CREDIBLE
EU carbon farming

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Initial report on the activities of the Focus Group on “An effective policy mix for scaling up carbon farming”

Milestone B

Project CREDIBLE: “Building momentum and trust to achieve credible soil carbon farming in the EU”.

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Executive summary

This document is part of the EU-funded project CREDIBLE, Grant Agreement 101112951, and it captures the main outputs of the first round of conversations had within the Focus Group on “An effective policy mix for scaling up carbon farming”.

The main goal of this Focus Group is to generate recommendations/opinions that could be used in the development/deployment of relevant policies around carbon farming, and particularly in the definition of the Carbon Removal Certification Framework. These informed opinions have emerged through the active participation of experts (details provided in Tables 1 and 2) in a number of activities (with the main ones listed in Table 3).

In order to convey the recommendations to the broader possible audience, the following sections have been included in the document: i) an introduction, which helps clarifying the problem and why addressing this topic was considered important by the CREDIBLE consortium; ii) a short process report, which summarises the conversations held by the Focus Group, highlighting the key points and tensions that emerged and; iii) a summary of recommendations, listing in a concise way the opinion of the Focus Group on how to best solve some of these tensions.

1. Focus Group participation and activities

Table 1 - Partners of CREDIBLE who participated in the Focus Group.

Name of the expert	Affiliation	Role*	Country
Mathieu Mal	EEB European Environmental Bureau	Lead	Belgium
Aaron Scheid	Ecologic Institute	Member	Germany
Julia Pazmino Murillo	Ecologic Institute	Member	Germany
Julia Grimault	I4CE Institute for Climate Economics	Member	France
Simon Martel	I4CE Institute for Climate Economics	Member	France

* Lead (of the Focus Group); Member; Rapporteur; Observer…

Table 2 - Members of the Focus Group external to CREDIBLE.

Name of the expert	Affiliation	Role*	Country
Wijnand Stoefs	Carbon Market Watch	Member	Belgium
Marilda Dhaskali	BirdLife	Member	Belgium
Marc Rosiers	ELO European Landowners' Organization	Member	Belgium
Anna de Boeck	ELO European Landowners' Organization	Member	Belgium
Hanna Winkler	IFOAM Organics Europe	Member	Belgium
Julia Bognar	IEEP Institute for European Environmental Policy	Member	Belgium
Casper Zulim de Swarte	OP2B One Planet Business for Biodiversity	Member	Netherlands
Alan Matthews	Trinity College Dublin	Member	Ireland
Emmanuel de Laroche	The Shifters	Member	France
Chiara Micelli	DG CLIMA	Member	Belgium
Nicola di Virgilio	DG AGRI	Member	Belgium
Emmanuel Petel	DG AGRI	Member	Belgium
Lisa Wiatschka	Bax & Company	Member	Spain

Tomasz Kowalczewski	Agreena	Member	Denmark
Hinse Boonstra	Bayer Crop Science	Member	Netherlands
Moritz Adam	Wetlands International	Member	Belgium

* Lead (of the Focus Group); Member; Rapporteur; Observer…

Table 3 - List of main activities carried out to steer the conversations.

General description of the activity	Date of execution
First online meeting: 2.5 hours	30/01/24
Breakout session during the European Carbon Farming Summit: 1.5 hours	07/03/24
Second online meeting: 1.5 hours	26/03/24

2. Introduction

The EU has committed to being climate neutral by 2050. Achieving this will, besides drastically reducing greenhouse gas emissions, require the removal of several hundred million tonnes of CO2 from the atmosphere every year to balance out hard-to-abate residual emissions. Carbon removals can take various forms when it comes to how the carbon is removed from the atmosphere (naturally or industrially) and stored (in soil, products, long-term storage in geological formations, etc.). Today and with current policies, the EU is not on track to deliver the required carbon removals: carbon removals in terrestrial ecosystems have been decreasing in recent years, and no significant industrial carbon removals are currently taking place in the EU.

