



Carbon Pricing in Agriculture and Food Systems - a great opportunity or a complex distraction?

Thomas Lingard, Global Head of Sustainability Unilever

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Jerome Remmers, director TAPP Coalition, founder Carbon Pricing Food Coalition

COP28 side event Food4Climate Pavillion

2nd December 2023

Programme 15.15-16 h

1. **Powerpoint Presentation Jeroom Remmers, TAPP Coalition**
2. **Reaction by Thomas Lingard, Unilever**
3. **Reaction by Dieuwertje Wallaart, JKB**

1. **Panel discussion**
2. **Questions / input from the audience**



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The True Animal Protein Price Coalition



UNFCCC



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What do we know about carbon pricing agri-food?

1. The Case of the European Union: Agri-Food ETS system
2. The Case of Denmark
3. The Case of the Netherlands

1. Conclusion



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Towards an EU Agri-Food ETS

Directorate-General for Climate Action (DG Clima)

Report 13th November : Pricing Agricultural Emissions and Rewarding Climate Action in the Agri-food Value Chain.

https://climate.ec.europa.eu/news-your-voice/news/looking-how-mitigate-emissions-agriculture-2023-11-13_en

13.2% of EU27 Emissions, excluding Fuel Usage

Stronger Incentives Needed: Emission Trading System (ETS)

Objectives:

- Minimise burden of implementation
- Implement reliable and cost-effective MRV
- Provide safeguards against Carbon Leakage
- Provide financial incentives to support change and innovation.
- Make ETS inclusive and fair.



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5 options for Agri-ETS Implementation

- On-Farm ETS for all GHGs
- On-Farm ETS for Livestock Emissions
- On-Farm ETS for Peatlands
- Upstream ETS for Enteric Fermentation, Nitrous Oxide Emissions, and Urea. : fertilizer and feed companies
- Downstream ETS for Enteric Fermentation, and Manure Management: dairy factories / slaughterhouses



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DG Clima - *Part 1: Pricing Agricultural GHG Emissions along the agri-food value chain via Emission Trading 2–9* (2023). Rotterdam, Zuid Holland; Trinomics.



Difficulties During Implementation:

- Large Number of Farms
- Lack of Consistent Usage of On-Farm GHG Emission MRV Tools
- Carbon Leakage, especially concerning free-trade agreements as Mercosur
- Lack of Economic Security for Farmers
- Reluctance of Social Acceptance due to Consumer Cost Concerns.
 - However, effect on inequality is mild, and the regressive effect can be reversed through uniform lump-sum transfers and lowering value-added taxes on fruit and vegetables.



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Klenert, D., Funke, F. & Cai, M. Meat taxes in Europe can be designed to avoid overburdening low-income consumers. *Nat Food* 4, 894–901 (2023). <https://doi.org/10.1038/s43016-023-00849-z>



Table A Assessment of the Agricultural ETS options

Criteria	Indicator	All-GHGs	Livestock	Peatlands	Upstream	Downstream
		ETS	ETS	ETS	ETS	ETS
Effectiveness	Incentivise actors along the value chain to mitigate agricultural emissions	Green	Green	Green	Green	Green
	Biodiversity co-benefits	Yellow	Yellow	Green	Yellow	Yellow
	Impacts on consumer budgets and welfare	Yellow	Yellow	Green	Yellow	Yellow
	Distributional impacts on Member States	Yellow	Yellow	Red	Yellow	Yellow
	Speed/ease of implementation	Red	Red	Red	Yellow	Green
	Distributional impacts on farms	Yellow	Yellow	Yellow	Green	Green
	Stakeholder acceptance	Yellow	Yellow	Yellow	Green	Green
Efficiency	Impacts on sectoral competitiveness and trade balance	Yellow	Yellow	Green	Green	Yellow
	Risk of carbon leakage	Yellow	Yellow	Green	Yellow	Yellow
	Administrative burden and costs	Red	Yellow	Yellow	Green	Green
Relevance	Incentivise responsible actors to innovate and change practices	Green	Green	Green	Green	Green
Coherence	Coherence with EU policies	Green	Green	Green	Green	Green
Added value	EU added value	Green	Green	Green	Green	Green

