sector, or may cause the reversal of previous removals. As reversal can also be the result of management decisions, such as decisions to harvest or plant trees, this Regulation should ensure that human-induced reversals of removals are always accurately reflected in LULUCF accounts. Moreover, this Regulation should provide Member States with a limited possibility to exclude emissions resulting from disturbances that are beyond their control from their LULUCF accounts. However, the manner in which Member States apply those provisions should not lead to undue under-accounting.
- (14) Depending on national preferences, Member States should be able to choose adequate national policies for achieving their commitments in LULUCF, including the possibility of compensating emissions from one land category by removals from another land category. They should also be able to cumulate net removals over the period 2021-2030. Trading among Member States should continue as an additional option to help compliance. Following the practice in the second commitment period of the Kyoto Protocol, there should also be a possibility for a Member State to use its overachievement under Regulation [] 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 in order to ensure its compliance with its commitment under this Regulation.

- (15) In order to ensure efficient, transparent and cost-effective reporting and verification of greenhouse gas emissions and removals and of other information necessary to assess compliance with Member States' commitments, reporting requirements should be included in Regulation (EU) No. 525/2013 by this Regulation, and compliance checks under this Regulation should take these reports into account. Regulation (EU) No. 525/2013 should therefore be amended accordingly. These provisions may further be streamlined to take into consideration any relevant changes in respect of the integrated governance of the Energy Union for which a proposal is foreseen by the end of 2016 in the Commission's work programme.
- (16) The European Environment Agency should assist the Commission, as appropriate in accordance with its annual work programme, with the system of annual reporting of greenhouse gas emissions and removals, the assessment of information on policies and measures and national projections, the evaluation of planned additional policies and measures, and the compliance checks carried out by the Commission under this Regulation.
- (17) To facilitate data collection and methodology improvement, land use should be inventoried and reported using geographical tracking of each land area, corresponding to national and EU data collection systems. The best use shall be made of existing Union and Member State programmes and surveys including the LUCAS Land Use Cover Area frame Survey and the European Earth observation programme Copernicus for data collection. Data management, including sharing for the reporting reuse and dissemination should conform to Directive 2007/2/EC of the European Parliament and of the Council of 14 March 2007 establishing an Infrastructure for Spatial Information in the European Community.
- (18) In order to provide for the appropriate accounting of transactions under this Regulation, including the use of flexibilities and tracking compliance, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of the technical adaptation of definitions, values, lists of greenhouse gases and carbon pools, the update of reference levels, the accounting of transactions and the revision of methodology and information requirements. These measures shall take into account the provisions in Commission Regulation No 389/2013 establishing a Union Registry. The necessary provisions should be contained in a single legal instrument combining the accounting provisions pursuant to Directive 2003/87/EC, Regulation (EU) No 525/2013, Regulation [] on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 for a resilient Energy Union and this Regulation. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level conducted in accordance with the principles laid down in the Inter-institutional Agreement on Better Law-Making of 13 April 2016. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and Council receive all documents at the same time as Member States' experts, and their experts have systematic access to meetings of Commission expert groups dealing with the preparation of delegated acts.

- (19) This Regulation should be reviewed as of 2024 and every 5 years thereafter in order to assess its overall functioning. This review can also be informed by the results of the global stocktake of the Paris Agreement.
- (20) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States but can rather, by reason of its scale and effects be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty of the European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives,

HAVE ADOPTED THIS REGULATION:

Article 1

Subject matter

This Regulation sets out Member States' commitments on land use, land use change and forestry ('LULUCF') that ensure meeting the greenhouse gas emission reduction commitment of the Union for the period from 2021 to 2030, as well as the rules for the accounting of emissions and removals from LULUCF and checking the compliance of Member States with these commitments.

Article 2

Scope

1. This Regulation applies to emissions and removals of the greenhouse gases listed in Annex I, section A, as reported pursuant to Article 7 of Regulation (EU) No 525/2013 occurring in any of the following land accounting categories on the territories of Member States during the period from 2021 to 2030:

- (a) afforested land: land use reported as cropland, grassland, wetlands, settlements, and other land converted to forest land;
- (b) deforested land: land use reported as forest land converted to cropland, grassland, wetlands, settlements, and other land;
- (c) managed cropland: land use reported as cropland remaining cropland and grassland, wetland, settlement, other land converted to cropland and cropland converted to wetland, settlement and other land;
- (d) managed grassland: land use reported as grassland remaining grassland and cropland, wetland, settlement, other land converted to grassland and grassland converted to wetland, settlement and other land;
- (e) managed forest land: land use reported as forest land remaining forest land.

2. A Member State may choose to include managed wetland, defined as land use reported as wetland remaining wetland, and settlement, other land converted to wetland and wetland converted to settlement and other land, in the scope of its commitment pursuant to Article 4. Where a Member State chooses to do so, it shall account for emissions and removals from managed wetland in accordance with this Regulation.