2024 is a decisive year for the future of carbon farming, the sequestration and storage of carbon in soils and biomass, in the EU. In February, the co-legislators reached a provisional agreement on the EU Carbon Removal Certification Framework (CRCF). Shortly after that, the first EU Carbon Farming Summit took take place early March. Supported by the work of the Expert Group on Removals, the first drafts for the certification methodologies for emission reductions and removals through different activities and practices are expected by the end of 2024. The CRCF will provide the general rules for carbon farming, but it is not certain that the Regulation will manage to significantly incentivize the practices to enhance soil carbon storage. Besides, civil society organizations and other actors have raised many concerns about the proposed CRCF text. Specifically regarding carbon farming, many worry that carbon stored in soil is too vulnerable for reversal and therefore not an effective climate mitigation solution, that a narrow focus on carbon may lead to the implementation of practices that are harming other elements such as biodiversity, and that the quality and additionality of certified lands sequestration might be difficult to evaluate and monitor.

The large-scale uptake of carbon farming in the EU will require significant changes in practices and investment by land managers, which must be supported by a conducive policy environment and appropriate economic signals. CREDIBLE Focus Group 2.3 aims to bring together key stakeholders to explore what constitutes an effective policy mix for an environment conducive to carbon farming and how policies such as the Carbon Removal Certification Framework (CRCF) will interact with other policy priorities and instruments within the EU. Given that the policy environment for carbon farming is still under development, there are many questions to be explored. The following questions guided the first cycle of group discussions:

A conducive policy environment for quality carbon farming:

- What are the key elements of quality carbon farming that policy needs to safeguard?
- How should policy address complex and crucial aspects such as additionality and permanence?
- How should policy support aspects of implementation such as financing and MRV?

The EU policy mix:

- To what extent will the CRCF be able to provide the above, and what functions will be left for different policies or instruments?
- Which other policies or instruments do you deem relevant to carbon farming in the EU? Are there any synergies or conflicts with the CRCF on elements discussed before: permanence, additionality, financing, timing, etc.?
- Will upscaling of carbon farming be achieved through a regulatory push or through a market demand pull due to demand for the certified units coming out of the CRCF?
- What could / should be the role of Voluntary Carbon Markets (VCMs)?
- What could / should be the role of an EU ETS for agriculture?
- What does the currently available information on the use case of CRCF certificates tell us about:
    - the centrality of the CRCF for carbon farming?
    - Double counting? Double claiming?

    - Need for corresponding adjustments?
    - VCM vs, compliance markets?
- What could be the effect of recent proposed amendments to the CAP GAECs on carbon farming?

The future of EU carbon farming:

- Based on the current and expected policies and instruments, what do we expect the development of carbon farming to look like? What does the timeline look like? What about the scale and results?

3. Short process report

Carbon farming scheme design: activity- or result-based?

EU carbon farming policy, following the Commission's Carbon Removal Certification Framework (CRCF) proposal which has now passed negotiations and reached political agreement, and wider international developments in related areas, is set to develop in the direction of a result-based mechanism. The discussion on whether a result-based approach is suitable for all areas of carbon farming, and whether the current context allows for it to be successful, is still debated among stakeholders.

One of the strengths of a result-based approach is that setting a target which gives a signal to all stakeholders and markets allows entrepreneurs and other actors to step in by creating business models to achieve these targets in the most effective way. There is a need for clear indicators and targets in the agricultural sector towards which farmers, supply chain actors, and input providers can work. This may be more effective and allow for more innovative models than a prescriptive list of activities for which you may be reimbursed.

A result-based approach relies on an effective MRV system, which needs to balance robustness with regard to uncertainty and operationality related to logistics and cost. MRV can be an important and efficient tool to identify cost effective solutions, which allows more efficient allocation of resources, including public subsidies. CRCF units could be used not only for private carbon credits, but also for other support methods such as contribution claims and public subsidies and incentives. The proposed Soil Monitoring Law and Forest Monitoring Law are a first step to help provide the evidence base, although at district level, for a robust monitoring system that will enable land managers to take up certification schemes.

On the other hand, a robust and operational MRV is still to be devised for many of the different land uses and land management practices, and still risks being costly and cumbersome. For a result-based system, it is key to know what needs to be measured and to be able to measure it well. Measured units need to have high credibility, quality, and transparency. It is unclear whether our current MRV capacity when it comes to soils

is at the level of being able to support such a result-based system. The question of whether we are able to quantify and monitor soil carbon sequestration correctly is crucial when considering its role in achieving the EU's climate neutrality goal. There is a risk that we will be compensating for permanent emissions with wrongly quantified very temporary storage that is challenging to monitor while being vulnerable to the impacts of climate change itself. Furthermore, although we desperately need nature and natural carbon stock restoration now, followed by their protection, at some point, carbon stocks become saturated, meaning increases in carbon content are not an infinite option for counterbalancing emissions.

