Ibec
For Irish Business

84/86 Lower Baggot Street
Dublin 2
Ireland

tel: + 353 1 605 1500
email: info@ibec.ie
web: www.ibec.ie

Climate Change and Bioenergy Policy Division
Department of Agriculture, Food and the Marine
Old Abbeyleix Road
Portlaoise
Co. Laois

Email: climatechange@agriculture.gov.ie

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Re: Public Consultation discussion document on the potential for Greenhouse Gas (GHG) mitigation within the Agriculture and Forestry Sector

Ibec welcomes the opportunity to comment on the discussion document. The Ibec Climate Change working group reports to the Energy Policy Committee, and includes a cross-section of companies spanning a number of sectors, including energy generation, energy supply, food and drink, pharmaceuticals and building materials. A number of members are covered by the Emissions Trading Scheme. Below please find a number of comments.

2020

The Effort Sharing Decision (ESD) for the 2020 climate and energy package differentiates emission reduction targets per Member State based on GDP per capita. Member states with higher levels of income were assigned higher targets, while lower income member states were assigned lower targets while ensuring the overall EU target can still be reached. As a result, Ireland received a target of-20% for 2020, which will prove extremely costly given the structure of Irish emissions. In order to ensure the most cost-effective and economically efficient realisation of non-ETS GHG targets, the Government should consider the optimal rather than minimal purchasing of statistical transfers from other member states. The European Commission in its "*Analysis of options beyond 20% GHG emission reductions: Member State results*" (SWD 2012/5 final) said that member states that underachieve their targets are assumed to acquire excess emission allocations from member states that overachieve their target. Therefore, the targets were never intended to be met by domestic reduction measures alone.

2030 climate and energy framework

The 2030 framework confirms that GDP/capita methodology is retained, and member states with a GDP per capita above the EU average "will be relatively adjusted to reflect cost-effectiveness in a fair and balanced manner", providing comfort provided for member states with above average levels of GDP such as Ireland.

It has not yet been decided how this work in practice. As noted above, the option of using existing flexibility instruments within the non-ETS sector remain (i.e.

purchasing compliance off other member states). The transfer of emissions between member states allows cost-effective emission reductions, whereby one Member State will less ability to finance investments upfront, sells non-ETS emission allowances to other member states looking to purchase compliance. While the possibility to trade non-ETS emission allowances exists in the ESD, it has been rarely used and therefore the price for trading allowances is difficult to determine. The purchase of surplus allowances from other member states is necessary for Ireland. It is therefore important to strengthen this mechanism.

The 2030 framework provides the option to investigate offsetting agricultural emissions through afforestation as soon as technical conditions allow. The European Commission is invited to "examine the best means of encouraging the sustainable intensification of food production, while optimising the sector's contribution to greenhouse gas mitigation and sequestration, including through afforestation". The European Commission is in the middle of preparing an Impact Assessment for Land-Use, Land-Use Change and Forestry) LULUCF and agriculture. This is set to be complete 2016 but there is still no decision on how to treat LULUCF and agriculture.

The European Commission's Impact Assessment (SWD (2014) 15 final) on the 2030 framework provided three possible options:

I. Status-Quo: Maintain non-CO2 agriculture emissions in a potential future Effort Sharing Decision, and further develop a LULUCF sector policy approach separately.
II. Effort Sharing: Include the LULUCF sector into a potential future Effort Sharing Decision.
III. Land Sector Pillar: Merging the LULUCF sector and Agriculture non-CO2 sector emissions into one new and independent pillar of the EU's climate policy.

With the discussion document in mind, members of the working group would welcome further information on the economic impact of each of these scenarios.

Abatement and funding

The discussion document references research undertaken by the National Economic and Social Council and Teagasc. Even with best practice in the period to 2020, agricultural emissions are expected flat line at best. Mitigation efforts in other sectors are partly dependent upon regulation at an EU level, for example transport reductions linked to vehicle emission standards (controlled by EU) and take up of electric vehicles. As noted in the discussion document, biofuels are limited by EU regulation and recent proposals to address the potential impact of Indirect Land Use Change (ILUC), caused by certain categories of biofuel, will make the achievement of the renewable transport target more challenging.

With this in mind and the role of the non-ETS sectors in meeting their obligations, proposals on the following is required:

- who will fund the abatement, and
- who will pay for what we are not able to abate cost-effectively in the non-ETS sectors.

Please contact me should you have any questions.

Yours sincerely,

Catherine Joyce-O'Caollai

Catherine Joyce-O'Caollai
Senior Energy Policy Executive