Article 3

Definitions

1. For the purposes of this Regulation, the following definitions shall apply:

- (a) ‘sink’ means any process, activity or mechanism that removes a greenhouse gas, an aerosol, or a precursor to a greenhouse gas from the atmosphere;
- (b) ‘source’ means any process, activity or mechanism that releases a greenhouse gas, an aerosol or a precursor to a greenhouse gas into the atmosphere;
- (c) ‘carbon stock’ means the mass of carbon stored in a carbon pool;
- (d) ‘carbon pool’ means the whole or part of a biogeochemical feature or system within the territory of a Member State within which carbon, any precursor to a greenhouse gas containing carbon or any greenhouse gas containing carbon is stored;
- (e) ‘harvested wood product’ means any product of wood harvesting that has left a site where wood is harvested;
- (f) ‘forest’ means an area of land defined by the minimum values for area size, tree crown cover or an equivalent stocking level, and potential tree height at maturity at the place of growth of the trees. It includes areas with trees, including groups of growing young natural trees, or plantations that have yet to reach the minimum values for tree crown cover or equivalent stocking level or minimum tree height, including any area that normally forms part of the forest area but on which there are temporarily no trees as a result of human intervention, such as harvesting, or as a result of natural causes, but which area can be expected to revert to forest;
- (g) ‘natural disturbances’ mean any non-anthropogenic events or circumstances that cause significant emissions in forests and the occurrence of which are beyond the control of the relevant Member State, provided the Member State is objectively unable to significantly limit the effect of the events or circumstances, even after their occurrence, on emissions;
- (h) ‘instantaneous oxidation’ means an accounting method that assumes that the release into the atmosphere of the entire quantity of carbon stored in harvested wood products occurs at the time of harvest.

2. The Commission shall be empowered to adopt delegated acts in accordance with Article 14 to adapt the definitions in paragraph 1 to scientific developments or technical progress and to ensure consistency between those definitions and any changes to relevant definitions in the 2006 IPCC Guidelines for National Greenhouse Gas Inventories ('IPCC Guidelines').

Article 4

Commitments

For the period from 2021 to 2025 and from 2026 to 2030, taking into account the flexibilities provided for in Article 11, each Member State shall ensure that emissions do not exceed removals, calculated as the sum of total emissions and removals on their territory in the land

accounting categories referred to in Article 2 combined, as accounted in accordance with this Regulation.

Article 5

General accounting rules

1. Each Member State shall prepare and maintain accounts that accurately reflect the emissions and removals resulting from the land accounting categories referred to in Article 2. Member States shall ensure the accuracy, completeness, consistency, comparability and transparency of their accounts and of other data provided under this Regulation. Member States shall denote emissions by a positive sign (+) and removals by a negative sign (-).
2. Member States shall prevent any double counting of emissions or removals, in particular by accounting for emissions or removals resulting from more than one land accounting category under one category only.
3. Member States shall transition forest land, cropland, grassland, wetland, settlements and other land from the category of such land converted to another type of land to the category of such land remaining the same type of land after 20 years from the date of conversion.
4. Member States shall include in their accounts for each land accounting category any change in the carbon stock of the carbon pools listed in Annex I, section B. Member States may choose not to include in their accounts changes in carbon stocks for carbon pools where the carbon pool is not a source, except for above-ground biomass and harvested wood products on managed forest land.
5. Member States shall maintain a complete and accurate record of all data used in preparing their accounts.
6. The Commission shall be empowered to adopt delegated acts in accordance with Article 14 to amend Annex I in order to reflect changes in the IPCC Guidelines.

Article 6

Accounting for afforested land and deforested land

1. Member States shall account for emissions and removals resulting from afforested land and deforested land, as the total emissions and removals for each of the years in the periods from 2021 to 2025 and from 2026 to 2030.
2. By derogation from the requirement to apply the default value established in Article 5(3), a Member State may transition cropland, grassland, wetland, settlements and other land from the category of such land converted to forest land to the category of forest land remaining forest land after 30 years from the date of conversion.
3. In calculations for emissions and removals on afforested land and deforested land, each Member State shall determine the forest area using the same spatial assessment unit specified in Annex II.

Article 7

Accounting for managed cropland, managed grassland and managed wetland

1. Member States shall account for emissions and removals resulting from managed cropland calculated as emissions and removals in the periods from 2021 to 2025 and from 2026 to 2030 minus the value obtained by multiplying by five the Member State's average annual emissions and removals resulting from managed cropland in its base period 2005-2007.
2. Member States shall account for emissions and removals resulting from managed grassland calculated as emissions and removals in the periods from 2021 to 2025 and from 2026 to 2030 minus the value obtained by multiplying by five the Member State's average annual emissions and removals resulting from managed grassland in its base period 2005-2007.
3. Where a Member State chooses to include managed wetland in the scope of its commitment in accordance with Article 2, it shall notify that choice to the Commission by 31 December 2020 for the period 2021-2025 and by 31 December 2025 for the period 2026-2030.
4. Member States that have chosen to include managed wetland in the scope of their commitments in accordance with Article 2 shall account for emissions and removals resulting from managed wetland, calculated as emissions and removals in the periods from 2021 to 2025 and/or from 2026 to 2030 minus the value obtained by multiplying by five the Member State's average annual emissions and removals resulting from managed wetland in its base period 2005-2007.