To allow an intervention to be successful, it is extremely important to consider additional burdens, such as administrative work, introduced by new initiatives. Land managers, especially farmers, often already have significant administrative responsibilities that require a lot of time and effort. Therefore, to optimize adoption and success rates, schemes need to be as straightforward and lean as possible. Proponents of a result-based scheme refer to the flexibility that comes with it in giving actors freedom on how to achieve the results, while others caution that a good result-based system requires a lot of data and measurements and could ultimately mean far more, and more complex, administrative burden than an activity-based approach.

A result-based system risks focusing narrowly on a single metric, in the case of the CRCF, making it very carbon centric. With existing tools and methodologies, carbon is the metric that is most easily accounted for, but some wonder why we would count something that you cannot count on? Carbon stored in soils is very vulnerable for reversals, and increasingly so as the effects of the climate crisis become more severe. Their short-term storage of years or a few decades also limits their reliability as a climate change mitigation tool. Other aspects such as climate adaptation, water cycle regulation, or biodiversity that are generally labeled as co-benefits of carbon farming could be equally or more important in this context than carbon, and are at risk of being negatively affected in the case of a sole focus on carbon. A real-world example of this is afforestation with inadequate species to maximize carbon sequestration. Without sufficient safeguards on, for example, biodiversity, this is what will be done because it is the easiest way to get the incentives. Therefore, it is crucial to ensure harmful

practices with a carbon benefit are not considered and that the risk for reversal of the sequestered carbon is managed appropriately in the crediting system, for example with buffers.

Although the logic behind advocating for a result-based system with strong MRV is clear, some see a more honest approach with fewer pitfalls in activity-based finance. It could be used for contribution claim models, and it would fit very well into the framework of the CAP and eco schemes. It would remove the liability risk that a result-based approach poses for land managers and also be simpler in terms of MRV and administrative burden, which is a major concern if smaller farms are to engage in carbon farming. The risk of carbon tunnel vision presented by a result-based system is also mitigated by focusing on activities such as organic agriculture with ecosystem and biodiversity restoration and protection as well as climate change adaptation and mitigation effects. At least some of these activities would also increase the soil carbon content, but we should not overestimate and over rely on that carbon. The complex issues of managing first movers (disadvantage to those who have already started sustainable management practices and thus have less room for improvement), maintaining practices after results have been achieved, regional disparities (maintaining carbon stocks might already be challenging in some soils and climates, with little room for increases) and ensuring additionality that arise under a result-based system are also better dealt with in an activity-based framework. Finally, carbon market MRV and additionality requirements can be very complex and speaking in terms of activities rather than metrics will make it more accessible for farmers and other land managers to engage in different land management practices and be rewarded for carbon storage and other ecosystem services they provide.

That being said, activity-based schemes are not necessarily successful. The Common Agricultural Policy (CAP), the largest policy instrument supporting agriculture, is built on activity-based incentives, and is unfortunately not delivering the results that we need today to achieve our climate goals. Moreover, activity-based schemes can entail significant design costs.

The best way forward possibly lies somewhere in the middle, combining the strengths of different funding sources (public and private) and incentive mechanisms (activity and

result) to achieve policy objectives across different areas: climate, biodiversity, food production, etc. by rewarding not only carbon sequestration, but also other valuable services. Rather than considering them two separate and opposing categories, activity- and result-based systems can be looked at as a spectrum with different degrees of granularity in measurement and monitoring, depending on all influencing factors such as maturity of the practice and the technology, the level of uncertainty, the goal of the policy, or the governance capacity. In the initial phase of rewarding practices for which MRV is not fully developed yet to an operational capacity, an activity-based approach may be the best way forward. As measuring and monitoring becomes better and cheaper, a transition towards a more result-based approach may become possible and desirable. Innovation in MRV systems and remote sensing is happening at a fast pace, but it might still take years before certain metrics, including carbon, can be quantified and monitored with enough certainty and in an accessible manner that can support a result-based reward scheme. A clear signal that a result-based scheme is the desired eventual outcome, will further increase efforts on the development of the required methodologies and accelerate data collection and innovation for the needed supporting technologies. Improved MRV can in turn provide better information on abatement costs and the effectiveness of practices, supporting the efficient allocation of public funds support for practice-based schemes.

