Policy considerations: Market-based instruments and the agri-food value chain

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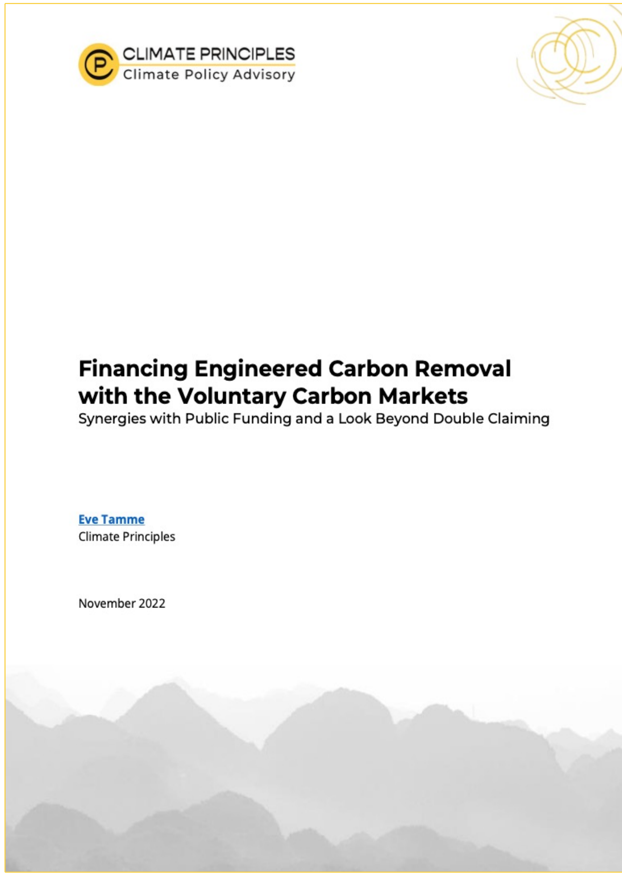
Who am I?

Eve Tamme

- 20+ years of experience in **climate policy**, 15 years as a policymaker
- Managing Director of Climate Principles — climate policy advisory with a focus on **carbon markets, carbon removal and carbon capture**
- Chair of Zero Emissions Platform
- Board of Directors at Puro.earth
- Board of Advisors at Carbon Gap
- Member of the European Commissions Expert Group on Carbon Removals (inindividual capacity)
- Writing, speaking and media engagements + climate policy blog at evetamme.com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Financing Engineered Carbon Removal with the Voluntary Carbon Markets
Synergies with Public Funding and a Look Beyond Double Claiming

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Climate Principles

November 2022

Disclaimer

Agenda

- **Emissions trading systems** and removal incentives
- Using **CRCF** to incentivise carbon farming
    - What still needs to be clarified?
    - How can it promote and foster carbon farming?