Article 8

Accounting for managed forest land

1. Member States shall account for emissions and removals resulting from managed forest land, calculated as emissions and removals in the periods from 2021 to 2025 and from 2026 to 2030 minus the value obtained by multiplying by five its forest reference level. A forest reference level is an estimate of the average annual net emissions or removals resulting from managed forest land within the territory of the Member State in the periods from 2021 to 2025 and from 2026 to 2030.
2. Where the result of the calculation referred to in paragraph 1 is negative in relation to its forest reference level, a Member State shall include in its managed forest land accounts total net removals of no more than the equivalent of 3,5 per cent of the Member State's emissions in its base year or period as specified in Annex III, multiplied by five.
3. Member States shall determine the new forest reference level based on the criteria set out in Annex IV, section A. They shall submit to the Commission a national forestry accounting plan including a new forest reference level, by 31 December 2018 for the period from 2021 to 2025 and by 30 June 2023 for the period 2026-2030.

The national forestry accounting plan shall contain all the elements listed in Annex IV, section B and include a proposed new forest reference level based on the continuation of current forest management practice and intensity, as documented between 1990-2009 per

forest type and per age class in national forests, expressed in tonnes of CO₂ equivalent per year.

The national forestry accounting plan shall be made public and shall be subject to public consultation.

4. Member States shall demonstrate consistency between the methods and data used to establish the forest reference level in the national forestry accounting plan and those used in the reporting for managed forest land. At the latest at the end of the period from 2021 to 2025 or from 2026 to 2030, a Member State shall submit to the Commission a technical correction of its reference level if necessary to ensure consistency.

5. The Commission shall review the national forestry accounting plans and technical corrections and assess the extent to which the proposed new or corrected forest reference levels have been determined in accordance with the principles and requirements set out in paragraphs (3) and (4) as well as Article 5(1). To the extent that this is required in order to ensure compliance with the principles and requirements set out in paragraphs (3) and (4) as well as Article 5(1), the Commission may recalculate the proposed new or corrected forest reference levels.

6. The Commission shall adopt delegated acts in accordance with Article 14 to amend Annex II in the light of the review carried out pursuant to paragraph (5) to update Member State forest reference levels based on the national forestry accounting plans or the technical corrections submitted, and any recalculations made in the context of the review. Until the entry into force of the delegated act, Member State forest reference levels as specified in Annex II shall continue to apply for the period 2021-2025 and/or 2026-2030.

Article 9

Accounting for harvested wood products

In accounts pursuant to Article 6(1) and 8(1) relating to harvested wood products, Member States shall reflect emissions and removals resulting from changes in the pool of harvested wood products falling within the following categories using the first order decay function, the methodologies and the default half-life values specified in Annex V:

- (a) paper;
- (b) wood panels;
- (c) sawn wood.

Article 10

Accounting for natural disturbances

1. At the end of the periods from 2021 to 2025 and from 2026 to 2030, Member States may exclude from their accounts for afforested land and managed forest land greenhouse gas emissions resulting from natural disturbances exceeding the average emissions caused by natural disturbances in the period 2001-2020, excluding statistical outliers ('background level') calculated in accordance with this Article and Annex VI.

2. Where a Member State applies paragraph 1, it shall submit to the Commission information on the background level for each land accounting category determined in paragraph 1 and on the data and methodologies used in accordance with Annex VI.

3. Where a Member State applies paragraph 1, it shall exclude from accounting until 2030 all subsequent removals on the land affected by natural disturbances.

4. The Commission shall be empowered to adopt delegated acts in accordance with Article 14 to revise the methodology and information requirements in Annex VI in order to reflect changes in the IPCC Guidelines.

Article 11

Flexibilities

1. Where total emissions exceed removals in a Member State and that Member State has deleted annual emission allocations under Regulation [] on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 this quantity shall be taken into account for the Member State's compliance with its commitment pursuant to Article 4.

2. To the extent that total removals exceed emissions in a Member State and after subtraction of any quantity taken into account under Article 7 of Regulation [] on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030, that Member State may transfer the remaining quantity to another Member State. The transferred quantity shall be taken into account when assessing the receiving Member State's compliance with its commitment pursuant to Article 4.

3. To the extent that total removals exceed emissions in a Member State in the period from 2021 to 2025, and after subtraction of any quantity taken into account under Article 7 of Regulation [] on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 or transferred to another Member State pursuant to paragraph 2, that Member State may bank the remaining quantity to the period 2026-2030.

4. In order to avoid double counting, the quantity of net removals taken into account under Article 7 of Regulation [] on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 shall be subtracted from that Member State's quantity available for transfer to another Member State or banking pursuant to paragraphs 2-3.

5. If a Member State is not in compliance with the monitoring requirements laid down in Article 7(1) da) of Regulation (EU) No 525/2013, the Central Administrator designated under Article 20 of Directive 2003/87/EC shall temporarily prohibit that Member State from transferring or banking pursuant to paragraphs 2-3.