Policy mix and considerations

Carbon Removal Certification Framework

Globally, and in the EU, more funding is needed to support climate measures in the land sector, most notably agriculture. The CRCF provides an opportunity to channel private sector funding into changing the agricultural system. Stimulating this investment through a result-based approach that generates units that can be transformed into certificates could be a welcome source of funding complementing the publicly financed activity-based rewards from the CAP. The technical groundwork for this result-based approach to carbon removals in the land sector is currently being laid out through other policy instruments that set the standards and methodologies for data collection and monitoring such as the proposed Soil Monitoring Law and the Forest Monitoring Law.

However, part of the downside to relying on private sector investment, especially in voluntary settings, is that much will depend on the expected financial return. First, Voluntary Carbon Markets (VCMs) are a relatively small market, with volatile and low prices, also influenced by many public scandals and should therefore not be the pillar on which policy is built.

Second, expected return for the private sector will be influenced by avenues through which carbon farming credits can be purchased and the claims that can be made based on them. It is crucial for any claim to be completely transparent, which in this case means that companies would need to state that they invested in removals which does not impact the company's emissions. Since the CRCF in itself does not set the rules for use of the certificates it will generate, the Green Claims Directive, Empowering Consumers towards the Green Transition Directive, and the Corporate Sustainability Reporting Directive are very relevant to the question of whether private sector investment will be able to drive carbon farming practices. Some of these policies, although already referred to in the final CRCF text, are still in the making, and the final rules on claims and reporting are therefore still unknown. Moreover, this unclarity around the use case makes it challenging to determine the right level of requirements and the appropriate methodology for certification that is to be laid out in the CRCF certification methodologies delegated acts.

Third, Result-based finance generating certificates has not worked that well in carbon markets from a climate effectiveness point of view especially when the credits have been based on carbon farming.

Fourth, another question concerning private sector interest will be the choice companies make when presented with certificates from land removals on the one hand, and certificates from industrial removals on the other hand (or costly residual emission reductions!). Land removals will be for sale at a fraction of the price, but the carbon is stored only temporarily in most cases meaning that, if governed and administered in an honest manner, certificates from land removals would be valid for a number of years before expiring and having to be bought again.

Fifth, not only permanence will vary between different removal units, also the "co-benefits" will vary, raising the question of how these would be standardized and how potentially more expensive credits generated by units with co-benefits will fare in a market system.

There are further problems with the governance of the units depending on the use case. There is a risk of units not being managed and kept track of well as well as the problem of demonstrating additionality and of preventing double counting and rewarding. Depending on use case, there may be a need for corresponding adjustments with the LULUCF Regulation as well as the Effort Sharing Regulation to avoid accounting for and/or claiming the same units twice. They might for instance be sold to companies outside of the EU in a commodity trade VCM setting which is project based, while at the same time being counted towards EU frameworks which are geographic in scope. The policy framework for corresponding adjustments is currently missing and is left to be addressed in a future revision of the CRCF, and other international frameworks such as Article 6 of the Paris Agreement.

It remains to be seen whether a balance can be struck that reconciles the robust requirements for safeguarding environmental integrity demanded by environmentalists (which are key to turn the tide on climate change and environmental degradation) with a scheme that can attract private sector investment as proposed by proponents of market-based instruments (which many people agree will be necessary in addition to public funding). The bottom line is that if not carefully designed, carbon farming may

either fail to result in environmental and climate benefits or fail to attract private investment and thus not offer a solution to the lack of funding flowing towards sustainable land management.

CAP

The CAP is the main instrument in European agricultural policy. Different forms of incentives are already present in the CAP. Therefore, any new instrument that aims to provide incentives stimulating change in the agricultural sector, needs to be developed mindful of how it complements or competes with CAP guidelines and incentives. That being said, the CAP is periodically subject to revision, so its incentive structure can be reformed. Most recently, as part of a simplification package, certain derogations on the CAP's Good Agricultural and Environmental Conditions (GAECs) were proposed that could impact carbon farming. Environmentally beneficial practices and safeguards that are abandoned or made voluntary will possibly have an effect on the baseline and on what can be considered additional in the context of carbon farming.

