



Approved by MTK's Board of Directors on September 22, 2021

MTK position paper: Fit for 55% climate legislation package

The Commission published the **Fit for 55% Climate Package** 14 July 2021, aiming for a climate-neutral Europe in 2050, which requires a reduction in EU net greenhouse gas emissions of 55% from 1990 levels by 2030¹. In his opening remarks, Commissioner Timmermans emphasized that the **Fit for 55 package must be fair, within the EU and between the Member States**. MTK adheres to this line and presents clarifications regarding

- 1) effort sharing and agricultural gases (**Effort Sharing Regulation ESR**);
- 2) the land use sector, i.e. forest carbon sinks and agricultural CO2 emissions, as well as land use change (**Land Use Change and Forestry LULUCF**); and
- 3) the **Renewable Energy Directive (RED)**.

In addition, this MTK position paper takes a position on

- 4) **Carbon Farming Initiative (CFI)** and
- 5) **Carbon Border Adjustment CBAM**.

MTK is committed to the goals of the Paris Climate Agreement. EU climate policy can only be brought into line with the Paris Climate Agreement if each Member State fulfils its responsibilities. This means that no Member State will have its emissions credited to the other Member States, in another words Each Member state needs to fulfill no-debit-rule on its own. This must be the basic principle in the further negotiations in the Fit for 55% package, in which the Finnish state has one of the strictest targets set by the EU in both LULUCF and ESR policies. Finnish agricultural producers and forest owners will play their fair share of the EU's common climate policy at the proposed target levels by contributing to Finland's targets, and no further tightening should be imposed on Finland.

- MTK emphasizes that to be fair to landowners, the Member States and nature, the implementation of the **Fit for 55% package must be based on 1) scientific criteria and 2) national calculations of emissions and removals** (carbon sequestration). Effort sharing should not be based on GDP / capita but the cost-effectiveness of emission reductions.
- MTK reminds that climate measures must be predictable and long-term. In addition to the proposed calculation of the land use sector, the **focus of the policy must clearly be on reducing fossil emissions**. The role of sinks must be balanced, and the importance of active forest management must be seen as a solution.

¹ [Press release of the European Commission of 14 July 2021. European Green Deal: Commission proposes Transformation of EU economy and society to meet climate ambitions.](#)

- **MTK is not in favour of exceeding the common annual sink of 310 Mt CO₂ eq** as an overall ambition in the LULUCF sector at the end of the timeline. This is because the target should be realistic, and the emission-producing sectors should invest in reducing emissions.
- **MTK is open to considering the inclusion of agricultural greenhouse gases** (methane and nitrous oxide), currently calculated in the effort sharing, **in the same pillar as other land-use gases (CO₂), if done nationally and on a gross-net basis**. This would create an **AFOLU** (Agriculture, Forestry and Other Land Use) pillar covering all gases in the entire land use sector.

1) Effort Sharing Regulation ESR

The proposal for the effort sharing regulation aims to reduce emissions from buildings, transport, agriculture, waste management and small-scale industry by 40% by 2030 compared to 2005. The Commission continues to propose an effort sharing criterion of GDP / capita, which puts Finland on the top of the emission reduction targets among the EU member states.

- Finland will be required to do 50% emission reductions by 2030 in GDP / capita, instead of the previous 39%. Regardless of the small total emissions in Finland, we will have the strictest targets set in the EU climate policy framework. MTK emphasizes that this is unfair: **Climate policy contributions should be targeted where they achieve the greatest emission reductions in relation to the money spent.**
- MTK recalls that **agriculture is under unreasonable pressure to reduce emissions** in the declining effort sharing sector, as the ETS expands to transport and buildings. The starting point is also unfair due to the lack of data: for example, **there is a great deal of uncertainty in the assessment of nitrous oxide emissions from agriculture**, which research is currently seeking to clarify.

The Commission proposes to move to AFOLU after 2030.

- In the AFOLU pillar, it is essential that **the calculation and reporting procedures are carried out using the national gross-net method** and that **no common targets are set for the EU**. MTK wants to avoid in any way a situation in which a political decision would reduce the significant sink created by the Finnish forest owners' forestry activities, for the benefit of another European emitting industry, even without compensation. In another words – each member state need's to fulfill no-debit-rule on its own.
- When the calculation is national, **AFOLU provides a good opportunity to verify agricultural climate work**, because in this case, in addition to agricultural gases, carbon dioxide and also its sequestration are included in the calculation (cf. carbon farming). MTK recalls **the importance of national research to close the large data gap on the soil cultivation effects** under different climatic and soil conditions within 10 years.

- It is essential to allow flexibility in the legislation so that **the (net) carbon sequestration of agriculture in the soil**, verified by scientific criteria before the AFOLU, **can be taken into account in agricultural climate action**. This is essential for the success of carbon farming and carbon certification initiatives and for the verification, stimulation and development of climate-friendly farming practices.