Article 12

Compliance check

1. In 2027 and 2032, Member States shall submit to the Commission a compliance report containing the balance of total greenhouse gas emissions and removals respectively for the

period 2021-2025 or 2026-2030 on each of the land accounting categories specified in Article 2, using the accounting rules laid down in this Regulation.

2. The Commission shall carry out a comprehensive review of the compliance reports for the purpose of assessing compliance with Article 4.

3. The European Environment Agency shall assist the Commission in the implementation of the monitoring and compliance framework under this Article, in accordance with its annual work programme.

Article 13

Registry

1. The Commission shall record the quantity of emissions and removals for each land accounting category in each Member State and ensure the accurate accounting in the exercise of the flexibilities pursuant to Article 11 in the Union Registry established pursuant to Article 10 of Regulation (EU) No 525/2013. The Central Administrator shall conduct an automated check on each transaction under this Regulation and, where necessary, block transactions to ensure there are no irregularities. This information shall be accessible to the public.

2. The Commission shall be empowered to adopt a delegated act to implement paragraph 1 in accordance with Article 14 of this Regulation.

Article 14

Exercise of delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2. The power to adopt delegated acts referred to in Article 3, 5, 8, 10 and 13 shall be conferred on the Commission for an indeterminate period of time from the [date of entry into force].

3. The delegation of powers referred to in paragraph 2 may be revoked at any time by the European Parliament or by the Council. A decision of revocation shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

4. Before the adoption of a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Inter-institutional Agreement on Better Law-Making of 13 April 2016.

5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

6. A delegated act adopted pursuant to the preceding paragraphs shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both

informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or the Council.

Article 15

Review

The Commission shall report to the European Parliament and to the Council by 28 February 2024 and every five years thereafter on the operation of this Regulation, its contribution to the EU's overall 2030 greenhouse gas emission reduction target and its contribution to the goals of the Paris Agreement, and may make proposals if appropriate.

Article 16

Amendments to Regulation No. 525/2013/EU

Regulation No. 525/2013/EU is hereby amended as follows:

1. Article 7(1) is amended as follows:

(a) the following point (da) is inserted:

"(da) From 2023, their emissions and removals covered by Article 2 of Regulation [] [on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry into the 2030 climate and energy framework] in accordance with the methodologies specified in Annex IIIa to this Regulation;

(b) the following subparagraph is added:

" A Member State may request derogation from point (da) to apply a different methodology than specified in Annex IIIa if the methodology improvement required could not be achieved in time for the improvement to be taken into account in the greenhouse gas inventories of the period from 2021 to 2030, or the cost of the methodology improvement would be disproportionately high compared to the benefits of applying such methodology to improve accounting for emissions and removals due to the low significance of the emissions and removals from the carbon pools concerned. Member States wishing to benefit from the derogation shall submit a reasoned request to the Commission by 31 December 2020, indicating the timeline by when the methodology improvement could be implemented and/or the alternative methodology proposed, and an assessment of the potential impacts on the accuracy of accounting. The Commission may request additional information to be submitted within a reasonable time period specified. Where the Commission considers that the request is justified, it shall grant the derogation. If the request is rejected, the Commission shall give reasons for its decision."

2. In Article 13(1)(c), the following point (ix) is added:

"(ix) as from 2023, information on national policies and measures implemented towards meeting their obligations under Regulation [] 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 information on planned additional national policies and measures envisaged with a view to limiting greenhouse gas emissions or enhancing sinks beyond their commitments under that Regulation;"

3. In Article 14(1), the following point (bb) is inserted:

"(bb) from 2023, total greenhouse gas projections and separate estimates for the projected greenhouse gas emissions and removals covered by Regulation [] on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry into the 2030 climate and energy framework."

4. The following Annex IIIa is inserted:

"Annex IIIa

Methodologies for monitoring and reporting referred to in Article 7 (1) (da)

Spatially-explicit land-use conversion data for the identification and tracking of land-use categories and conversions between land-use categories.

Tier 1 methodology using globally calibrated standard emission factors and parameter values in accordance with the 2006 IPCC guidelines for National Greenhouse Gas Inventories.

For emissions and removals for a carbon pool that accounts for at least 25-30% of emissions or removals in a source or sink category which is prioritised within a Member State's national inventory system because its estimate has a significant influence on a country's total inventory of greenhouse gases in terms of the absolute level of emissions and removals, the trend in emissions and removals, or the uncertainty in emissions and removals in the land-use categories, at least Tier 2 methodology using nationally determined emission factors and parameter values calibrated to national circumstances in accordance with the 2006 IPCC guidelines for National Greenhouse Gas Inventories.

Member States are encouraged to apply Tier 3 methodology using non-parametric modelling calibrated to national circumstances, describing the physical interaction of the bio-physical system, in accordance with the 2006 IPCC guidelines for National Greenhouse Gas Inventories. "

Article 17

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
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2. MANAGEMENT MEASURES

- 2.1. Monitoring and reporting rules
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- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
 - 3.2.1. *Summary of estimated impact on expenditure*
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 - 3.2.5. *Third-party contributions*
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LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

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.