The CAP was established to ensure a fair standard of living for farmers, increase agricultural productivity, and provide access to affordable food. Throughout later reforms of the Policy, recognizing the environmental impacts of agriculture and the broader role of farmers as land managers, incentives and guidelines were included to reduce harmful environmental impacts and increase environmental benefits of farming activities. As EU farming lands further deteriorate and the sector's emissions stagnate, it is clear that the CAP in its past form has not been able to align agricultural practices with environmental and climate needs. Also from a social sustainability angle, the CAP falls short with its disproportionate support to a limited number of, mostly large scale, farms due to the system of area based payments. It is therefore crucial for the sake of the environment, the climate, the diversity of farmers, and ultimately also the original mission of the CAP: food production, that the CAP is reformed to better address these challenges. The CAP consists of public money, and that should be spent on the relevant public goods which are broader than just food production. CAP interventions and incentives such as the Eco schemes should be redesigned in order to support the combination of practices leading to holistic improvement in agricultural practices. Other instruments can be explored and created to complement, but as long as fundamental

issues in the main instrument are not addressed, additional tools will not be able to solve the problem. The CRCF is unlikely to be the instrument that would bring about holistic change by itself due to its rather narrow focus on a single metric that does not consider the wider context of the farm with its in- and outputs, but it could contribute to improvements, for example, by directing CAP funding to more impactful activities.

Technically the CAP could support carbon farming. At the same time, it is and remains an instrument with a large but limited budget. The existing budget can and should be used in more beneficial ways, but expecting the CAP to provide financial incentives for every single desired practice and initiative across a multitude of demands may be unrealistic even after improving CAP schemes and restructuring and limiting the direct payments. Especially considering the additional pressures that the EU might be facing in the future, additional sources of funding may be required.

Agri ETS

In line with a recommendation to apply the polluter pays principle in agriculture and a shift to a food systems approach that looks at the entire food environment and supply chain rather than just the on-farm activities, the EU Commission has started discussions around the establishment of an Emissions Trading System for agriculture (Agri ETS). This means that funding for carbon farming could come from input providers such as fertilizer companies, or downstream actors such as food processors and retailers buying credits generated by emission removals and reductions in agriculture.

There are a few important notes to make on the generation and sale of credits and the food systems approach. First, the scope of carbon farming in the CRCF has passed beyond carbon removals by including also emission reductions from fertilizer application and potentially from livestock after the next revision. It is key that carbon removals and emission reductions are treated separately to ensure the former does not replace or delay the latter. This might prove to be a challenge if CRCF units are certified and traded in a voluntary or compliance system, where companies potentially could buy removal credits to offset (or “inset”) their emissions. This is a risk that can be mitigated in the design of an Agri ETS, by not including payments for removals in the ETS. Second, the application of a food systems perspective to agriculture is a positive development, however, it entails that policy looks past production and also pays attention to the

consumption side. In a broader reform of agricultural systems towards more sustainable land management practices, policy should enable market demand to change, supported by a dietary shift. Here, public procurement can be an important lever to drive change through consumption.

Equity: small farmers and access to land

If carbon farming initiatives are to be aimed at maximizing carbon storage in soils and biomass, it could make sense to target the actors with larger land areas. Out of the 6 million CAP beneficiaries, 5% control 50% of the agricultural area. This approach, aiming for scale, does however raise a question around equity: can carbon farming incentives be equitable or are they likely to exacerbate the unequal access to financial support already present in the CAP? Another view is that with the CAP already favoring large scale farms, other instruments should focus on supporting small farms. Will administrative and MRV efforts and costs make carbon farming financially viable and interesting to smaller farms for which sequestration potential is limited by land area? One approach may be to enhance collaboration among farmers and with other land managers to reduce administrative burden through cooperatives, which is already being done under some carbon standards, but more likely different business models will be needed for small farms. State aid at the Member State level may be another avenue to support small farms while linking it to environmental objectives in a similar fashion to Payments for Ecosystem Services (PES). Different from PES with result-based payments, the rural development measures under state aid are paid on a per hectare basis. The guidelines for these measures already state that small and medium enterprises should be prioritized for this type of aid. Large farms are in general better placed to cope with economic downturns and stay in business without the need for additional support.

Another social risk from an equity standpoint is the question of what the monetizing of soil carbon will do to land prices, and as a result, land accessibility.