63% of Stakeholder prefer downstream ETS option

Table B Stakeholder Response to Support for Point of Obligation

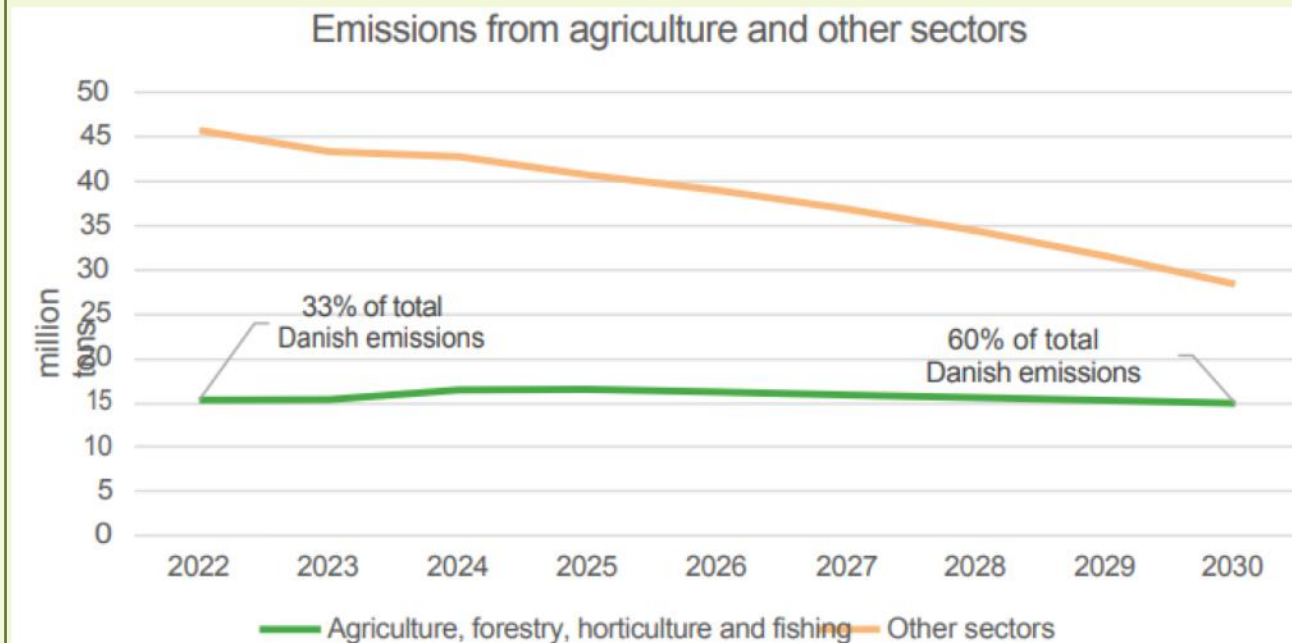
Response	1 (strongly oppose)	2 (oppose)	3 (neither oppose nor support)	4 (support)	5 (strongly support)	No opinion	Average rating ¹
Food processors (downstream ETS)	6%	4%	17%	20%	43%	10%	4.00
Other actors (e.g., retailers, consumers)	15%	2%	12%	8%	23%	30%	3.48
Fertiliser and feed producers (upstream ETS)	19%	7%	14%	18%	32%	11%	3.40
Farmers (on-farm ETS)	22%	11%	14%	15%	27%	11%	3.17

DG Clima - Part 1: Pricing Agricultural GHG Emissions along the agri-food value chain via Emission Trading 2–9 (2023). Rotterdam, Zuid Holland; Trinomics.

The Case of Denmark

GHG reduction target in 2030: 22.3 million Tonnes

Current plans: Reduction of 17.3 million Tonnes



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Hasforth, Torsten. *Klimamål i landbruget – sammenligning af en ren afgiftsmodel vs. en ren støtte-model.* (2022). CONCITO.

Tax on GHG emissions livestock and/or beef tax?

Danish Economic Council Report:

Taxing GHG emissions from livestock

Danish Finance Minister: taxes on beef needed



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Det Økonomiske Råd (2020). *Economy and environment, 2020: Summary and recommendations* - DØRS. dors.dk.



Implementation of Simple Climate Tax

CONCITO: Simple Climate Tax needed

- Price on GHGs
- Incentivises less pollution
- Promotes innovation
- Promotes use of climate-friendly technologies and alternatives.

On-Farm All GHG Emission Tax:

- Number of Cows, Nitrogen Input, Livestock Manure, Organic Soil



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Considerations for Implementation

CONCITO offers Six Concrete Principles:

- Tax is announced quickly
- Tax is phased in over time
- Tax is imposed on distinct and measurable sources
- Tax level takes into account the climate goals and sector's ability to adapt.
- Tax models, and measurements should be continuously evaluated.
- Tax should be combined with subsidies and regulation.



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The Case of the Netherlands meat tax proposal

- Agriculture Ministry 'true price' meat tax in 2021
- 40% price increase tax in 2030
- 2 Mton CO2 eq reduction per year
- Net revenue 1,7 billion euro/year

- Draft Agriculture Agreement 2023: meat tax to finance climate / nature ecosystem services by farmers : 600 million euro/year



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Conclusion

Reports from CONCITO, DG Clima and Danish Economic Council all Deem a Climate Tax Necessary

All Point to Relevant Difficulties During Implementation

CONCITO Prefers On-Farm All GHG Emission Tax

TAPP Coalition prefers excise duties on meat /dairy based on true pricing calculations

Most EU Stakeholders Prefers Downstream EU Agri-Food Emission Trading System

Start and learn !



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Sources

Det Økonomiske Råd (2020). Economy and environment, 2020: Summary and recommendations - DØRS. dors.dk.
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