

Comment on Carbon Farming Policy Mix report

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Overall, this report from CREDIBLE Focus Group 2.3 on the policy mix provides a comprehensive overview on current and potential future policy environment for carbon farming activities in the EU. Here we highlight aspects and views presented in the report which we support, or where future work could be directed to close gaps in knowledge or provide information to guide future policy decisions.

This report provides a balanced assessment of result- and activity-based reward systems for carbon farming activities. Ideally remuneration for carbon removals should align with the net climate benefit as this provides a metric by which the incentive system success can be determined. Carbon is in theory easy to quantify, however, we agree with the concerns raised in the report regarding carbon-centric results-based reward schemes, that risk the credibility and sustainability of such schemes due to poorly quantifiable and uncertain reliability in carbon storage in biological reservoirs.

There are likely policies with different purposes and end-goals that need to be clearly and transparently defined and to assess their success. For example, the EU Carbon Removals Certification Framework set out to instil trust by developing common rules for robust carbon accounting for removals certified under the scheme. For such policies, weakening of rules to enable a result-based certification and financial reward scheme so that the generated credits can be used in a certain way to supplement income should not be an acceptable solution. Confidence and trust in the MRV is an integral part of any certificate or product that is generated from removals.

This report indicates that results-based systems may not be appropriate yet for carbon farming activities for a variety of reasons. For example, this report from the CREDIBLE focus group 2.3 highlights significant challenges of accurately counting carbon stored in soils and biomass from carbon farming activities using the MRV tools currently available. We support the assessment that successful results-based systems rely on accurate and comprehensive MRV, which for open storage systems and biological reservoirs, can be “costly and cumbersome” (p. 9). It is unfortunate that there are no numbers to support this yet, although this would not be a straightforward task. It would be very informative to have an assessment of expected uncertainty of MRV for different carbon farming activities and the anticipated costs of this level of MRV quality. For example, quantitative analysis on MRV costs vs. uncertainty could be helpful in guiding criteria for acceptable levels of MRV certification, or determining feasibility (e.g. costs, administrative effort) for MRV for a range of farm size.

Furthermore, trustworthy results-based financing will necessarily need rigorous MRV and liability (MRVL) frameworks which may be prohibitively expensive due to the real and increasing risks of reversal of carbon storage. While there may be pressure to alleviate the MRVL requirements to accommodate results-based finance, this will by extension reduce the rigour and reliability of results which are being financed.

The report also suggests that a hybrid activity-result-based financing approach may be an alternative option worth considering. New MRV technologies and methods are developed in future that may reduce the physical measurement burden and improve the ability to accurately quantify carbon flows in the environment. This is an interesting idea, but it isn't clear what would enable a transition from an activity based to result based project, e.g. what would be an acceptable level of uncertainty or level of tech. Further clarification and guidance are needed on what a hybrid activity-result approach

would look like. For example, in the USA, the IRA enables choice on the scheme users wish to implement (results vs. activity). The level of incentive could be set accordingly.

Natural sinks such as forests may become saturated over time, or no longer bring an additional benefit to the climate or ecosystem, as mentioned on p. 10. It is not clear how this could impact the effectiveness of the result- or activity-based system or more importantly, how retention of these natural carbon stores can be supported by policies if the initial reward scheme is on generation of removal units and in future, there are fewer, or no removal units generated from these projects. The incentive schemes must consider the possibility that result-based financing may face diminishing financial returns over time, even though the maintenance of the activity is vital to the conservation and enhancement of carbon sequestration on land. Not only will sink saturation limit the possibility of counterbalancing emissions, but it will also limit the option of financing those activities via results-based approaches.

Carbon farming implementation would be highly heterogeneous. Hence, an accepted and workable standardised system across Member States for determining the effectiveness of CDR is difficult to foresee due to differences in geography and local climate conditions, the diverse range of carbon farming activities that could be implemented, as well as due to the potential co-benefits generated. Ensuring coherency in the interaction between different policies is important but as an example, we question if the scale of district-level monitoring under the EU Soil and Forest Monitoring Law will be able to accurately quantify carbon flows at the project/farm level where the Carbon Farming activities will be applied.

Use cases for the removal units generated are not yet clearly defined but there is a risk that fungibility between certificates for carbon farming removals with low permanence with long-term greenhouse gas emissions which persist in the atmosphere for centuries to millennia. We fully support both the recommendation that "... an instrument should not allow for permanent emissions to be compensated with temporary and vulnerable removals ..." and the call for clarity on how the generated units may be used (recommendations 2 and 7).

Other open questions:

Much of the transition relates not only to changes in agricultural practices but also to encourage wider transformation of agricultural goods produced and a shift towards plant-based diets. For example, the EU H2020 NEGEM project findings indicate that sustainable deployment of biomass-based CDR will need substantial dietary shift to release current pasture-land (see for example NEGEM D3.7 by Braun et al. 2024, https://www.negemproject.eu/wp-content/uploads/2023/08/NEGEM_D3.7_Global-impacts-of-NETP-potentials-on-food-security.pdf). How will these activities be encouraged on the basis of carbon yet at the same time enable land-use change that frees up agricultural land for other use? Would this newly freed up land be released by current owners for other purposes? What activities would be considered as carbon farming activities but are not yet covered under other schemes?