

CREDIBLE Consultation: “An effective policy mix for scaling up carbon farming”

Carbon Market Watch feedback to the CREDIBLE report on the activities of the focus group 2.3

1) Carbon Removal Carbon Farming Regulation

1.1. Difficulties with adopting a results-based approach for agriculture

The Carbon Removal Carbon Farming Regulation (CRCF) is a results-based scheme, representing the EU’s first crediting framework for, amongst others, carbon farming and soil emission reductions. The initial report on the activities of Focus Group 2.3 questions whether a results-based mechanism is indeed suitable for all areas of carbon farming. As explained below, Carbon Market Watch agrees with the difficulties highlighted in the report, in particular on the need for robust monitoring, reporting, verification and liability (MRVL), additionality, and the carbon-centric tunnel such a mechanism espouses.

While there is a need for clear indicators and targets in the land sector, a results-based system requires robust MRV and adequate baselines - there must be absolute certainty that the particular result has been achieved if units are to be used for offsetting. Yet current MRV techniques, such as remote sensing, lack accuracy and precision, particularly considering the variation in ecosystems, climate conditions, soil types, farm characteristics, and land management practices. The complexities of the systems involved make it notoriously difficult to determine causality between land management actions and carbon fluxes ([ESABCC](#)). Similarly, establishing baselines is time-consuming, requires potentially unavailable historical data, and risks being manipulated or overestimated by participants.

Robust MRV means a significant administrative burden is placed on farmers. In an offsetting-based system data must be accurate and processes cannot be oversimplified. This could ultimately act as a deterrent, in particular, for small-scale farmers, who may lack the funding. In this vein, it has been found that the inclusion of intermediaries to take charge of the MRV does not necessarily reduce costs for farmers, with fees rising up to [40% of the value of generated carbon credits](#). An activity-based approach can help circumvent these issues by lowering MRV standards as units would not be issued and used for offsetting.

A further issue is the need to assign liability for unintended (or intended) carbon releases into the atmosphere. Land-based sequestration activities are inherently vulnerable to both human and natural disturbances (including caused by the ever-worsening climate crisis itself), which not only complicates the quantification of carbon sequestration but also renders it prone to reversibility. Land ownership is also subject to change, making it difficult to identify who should be held liable should reversibility occur. While the CRCF has addressed such concerns by making credits for such activities temporary (at least 5 years), it is unclear how these credits will be cancelled following the expiration date. This can be particularly complicated should units end up held by entities based outside of the EU.

As mentioned in the report of the focus group, additionality is challenging, particularly where existing regulatory schemes, such as the Common Agricultural Policy (CAP), already require specific carbon farming activities and would allocate funding for it, leading to a situation where such activity might not be certified under the CRCF as it would no longer be additional. Conversely, and as explained by [IATP](#), this could also lead to a situation where CRCF additionality requirements disincentivise allocating more funds for ambitious environmental and climate action in the next CAP out of fear that doing so could nullify or prevent certified carbon farming credits. Ultimately the CAP and the CRCF would be in competition instead of complementing and strengthening one another.

Lastly, results-based schemes risk adopting a carbon-centric approach, yet other aspects, such as water quality, soil health, or biodiversity are just as important, if not more. The climate and nature crisis must be addressed in tandem. Framing nature restoration as a 'co-benefit' to carbon sequestration undermines its significance; a shift in perspective is therefore required, wherein carbon sequestration, not ecosystem health, is the co-benefit.

1.2. The VCM is poorly suited to the reduction of agricultural emissions as it promotes offsetting and encourages mitigation deterrence

The report also presents the disadvantages of the voluntary carbon market (VCM), offsetting, and mitigation deterrence. We share those concerns; the voluntary carbon market (VCM), a system marred by poor environmental integrity [scandals](#), lends itself to the volatility of the market. When faced with a choice between reducing emissions or purchasing cheap land-sequestration certificates, buyers may choose the latter. This risks detracting focus and resources from emission reduction activities.

This overreliance on temporary carbon sequestration erroneously assumes fungibility between emission reductions and carbon sequestration practices, whilst also letting polluters off the hook and impeding profound changes to corporate value chains.

As stated in the report, VCM raises questions on whether private investment could indeed lead to carbon farming practices, particularly since the CRCF does not actually set use cases. The CRCF is a mere skeleton, with the certification methodologies still underway, and neighbouring policies such as the Green Claims Directive (under negotiation) and the Corporate Sustainability Reporting Directive setting rules on claims and reporting. There is much uncertainty on how the certification policy will work in practice, including the level of uptake for carbon farming purposes.