1.2. Policy area(s) concerned in the ABM/ABB structure¹²

Policy area: Climate Action

ABB activity: Climate action at Union and international level (ABB code 34 02 01)

1.3. Nature of the proposal/initiative

- The proposal/initiative relates to **a new action**
- The proposal/initiative relates to **a new action following a pilot project/preparatory action**¹³
- The proposal/initiative relates to **the extension of an existing action**
- The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objective(s)

1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

The proposal is part of legislation implementing the 2030 Climate and Energy package agreed by the European Council in October 2014, to achieve the EU 2030 greenhouse gas emission reduction target of at least -40% compared to 1990 domestically in a cost effective manner and contribute to limiting global warming.

The proposal is part of the Commission's ten political priorities, and an important element of the Strategic Framework for the Energy Union.

1.4.2. *Specific objective(s) and ABM/ABB activity(ies) concerned*

Determine how LULUCF will contribute to supporting the emission reduction objectives laid down by the European Council in October 2014 for the 2030 climate and energy framework, for the non-ETS sectors.

ABM/ABB activity(ies) concerned

Climate action

¹² ABM: activity-based management; ABB: activity-based budgeting.

¹³ As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

1.4.3. *Expected result(s) and impact*

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

The proposal will define how the LULUCF sector will contribute to an EU-wide 30% reduction in greenhouse gas emissions in non-ETS sectors by 2030 compared to 2005.

The proposal sets out the Member States' commitments on land use, land use change and forestry ('LULUCF') that ensure meeting the greenhouse gas emission reduction commitment of the Union for the period from 2021 to 2030. It furthermore defines the rules for the accounting of emissions and removals from LULUCF and checking the compliance of Member States with these commitments.

Less frequent compliance checks are recommended, i.e. every five years instead of annually, that will reduce the administrative burden for both Member States and the European Commission. There are no direct reporting obligations or other administrative consequences for businesses, SMEs or micro-enterprises.

The proposal is addressed at Member States as institutional actors. The proposed policy is to be implemented at national level and thus mostly affects their national administrations. Depending on the nature and scope of national measures implemented by Member States, these will affect various stakeholders in the sectors concerned.

Further impacts will depend on the national policies and measures chosen in each specific country

1.4.4. *Indicators of results and impact*

Specify the indicators for monitoring implementation of the proposal/initiative.

Indicator nr 1: The level of net emissions and removals in the LULUCF sector in each Member State.

Indicator nr 2: The utilisation of flexibility delivered by LULUCF in the Member States

Indicator nr 3: The establishment of Member State forest reference levels for the periods 2021-25 and 2026-30.

1.5. **Grounds for the proposal/initiative**

1.5.1. *Requirement(s) to be met in the short or long term*

Member States shall meet their national emission reduction targets in 2030. They are to implement policies and measures and legal and administrative provisions necessary on national level to comply with the proposal. The Commission is to develop the relevant implementing measures for the period after 2020. These include the determination of forest reference levels for each Member State.

1.5.2. *Added value of EU involvement*

Climate change is a trans-boundary problem. Since the objective of the proposed action cannot be sufficiently achieved by the Member States acting individually, coordination of climate action at European level and, where possible, at global level

is necessary and EU action is justified on grounds of subsidiarity. The EU and its Member States participate jointly in the implementation of the Paris Agreement. Joint action allows the EU to address issues of both equity and efficiency, while reaching an ambitious environmental goal. Articles 191 to 193 of the TFEU confirm EU competencies in the area of climate change.

1.5.3. Lessons learned from similar experiences in the past

Emissions and removals of greenhouse gases in LULUCF are currently covered by international obligations under the Kyoto Protocol only, up to 2020. Up to this date, the Kyoto Protocol places constraints on the EU and each of its Member States needs to ensure that the LULUCF sector does not yield extra emissions. However, the Kyoto Protocol will expire at the end of 2020. Consequently, governance for the LULUCF sector needs to be further developed within the EU; at present this is provided by the LULUCF Decision (529/2013/EU). The implementation of the current LULUCF Decision (529/2013/EU) is under way and will deliver improved accounting systems by 2020. Without a legal framework consolidating this implementation and defining the applicable rules for the period post-2020, the way in which LULUCF would be included in the overall framework could be heterogeneous across the EU. Differences in reporting and accounting rules from one Member State to the other would negatively affect the optimal functioning of the single market.

1.5.4. Compatibility and possible synergy with other appropriate instruments

The proposal continues the current EU effort sharing mechanism for non-ETS sectors until 2030 and is an integral part of the 2030 Climate and Energy Framework as well as the Commission framework strategy for a resilient Energy Union with a forward looking climate change policy. In particular, it contributes to delivering the Energy Union's fourth dimension to decarbonise the economy.

Member States are responsible for implementing policies and measures to meet their obligations, some of which also are expected to help achieving the EU's commitments for renewable energy and energy efficiency. Guidance, facilitation and overview of the process for establishing this, in particular forest reference levels, will be assured by the Commission.