Governance and liability

Much of the agricultural land in the EU is rented which makes entering into longer-term contracts with farmers complicated. From a continuity and liability point of view, this raises additional questions to be answered when designing a framework. Liability in general is a challenge, and holding landowners or managers accountable for reversals decades after the removal may be politically infeasible.

Stakeholder acceptance

Policymakers cannot create successful policy in a vacuum. If certain stakeholders, such as farmers, are requested to implement specific practices, it is important that the relevance of those practices is clear to everyone involved, and that a certain level of trust around the practices is established. If not, they will be perceived as burdensome and met with a lot of resistance.

Any policy needs to include or be accompanied by implementation advice and capacity building for the involved stakeholders. If the desired outcome is achieved through a combination of practices such as crop rotations, cover crops, and tillage management, then interventions in all Member States should provide farmers with the information they need to be able to implement.

Conclusion

The CRCF is an attempt at creating an enabling framework for carbon farming that can deliver on environmental objectives as well as create an attractive business model to pull private sector funds into the land sectors in the hope to enable a transition. Permanence, environmental integrity, liability, additionality, and economic viability are all considerations in the framework, but as this Focus Group has discussed, it is unlikely for the CRCF to satisfy all these aspects without using the synergies with other policy instruments. As a result, while everyone agrees that action is needed, many questions remain to be addressed in the efforts to establish a policy environment that is not only conducive to carbon farming, but also addresses challenges across environment, climate, and society in a holistic manner. The questions range from prioritization of policies to create or amend, to the design of frameworks that will succeed in bringing about the needed holistic environmental and social change in the land sectors that makes them resilient and is not limited to a single practice impacting a single metric, and the role of private sector investment complementing public funding to enable that transition. The coming EU elections as well as other challenges the EU is facing may have implications for the public funding of climate action in the land sector and shift the dynamics on these issues, possibly requiring a stronger and more proactive role from civil society organizations and the private sector.

4. Summary of recommendations

1. The Carbon Removal Certification Framework, the EU's new policy for regulating and incentivizing carbon farming, is one of many elements in the carbon farming policy mix. It will need to be integrated well with other policies in order to ensure the integrity and effect of the intended climate and environmental outcomes. This includes building on the monitoring methodologies set out in the Forest and Soil Monitoring Laws, preventing misleading claims through the Green Claims and Empowering Consumers Directives, and ensuring the EU's climate architecture leaves no possibility of double counting (including double claiming) of climate impact in- and outside of the EU.
2. Integrity when it comes to climate and environment means that an instrument should not allow for permanent emissions to be compensated with temporary and vulnerable removals or for emission reduction and removal activities with negative consequences for ecosystems. Furthermore, removals of all kinds should be complementary to and not a substitute for emission reductions. These principles should be safeguarded with care, especially in the case of building carbon farming incentives through market-based mechanisms, such as Voluntary Carbon Markets or Emissions Trading Schemes where emission mitigation deterrence is a risk. Especially as reducing residual emissions will likely become increasingly expensive over time, offsetting through removals will become attractive.
3. There is a need for a guiding long-term vision for system change in the land sector to reduce its current negative impacts and ensure it becomes resilient for the future. This change cannot be limited to the implementation of individual practices and technologies that narrowly focus on a single metric.
4. The Common Agricultural Policy budget is not unlimited and is expected to deliver on multiple important objectives. As such, additional sources of funding for a sustainable transition in the agriculture sector are to be explored. Nevertheless, there is room for improvement in the way current CAP budgets are used to provide climate and environmental benefits. The development of new