2) Land use sector LULUCF

The Commission proposes to abandon the previously used reference level method and to introduce newer reported figures and clarify the calculation for natural carbon sequestration and emissions.

- The proposal supports EU climate policy to reach the targets of the Paris Climate Agreement, in which emissions and sinks can be balanced by 2050.
- MTK emphasizes that **if Finland achieves carbon neutrality by 2035**, i.e. emissions and removals are in balance, **Finland has fulfilled its obligation under the Paris Agreement**, 15 years ahead of schedule. MTK sees that in this case, after 2035, additional actions can be taken on market terms, and **no additional obligations should be imposed**.
- The calculation needs to be extended so that climate policy provides **a stronger incentive to use wood products**. The revised Harvested Wood Products (HWP) article of the LULUCF Regulation makes it possible to take better account of climate-friendly measures. In this regard gross-compliance with Restoring sustainable carbon cycles initiative must be guaranteed.

3) Renewable Energy Directive RED

The Commission proposal is quite anti-biofuel, although the EU does not have any realistic chance of achieving the existing renewable energy targets without increasing bioenergy. Technology neutrality is barely mentioned in the proposal. The proposal contains a large amount of details that will open up the various parts of the Renewable Energy Directive, which is still in the implementation phase. For example, concerning the various sustainability criteria for biofuels, the proposal contains vague openings. Impact assessments of the proposal, both in terms of the effectiveness of existing regulatory instruments and the benefits sought by the initiative, are either limited or non-existent.

- MTK recalls that the RED directive must allow the Member States to consider different solutions and that the legislation must respect the principle that **a Member State may continue to choose its energy sources**.
- The most significant risks of the proposal to landowners are included in **the possible expansion of the NO-GO areas** of the sustainability criteria beyond the previous legislation. MTK sees a

potential risk that the utilization of biomass produced on organic soils can be considered unsustainable. This would hamper, among other things, the utilization of grasses grown on peat for local biogas production with manure, or normal wood production from peatlands. This must be prevented. Failing to secure sustainable biogas production from biomasses from peatlands and manure would limit one of the key methods to cut methane emissions of Finnish agriculture.

- MTK reminds **that felling is not done only for energy wood, but for forest management reasons and to grow high-quality wood** for industrial processing. EU should not take cascading use of wood into legislation. Local wood markets value the most valuable use of different wood parts in each sale 365 days/year and by respecting subsidiarity principle.

4) Carbon Farming Initiative CFI

According to the Commission, carbon farming refers to agricultural activities at the farm level, including both soil and livestock, to manage carbon stocks, streams and greenhouse gases, with the aim of mitigating climate change². Carbon farming is intended to increase carbon sequestration and reduce emissions. [MTK's and SLC's soil program](#) states that all cultivation activities that aim to increase the soil's carbon content or reduce the loss of soil carbon must be seen as carbon farming.

- MTK emphasizes that, in addition to non-food cultivation measures, such as the restoration of peatlands, **the cultivation methods that safeguard food production should be included and should be equally developed.**
- Carbon farming activities are often differentiated from food production activities and the production of good quality yield. MTK sees that **carbon farming should include the management of productive land in food production in general**, and not limit the concept to re-wetting of organic soils, paludiculture, or non-cultivation of organic soils or converting them to set-aside carbon grass, which can act at their best as part of the crop rotation to improve field productivity or carbon sequestration.
- MTK recalls that before the new legislation on carbon farming, **research must ensure the carbon sequestration potential of fields and update soil emission factors** that do not yet take sufficiently into account the different soil treatments in cultivation (tillage, vegetation cover) or yield levels in different soil types.

² [European Commission 2021. Technical Guidance Handbook. Setting up and implementing result-based carbon farming mechanisms in the EU.](#)

- Emissions of **agricultural gases** (methane and nitrous oxide) in the effort sharing sector **and CO2 emissions and sequestration** in the land use sector **must be taken into account in the guidance of the carbon farming measures.**

5) Carbon border adjustment mechanism CBAM

Carbon border adjustment mechanisms or tariffs are customs duties levied on an imported product when it enters the customs territory, with the aim of preventing carbon leakage or putting pressure on other countries to engage in emissions trading or other climate action. The concept of carbon leakage describes a situation in which, due to a tight climate policy, investments in heavy industry are typically relocated in a country with a looser climate policy. To prevent carbon leakage, the Commission proposed carbon duties on imports of steel, aluminium, cement, electricity and fertilizer nitrogen. From the outset, the von der Leyen Commission has considered carbon tariffs to be an integral part of implementing the Green Deal policy.

- MTK sees that the existing knowledge base does not make it possible at this stage to determine the climate impact of products, including agricultural products ([Climate Roadmap for Agriculture](#), [English abstract, pg. 107-110]) and many other sectors.
- Applying carbon and anti-dumping duties to the same products will create more uncertainty about WTO eligibility and weaken the competitiveness of EU agriculture by raising the production costs of EU farmers.
- Deforestation labeling is a more effective way of informing consumers about the climate impact of production.

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