What is likely to both guarantee more sustainable practices and safeguard environmental integrity is a contribution claim model. Such a model prompts companies to use existing carbon markets (including eventual CRCF units) to disburse climate finance by buying and retiring carbon credits, without claiming ownership of the emission reductions or making offsetting claims. Through this approach, companies are not detracted from making investments towards abating their own emissions. .

2) Common Agricultural Policy (CAP)

2.1 The CAP has failed in driving down emissions and supporting farmers

Over the past 20 years emission reductions in the sector have remained relatively stagnant, experiencing only a [5% decrease between 2005 and 2022](#). Moreover, up to [60% of the CAP funding \(€32.1 billion annually\)](#) is spent by EU countries on large-scale unsustainable farming activities. On the social front, the 2014-2020 CAP performance assessment found that [20% of CAP beneficiaries received 80% of payments](#). This is because the CAP applies area-based payments, meaning larger farms receive more money and growth of farms is incentivised, to the detriment of smaller farmers.

The current CAP (2023-2027) has introduced eco-schemes and the possibility for member states to devise their own strategies when implementing CAP objectives (to be set out in the CAP Strategic Plans, CSPs). Yet, as explained in the [ESABCC report](#), eco-scheme uptake has been poor, while CSPs lack ambition and offer too much leeway for member states. In any case, attempts at greening the present CAP have been to no avail, particularly considering recent [amendments](#), which, amongst others, increase member state flexibility and derogate certain GAECs.

2.2. A green, coherent and sustainable CAP that truly guarantees a just transition in the sector is needed

As supported in the report, the next iteration of the CAP must be ambitious. A core issue in agricultural policy has been the counterproductive incentives, for instance, where funding is allocated to high-input production, despite also paying for mitigation practices, or, where peatland restoration leads to increased production elsewhere. In this sense, measures must be well designed, targeted, and implemented in a way that isn't detrimental to nature.

Overall, agricultural policy needs to be revamped, moving away from intensive practices and area-based payments, ensuring that benefits reach land managers instead of landowners, and securing adequate support for small-scale farmers. It must also favour sustainable food systems and use of fertilisers, improved water quality, and stronger animal welfare. Crucially, policymakers should keep in mind the objectives set out in the Farm to Fork and Biodiversity Strategies throughout the negotiation process.

3) Potential AgETS

3.1 An AgETS must guarantee the fair and just application of the polluter pays principle

The high greenhouse gas emissions in the sector has paved the way for discussions on a potential AgETS. Such a mechanism only works where the polluter pays principle is applied fairly and justly, rendering less polluting alternatives more competitive and forcing polluters to pay for the damage they cause and fund the transition to a sustainable climate and nature-friendly agriculture sector.

Crucially a potential AgETS must be meaningful: it requires a stringent limit on emissions, no handing out of free pollution permits, and a fair and effective use of revenues. On this final point, an AgETS must not repeat the same mistakes of the CAP: it must support farmers, particularly small-scale farmers, by providing funds for machinery, training, and advisory services, amongst others.

It is also important for an AgETS to address the entire food value chain, meaning multiple points of obligation could be imposed on several actors (e.g. manufacturers, large farmers, processors, etc.). Similarly, the introduction of agricultural emissions could warrant an expansion of existing ETSs to cover use of fertiliser application on farm (ETS 1) and fossil fuel for transport and heating on farm (ETS 2).

2.2 An AgETS must exclude removals and sit in harmony with neighbouring policies

As stated in the report, it is vital that both permanent removals and temporary carbon sequestration are treated separately from emission reductions. This means excluding these from the AgETS, a mechanism inherently designed for reducing emissions. In this vein, crediting mechanisms should also be excluded (the risks of such crediting/offsetting schemes were already set out above).

Despite its exclusion from the AgETS, revenues could be used to invest in carbon sequestration projects on agricultural land and support mutually reinforcing climate and biodiversity action in the land sector.

Ultimately, the AgETS must not lead to intensification, and must therefore introduce robust safeguards that promote biodiversity criteria, help restore ecosystems, and build up climate resilience. This could be done by attaching mandatory biodiversity co-benefits to the scheme (as required by the CRCF) or by ensuring synergies with new or existing policies. Generally, an AgETS makes little sense in a political vacuum, and must therefore be designed as part of a policy mix, reforming the CAP being the first point of order.

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