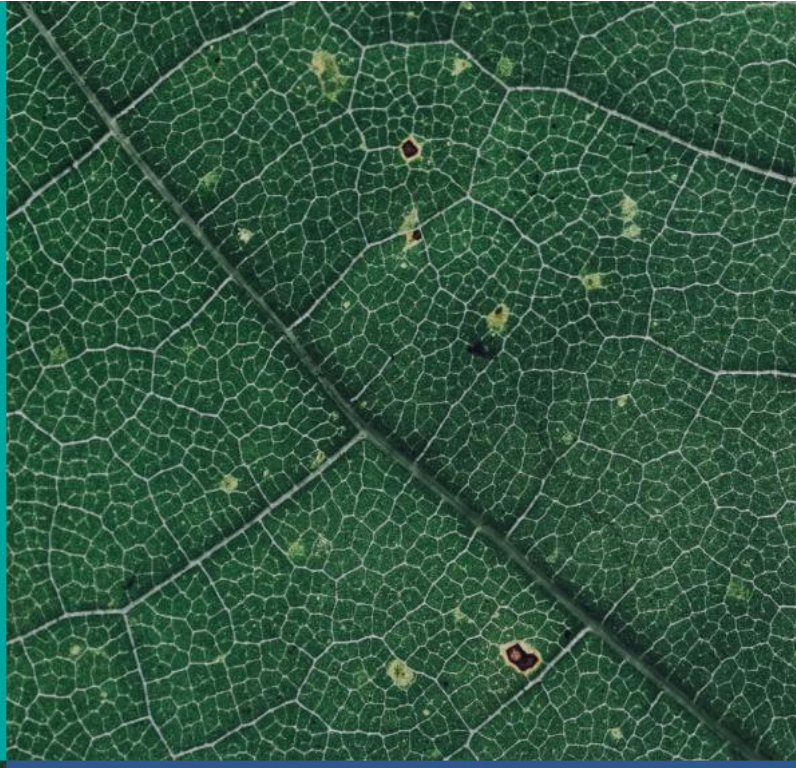
instruments should not distract from needed reforms away from harmful subsidies and unlocking the full potential of existing public funds.

5. MRV technology is developing fast and may be able to fully support result-based schemes in the future. Policy must integrate these developments, but as long as the technology and methodology do not guarantee high precision and robustness, there should be caution not to over rely on methods with large uncertainties as a basis for financial incentives. Uncertainty, to some extent inherent to the land sector, will need to be factored in and addressed appropriately.
6. A hybrid activity-result approach may be able to harness the strengths and avoid the pitfalls of both individual setups, allowing for rewards based on climate and environmental integrity to incentivize quality implementation of practices.
7. Increased clarity around the use case of carbon farming units is necessary in order to establish adequate methodologies and requirements, as well as to enable investments and to ensure the intended climate effect is obtained.
8. Co-development of frameworks with stakeholders is the best way to ensure adoption and success rates. Deployment needs to be accompanied by adequate technical support.

Annex: Table overview of comparison activity- and result-based system

Result-based Carbon Farming		**Activity-based Carbon Farming**	
+	**-**	**+**	**-**
Administration and cost			
A carbon target with clear indicators is set for all actors: farmers, supply chain, input providers, etc. to work towards. Entrepreneurs can create new business models to achieve the objectives most efficiently.	Measurement and data requirements are not likely to result in reduced administrative burden. Operation costs are very high at this stage.	Potentially lower administrative burden.	Often entails high design costs.
Climate effect and environmental benefits			
	Risk of temporary removal units being used for offsetting permanent emissions.		The same practice does not necessarily have the same impact everywhere.
	Risk of single-metric focus: carbon tunnel vision and labelling equally important aspects as co-benefits and failing to safeguard them.	Activities focusing on ecosystem and biodiversity restoration and protection, resulting in a range of positive effects, possibly including enhanced soil carbon sequestration.	Risk of incentivizing practices with lower or unproven climate mitigation effect.
	Risk of counting on vulnerable carbon stocks as a climate change mitigation tool.	No overreliance on vulnerable carbon stocks.	
Governance			
	Risk of units not being managed and kept track of well, especially if sold outside of the EU.		

Complement activity-based incentives from the CAP.			Activity-based incentives in CAP are not demonstrating sufficient results to achieve climate goals.
	Risk of double counting without corresponding adjustments with the LULUCF Regulation as well as the Effort Sharing Regulation.		
	Low prices and volatility of Voluntary Carbon Markets.		
	Significant liability risk for land managers in case of reversals that needs to be addressed.	No liability risk.	
Support early movers with a standardized baseline for removals.	Difficulty setting accurate baselines and demonstrating additionality.	Common language with farmers who are used to talking in terms of activities.	
MRV			
MRV, when balanced between being robust and operational, can deal with uncertainty without being overly costly.	Unclear whether current MRV capacity is able to measure and monitor with high credibility, quality, and transparency.	Less advanced MRV required, making schemes more accessible to small farmers.	
MRV allows a more efficient allocation of public subsidies.			
Synergies with other policies: Soil Monitoring Law and Forest Monitoring Law will provide a basis for robust monitoring.			



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