1.6. Duration and financial impact

Proposal/initiative of **limited duration**

- Proposal/initiative in effect from [DD/MM]YYYY to [DD/MM]YYYY
- Financial impact from YYYY to YYYY

Proposal/initiative of **unlimited duration**

- Implementation with a start-up period from YYYY to YYYY,
- followed by full-scale operation.

1.7. Management mode(s) planned¹⁴

Direct management by the Commission

- by its departments, including by its staff in the Union delegations;
- by the executive agencies

Shared management with the Member States

Indirect management by entrusting budget implementation tasks to:

- third countries or the bodies they have designated;
- international organisations and their agencies (to be specified);
- the EIB and the European Investment Fund;
- bodies referred to in Articles 208 and 209 of the Financial Regulation;
- public law bodies;
- bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
- bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
- persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
- *If more than one management mode is indicated, please provide details in the 'Comments' section.*

Comments

The proposal supercedes the current Decision No 529/2013/EU (LULUCF Decision) with the upgraded monitoring and reporting obligations for Member States and management tasks for the Commission. The Commission will continue to be supported by the European Environment Agency in monitoring Member States' progress in meeting their obligations under the proposal.

¹⁴ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

Monitoring of progress and compliance assessment will rely on an existing comprehensive framework of monitoring, reporting and verification laid down partially in the proposal, and partially in the Monitoring Mechanism Regulation (MMR) and its implementing provisions. The robust reporting and compliance cycle as defined under the ESD will be maintained under the proposal. Member States' maintain an obligation to comply with annual emission limits and a linear trajectory in the period 2021-2030 though the actual compliance check will be organised every 5 years.

To ensure that the compliance assessment relies on accurate data, the greenhouse gas (GHG) emissions inventories submitted by Member States will continue to be reviewed by the Commission. The European Environment Agency will continue to co-ordinate the control of the transparency, accuracy, consistency, comparability and completeness of the information submitted.

Existing requirements will continue for Member States to report every second year on the policies and measures implemented in order to achieve their commitments under this proposal as well as on their emission projections.

2.2. Management and control system

2.2.1. Risk(s) identified

Member States not reporting or not reporting on time their annual greenhouse gas emissions.

Member States implementing different approaches for determining forest reference levels.

2.2.2. Information concerning the internal control system set up

Thanks to the already existing and well-established annual reporting system for Member States' greenhouse gas emissions laid down in the Monitoring Mechanism Regulation there are procedures in place for ensuring that emission reports arrive on time and that any Member State not fulfilling its reporting obligations can be assisted.

2.2.3. Estimate of the costs and benefits of the controls and assessment of the expected level of risk of error

The risk of error is not applicable.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures.

The monitoring of Member States' progress toward their commitments under this proposal relies on a well-established existing system for quality control and verification of their annual reports of greenhouse gas emissions. This ensures that

any gaps or irregularities with respect to the reported emissions data are addressed and corrected in time for the compliance check.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

| Heading of multiannual financial framework | Budget line | Type of expenditure | Contribution | | | |
|--|-------------|---------------------|-----------------------------------|--|----------------------|--|
| | | | from EFTA countries ¹⁶ | from candidate countries ¹⁷ | from third countries | within the meaning of Article 21(2)(b) of the Financial Regulation |
| 2 | 34.02.01 | Diff. | NO | NO | NO | NO |
| 5 | 34.01 | Non diff. | NO | NO | NO | NO |

- New budget lines requested: Not applicable

In order of multiannual financial framework headings and budget lines.

| Heading of multiannual financial framework | Budget line | Type of expenditure | Contribution | | | |
|--|--|---------------------|---------------------|--------------------------|----------------------|--|
| | | | from EFTA countries | from candidate countries | from third countries | within the meaning of Article 21(2)(b) of the Financial Regulation |
| | Number [...][Heading.....] | Diff./Non-diff. | | | | |
| | [...][XX.YY.YY.YY] | | YES/NO O | YES/NO | YES/NO O | YES/NO |

¹⁵ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

¹⁶ EFTA: European Free Trade Association.

¹⁷ Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

3.2. Estimated impact on expenditure

[This section should be filled in using the **spreadsheet on budget data of an administrative nature** (second document in annex to this financial statement) and uploaded to CISNET for interservice consultation purposes.]