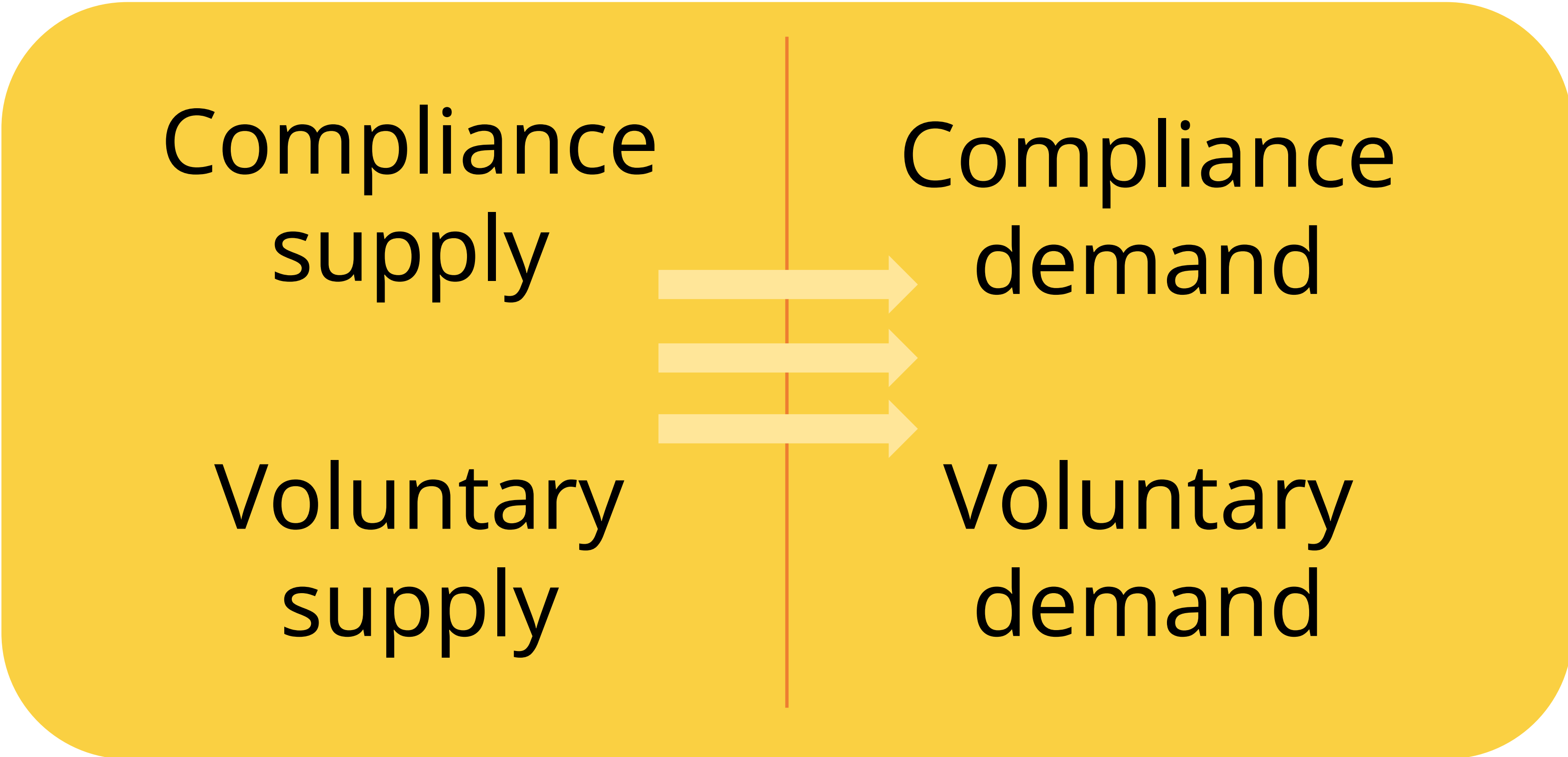
Emissions Trading Systems and Removals

Agrifood ETS and removals

SCOPE Which CDR methods?	**QUANTITY** Any limits?
TIMING From when? A phased approach?	**ACCESS** By which entities? At which level?
MARKET DESIGN As credits or activities? Link, indirect link, no link? Cap setting.	**GOVERNANCE** Intermediaries? CCB/Carbon Clearing House?

Guiding principles: delivering on climate targets with environmental integrity. Removals cannot substitute reductions beyond a set level.

Carbon Markets development



CRCF – challenges and opportunities

Carbon credits are not carbon allowances

Unit type	What does it mean?	Where is it used?	Climate impact
Carbon Credit	1 carbon credit = 1 tonne of CO_2e reduced or removed	Mostly voluntary market + Article 6 compliance market under the Paris Agreement	Represents 100% of emission reduction or carbon removal from the activity.
Allowance	1 allowance = the right to emit 1 tonne of CO_2e	Emissions trading systems (compliance markets)	Contributes to a single-digit per cent of emission reductions per year by a trading system like the EU ETS

Source: What's next for carbon markets? Eve Tamme, 2022

Use cases under the CRCF (1)

- Removals with different durability
- Removals vs reductions
- Use cases not in the regulation → not to be elaborated in the secondary legislation?
- Crucial for the credibility of the whole framework

Use cases under the CRCF (2)

- **PUBLIC FUNDING** – CAP, State aid, IF
- **PRIVATE FUNDING** – food companies rewarding farmers for removals
- **LABELS FOR SUSTAINABLE BUILDING MATERIALS**
- **IMPACT FINANCE** – new opportunities for removal tech and long-duration CO2 storage in products
- **VOLUNTARY CARBON MARKET**

