Position paper

February 2025

EDA Position on a possible EU framework for incentivizing climate change mitigation across the agri-food value chain

The paper highlights the position and reflection of EDA based on the current policy options and exploratory work undertaken by the EU Commission DG CLIMA on "Incentives for Climate Change Mitigation across the Agri-food Value Chain", as of February 2025. As discussions also within the EU Commission evolve, the position outlined in this paper might change – please refer to newer versions of the position paper if this is the case.

EDA supports a common European framework for achieving emission reduction in the agricultural sector.

However, the current policy option explored by the EU Commission aimed at establishing an obligation for dairy processors to pay for their GHG emissions at farm-level (Agrifood ETS) could potentially have severe adverse impacts on dairy operations.

Therefore, we call upon the EU Commission to continue exploring different policy options that do not negatively impact the economic viability of dairy operations.

- The Commission should work on overall climate change mitigation and food strategy for the European agricultural sector using a **holistic approach**, in line with the EU climate targets.
- The policy options seen today for an obligatory emission trading scheme for dairy processors could **negatively affect the economic viability of the EU dairy sector.**
- **Different policy options should continue to be explored** for a holistic approach to GHG reduction in agriculture.

Risks and challenges of an ETS for agricultural emissions

The European Dairy Association acknowledges the work undertaken by the EU Commission DG CLIMA aimed at exploring policy options for incentivizing climate change mitigation across the agri-food value chain. While the European dairy sector is committed to reducing its environmental footprint along the chain, we underline that the possible introduction of an obligatory Emissions Trading Scheme in agriculture (Agrifood ETS) **could have major adverse impacts on the European agri-food sector.** Those potential adverse impacts need to be assessed to better evaluate the consequences on the economic sustainability of farming and processing activities in Europe.

A possible obligation for food processors to pay for the greenhouse gases (GHG) emissions stemming from the farm level**,** in a time where the EU strives for an increased strategic autonomy also in food production, carries some potential major risks**,** such as:

- **Additional economic burden** for producers and **reduced competitiveness**;
- **Reduction of the environmental benefits of livestock farming**, resulting from a reduction of livestock numbers in Europe;
- **Carbon leakage effect**, leading to a net increase of GHG emissions from agricultural operations worldwide.

In addition, there are a certain number of challenges and gaps associated with this policy option:

- One single initiative cannot be applicable to the **huge diversity of farming practices in Europe**. This is especially true for the European dairy sector, that has a high level of diversity in farm management systems within Member States and regions.
- As discussed already with the competent services of the EU Commission, there are huge **challenges in having a reliable MRV** (monitoring, reporting and verification) of emissions at farm level. The scenario study from the EU Commission does clearly show that there is **no science-based harmonized methodology for such measurements in sight**.
- There is currently **no impact assessment evaluating the social, economic and environmental impacts** of an Agricultural ETS. This element is however crucial before any decisions can be made.

The way forward

The Commission should continue exploring other EU approaches to encourage climate change mitigation across value chains. One example is **carbon removal certifications**, which could serve as a foundation for a voluntary carbon market in agriculture. This approach would offer positive incentives without adding additional economic burdens on operators.

However, it's important to address potential challenges of such framework, such as entities from other sectors purchasing credits generated by the agri-food chain for offsetting purposes. Measures should ensure that double counting is avoided and that agri-food operators can include these GHG reductions, that took place in the agri-food chain, in their Scope 3 emissions reporting.

EDA asks the Commission to further evaluate the implications of all policy options and to provide more clarity on its methodologies. We also call for a more detailed and comprehensive economic assessment from the Commission. Gaining a deeper understanding of these potential impacts would help the industry better recognize risks and opportunities for the sector.