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

| | | |
|---|--------|---------------------------------------|
| Heading of multiannual financial framework | Number | Sustainable Growth: Natural Resources |
|---|--------|---------------------------------------|

| DG: CLIMA | | | Year 2017 | Year 2018 | Year 2019 | Year 2020 | | | | TOTAL |
|--|-------------|-------------|--------------|--------------|--------------|--------------|--|--|--|--------------|
| • Operational appropriations | | | | | | | | | | |
| 34.02.01 | Commitments | (1) | 1,0 | 0,6 | | | | | | 1,6 |
| | Payments | (2) | 0,6 | 0,760 | 0,240 | | | | | 1,6 |
| Number of budget line | Commitments | (1a) | | | | | | | | |
| | Payments | (2a) | | | | | | | | |
| Appropriations of an administrative nature financed from the envelope of specific programmes ¹⁸ | | | | | | | | | | |
| Number of budget line | | (3) | | | | | | | | |
| TOTAL appropriations for DG CLIMA | Commitments | =1+1a +3 | 1,0 | 0,6 | | | | | | 1,6 |
| | Payments | =2+2a +3 | 0,6 | 0,760 | 0,240 | | | | | 1,6 |

¹⁸ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes: using the financial envelope for LIFE as agreed under the MFF 2014-2020 .

| | | | | | | | | | | | |
|---|-------------|-------|-----|-------|-------|--|--|--|--|--|------------|
| • TOTAL operational appropriations | Commitments | (4) | 1,0 | 0,6 | | | | | | | 1,6 |
| | Payments | (5) | 0,6 | 0,760 | 0,240 | | | | | | 1,6 |
| • TOTAL appropriations of an administrative nature financed from the envelope for specific programmes | | (6) | | | | | | | | | |
| TOTAL appropriations under HEADING <...> of the multiannual financial framework | Commitments | =4+ 6 | 1,0 | 0,6 | | | | | | | 1,6 |
| | Payments | =5+ 6 | 0,6 | 0,760 | 0,240 | | | | | | 1,6 |

If more than one heading is affected by the proposal / initiative:

| | | | | | | | | | | | |
|---|-------------|-------|-----|-------|-------|--|--|--|--|--|-----|
| • TOTAL operational appropriations | Commitments | (4) | | | | | | | | | |
| | Payments | (5) | | | | | | | | | |
| • TOTAL appropriations of an administrative nature financed from the envelope for specific programmes | | (6) | | | | | | | | | |
| TOTAL appropriations under HEADINGS 1 to 4 of the multiannual financial framework (Reference amount) | Commitments | =4+ 6 | 1,0 | 0,6 | | | | | | | 1,6 |
| | Payments | =5+ 6 | 0,6 | 0,760 | 0,240 | | | | | | 1,6 |

The proposed measures will be carried out under the financial envelope for LIFE, as agreed under the MFF 2014-2020

| | | |
|---|----------|------------------------------|
| Heading of multiannual financial framework | 5 | ‘Administrative expenditure’ |
|---|----------|------------------------------|

EUR million (to three decimal places)

| | | Year 2017 | Year 2018 | Year 2019 | Year 2020 | | | | TOTAL |
|------------------------------------|----------------|--------------|--------------|--------------|--------------|--|--|--|---------------|
| DG: CLIMA | | | | | | | | | |
| • Human resources | | 0,268 | 0,402 | 0,402 | 0,536 | | | | ,1,608 |
| • Other administrative expenditure | | 0,015 | 0,015 | 0,015 | 0,015 | | | | 0,060 |
| TOTAL DG CLIMA | Appropriations | 0,283 | 0,417 | 0,417 | 0,551 | | | | 1,668 |

| | | | | | | | | | |
|--|--------------------------------------|--------------|--------------|--------------|--------------|--|--|--|--------------|
| TOTAL appropriations under HEADING 5 of the multiannual financial framework | (Total commitments = Total payments) | 0,283 | 0,417 | 0,417 | 0,551 | | | | 1,668 |
|--|--------------------------------------|--------------|--------------|--------------|--------------|--|--|--|--------------|

EUR million (to three decimal places)

| | | Year 2017 | Year 2018 | Year 2019 | Year 2020 | | | | TOTAL |
|--|-------------|--------------|--------------|--------------|--------------|--|--|--|--------------|
| TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework | Commitments | 1,283 | 1,017 | 0,417 | 0,551 | | | | 3,268 |
| | Payments | 0,883 | 1,177 | 0,657 | 0,551 | | | | 3,268 |

3.2.2. *Estimated impact on operational appropriations*

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to three decimal places)

| Indicate objectives and outputs ↓ | | | Year 2017 | | Year 2018 | | Year 2019 | | Year 2020 | | | | | | | | TOTAL | | |
|---|--------------------|--------------|-----------|-------|-----------|-------|-----------|------|-----------|------|----|------|----|------|----|------|----------|------------|--|
| | OUTPUTS | | | | | | | | | | | | | | | | | | |
| | Type ¹⁹ | Average cost | No | Cost | No | Cost | No | Cost | No | Cost | No | Cost | No | Cost | No | Cost | Total No | Total cost | |
| SPECIFIC OBJECTIVE No 1 ²⁰ ... | | | | | | | | | | | | | | | | | | | |
| - Output | AA | 0,500 | 1 | 0,500 | | | | | | | | | | | | | 1 | 0,5 | |
| - Output | SER | 0,500 | 1 | 0,500 | | | | | | | | | | | | | 1 | 0,5 | |
| - Output | SER | 0,600 | | | 1 | 0,600 | | | | | | | | | | | 1 | 0,6 | |
| -Output | Trans- | 2,5 | | | | | | | | | | | | | | | | | |
| Subtotal for specific objective No 1 | | | 2 | 1,0 | 1 | 0,600 | | | | | | | | | | | 3 | 1,6 | |
| SPECIFIC OBJECTIVE No 2 ... | | | | | | | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | | | | | 1 | 0,5 | |
| Subtotal for specific objective No 2 | | | | | | | | | | | | | | | | | | | |
| TOTAL COST | | | 2 | 1,0 | 1 | 0,600 | | | | | | | | | | | 3 | 1,6 | |

¹⁹ Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

²⁰ As described in point 1.4.2. ‘Specific objective(s)...’