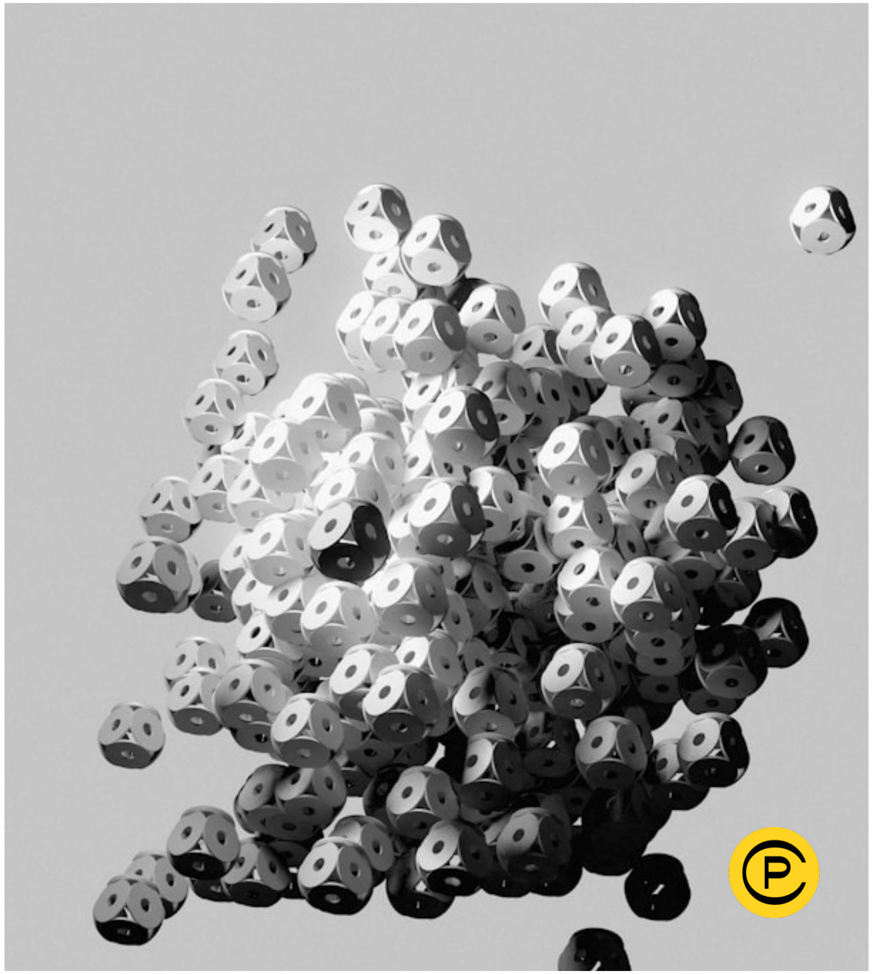
→ Will non-market use cases appear?

Accounting for emissions/removals

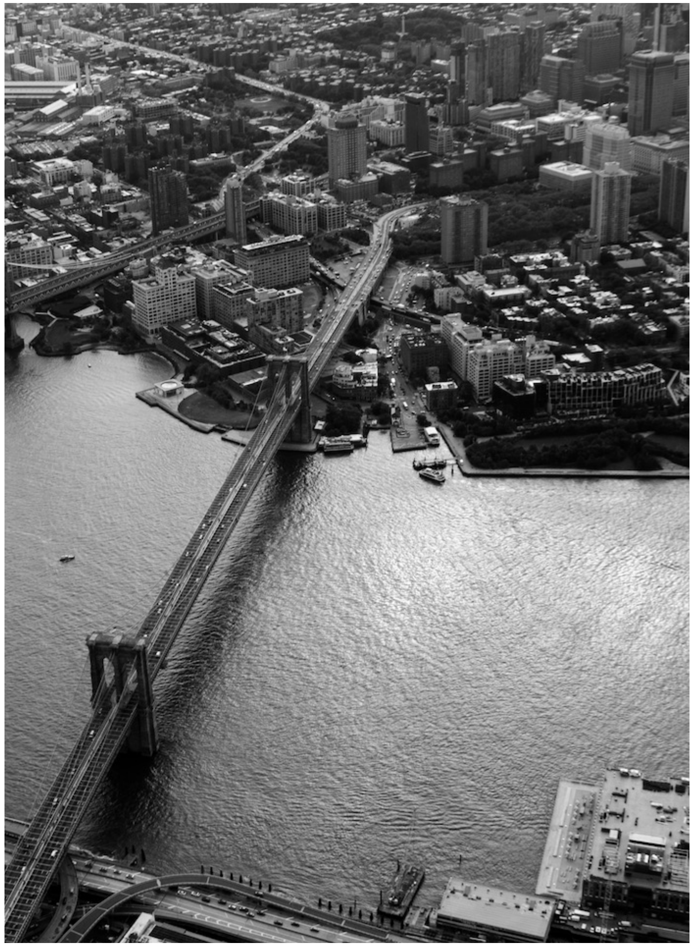
- Country level accounting – used to track the achievement of climate targets
- Corporate level accounting

The same emissions /emission reductions /removals are reported in numerous accounting systems, but they only exist once.

→ Nesting removals associated with carbon credits/certificates in the national GHG inventories



Certificates and climate targets



- All removals and reductions under the CRCF **must contribute to achieving the EU's NDC and its climate objectives** (the EU's objective of climate neutrality by 2050 stipulated in the Climate Law).
  - Requires "**nesting**" of CRCF activities within the national GHG inventories. The challenge:
    - Conventional CDR – the IPCC guidelines are often implemented on a too general level to allow this
    - Novel CDR – lack of guidelines, and outside the NDC scope

- "*the CRCF certificate of compliance will contain relevant information for EU and national GHG accounting*" – how?

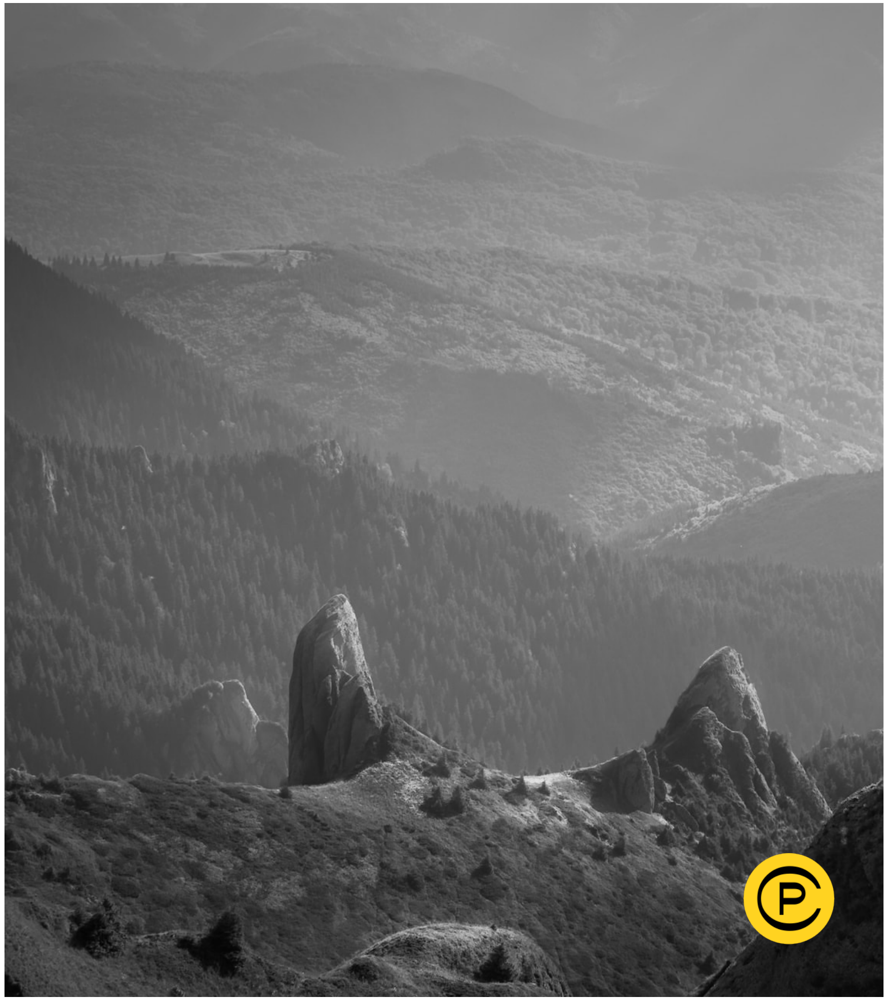
- These questions are relevant for 2030, 2040 and also 2050 target.