3.2.3. Estimated impact on appropriations of an administrative nature

3.2.3.1. Summary

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

| | Year 2017 | Year 2018 | Year 2019 | Year 2020 | | | | | TOTAL |
|--|--------------|--------------|--------------|--------------|--|--|--|--|-------|
|--|--------------|--------------|--------------|--------------|--|--|--|--|-------|

| HEADING 5 of the multiannual financial framework | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--|--|--|--|--------------|
| Human resources | 0,268 | 0,402 | 0,402 | 0,536 | | | | | 1,608 |
| Other administrative expenditure | 0,015 | 0,015 | 0,015 | 0,015 | | | | | 0,060 |
| Subtotal HEADING 5 of the multiannual financial framework | 0,283 | 0,417 | 0,417 | 0,551 | | | | | 1,668 |

| Outside HEADING 5²¹ of the multiannual financial framework | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
| Human resources | | | | | | | | | |
| Other expenditure of an administrative nature | | | | | | | | | |
| Subtotal outside HEADING 5 of the multiannual financial framework | | | | | | | | | |

| | | | | | | | | | |
|--------------|--------------|--------------|--------------|--------------|--|--|--|--|--------------|
| TOTAL | 0,283 | 0,417 | 0,417 | 0,551 | | | | | 1,668 |
|--------------|--------------|--------------|--------------|--------------|--|--|--|--|--------------|

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

²¹ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources.
- The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

| | Year 2017 | Year 2018 | Year 2019 | Ye ar 202 0 | | | |
|--|-------------------|--------------|-----------|----------------------|--|--|--|
| • Establishment plan posts (officials and temporary staff) | | | | | | | |
| XX 01 01 01 (Headquarters and Commission's Representation Offices) | 2 | 3 | 3 | 4 | | | |
| XX 01 01 02 (Delegations) | | | | | | | |
| XX 01 05 01 (Indirect research) | | | | | | | |
| 10 01 05 01 (Direct research) | | | | | | | |
| • External staff (in Full Time Equivalent unit: FTE)²² | | | | | | | |
| XX 01 02 01 (AC, END, INT from the 'global envelope') | | | | | | | |
| XX 01 02 02 (AC, AL, END, INT and JED in the delegations) | | | | | | | |
| XX 01 04 yy²³ | - at Headquarters | | | | | | |
| | - in Delegations | | | | | | |
| XX 01 05 02 (AC, END, INT - Indirect research) | | | | | | | |
| 10 01 05 02 (AC, END, INT - Direct research) | | | | | | | |
| Other budget lines (specify) | | | | | | | |
| TOTAL | 2 | 3 | 3 | 4 | | | |

34 is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

| | |
|-------------------------------|---|
| Officials and temporary staff | Current AD team will continue managing the LULUCF initiative. Additional AD required for managing the project of developing a new module in EU Registry system dedicated to LULUCF as from 2018 and one additional dealing AD with forestry measures and forest reference levels as from 2020 |
| External staff | |

²² AC= Contract Staff; AL = Local Staff; END= Seconded National Expert; INT = agency staff; JED= Junior Experts in Delegations.

²³ Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

3.2.4. *Compatibility with the current multiannual financial framework*

- The proposal/initiative is compatible the current multiannual financial framework.
- The proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.
N/A

- The proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.
N/A

3.2.5. *Third-party contributions*

- The proposal/initiative does not provide for co-financing by third parties.
- The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to three decimal places)

| | Year N | Year N+1 | Year N+2 | Year N+3 | Enter as many years as necessary to show the duration of the impact (see point 1.6) | | | Total |
|-------------------------------------|-----------|-------------|-------------|-------------|---|--|--|-------|
| | | | | | | | | |
| Specify the co-financing body | | | | | | | | |
| TOTAL appropriations co-financed | | | | | | | | |

3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
 - on own resources
 - on miscellaneous revenue

EUR million (to three decimal places)

| Budget revenue line: | Appropriations available for the current financial year | Impact of the proposal/initiative ²⁴ | | | | | Enter as many years as necessary to show the duration of the impact (see point 1.6) | | |
|----------------------|---|---|----------|----------|----------|--|---|--|--|
| | | Year N | Year N+1 | Year N+2 | Year N+3 | | | | |
| Article | | | | | | | | | |

For miscellaneous 'assigned' revenue, specify the budget expenditure line(s) affected.

[...]

Specify the method for calculating the impact on revenue.

[...]

²⁴ As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25 % for collection costs.