Making it work for carbon farming

- A supply chain programme built on GHG inventory/footprint based 2030, 2040 and 2050 targets: reporting emissions and removals consistently and credibly through the whole value chain, including finance for the same Land Manager activity.
- CRCF methodologies to be designed for 2 purposes: (1) inventory/footprint and (2) carbon crediting. Additionality and permanence only relevant for the 2^{nd}.
- The CRC-F certificate can reflect both results if the methodology and unit types are clearly separated based on the use cases. For carbon crediting, the units could be called Carbon Crediting Units, whilst, for the inventory/footprint-based approach, these could be called Reporting Units (Removal Reporting Units and Soil Carbon Reduction Units based on the current scope of the CRC-F). Reporting Units could also become the basis of the MRV under the new potential agriculture ETS.
- + demand from setting targets on non-SME actors
- + nesting private emissions and removals in national GHG inventory
- Further reading: **Eve Tamme & Asger Olesen "Supercharging Carbon Removal from the EU's Land Sector"**

Future outlook

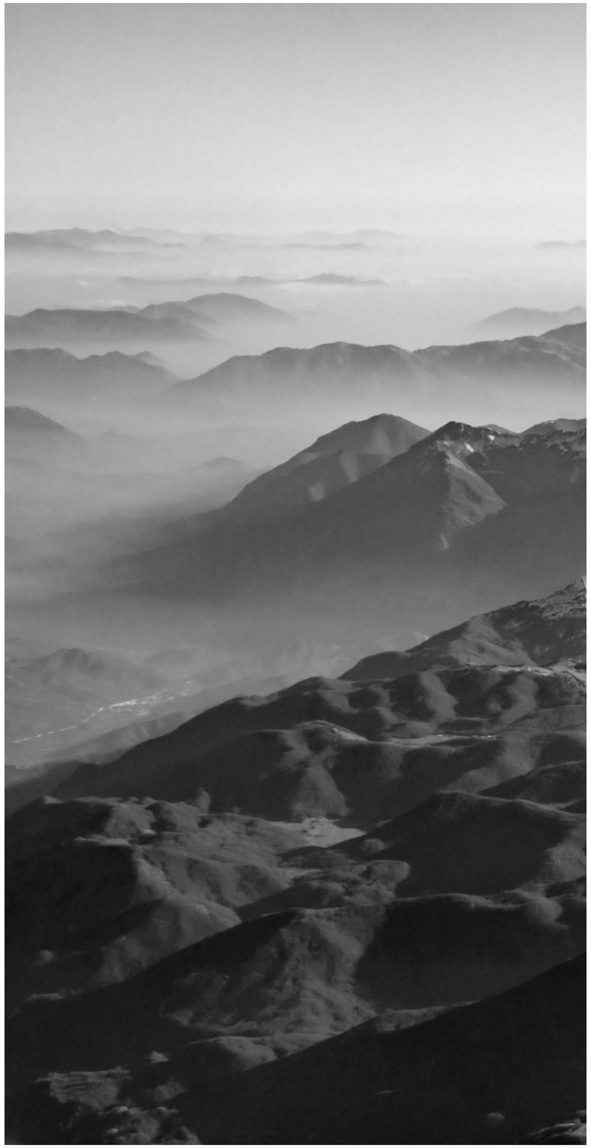
- The big picture – current CRCF is a step between now and post-2030
- 2026/2027 – operationalisation + first review
- **Phase I** 2026/2027 – 2030
    - How much will it be used? Will the EU standard become sought after?
    - Impact from developments in VCM, NDC updates, EU ETS review, LULUCF review, national inventory improvements
- **Phase II** From 2031 onwards
    - Will some activities stay in the EU's internal VCM and others become part of compliance scheme?



Conclusion

Food for Thought

- The guiding principle of policy design should be where we need to go, and what kind of policy tools get us there.
- Emissions trading is tried and trusted. Cap-setting is key.
- CRCF can play a role either as a voluntary tool or as part of a compliance scheme. Needs to be:
    - Updated with further details, and
    - Adjusted to work better for carbon farming. A carbon crediting approach with traditional carbon market additionality rules is unlikely to create the necessary impact.



Thank you

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