

Promoting carbon farming through the CAP

The majority of soils in the EU are in a poor state, amongst others due to a loss of soil organic matter. Furthermore, 80% of habitats are degraded and the EU's carbon sink is on a declining trend. The cost of this dire state of affairs is estimated at more than [EUR 50 billion per year](#).

Recognising soils' central role in tackling the climate and biodiversity crises, the EU has committed to restoring all EU soils to a healthy status by 2050 and to boost carbon sequestration and storage in soils and in vegetation through its [carbon farming initiative](#). In simple terms, land managers who sequester carbon in their soils or in vegetation (e.g. trees and hedges) would receive financial compensation.

Carbon farming has the potential to deliver significant benefits for climate mitigation, adaptation, soil health, and biodiversity when implemented through a [holistic and "nature-based" approach](#), focused on ecosystem restoration. On agricultural land, practices such as peatland rewetting and restoration, agroforestry and the reintroduction of hedges, agroecology or regenerative farming, and the extensive management of grasslands hold much promise for carbon sequestration. However, the specific design of the measures and incentives is critical to achieve these benefits.

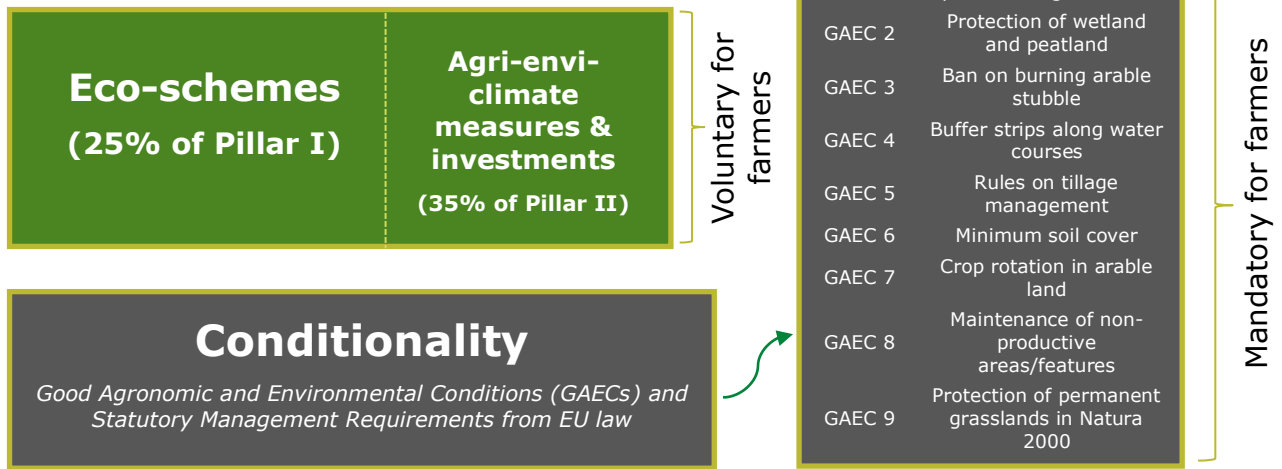
A **Carbon Removals Certification Framework** (CRC-F) is being discussed by EU lawmakers and would establish a common governance system and methodologies for carbon farming schemes. This may help boost carbon farming, but [how the certified "carbon removals" will be funded and used](#) is paramount.

Financing carbon farming through the sale of carbon credits (or "offsets") on voluntary carbon markets presents [many pitfalls](#) and should therefore not be promoted by the CRC-F. Instead, this new framework should seek to boost the use of public funding under the CAP to support the scale-up and roll out of carbon farming measures through a mix of practice- and result-based (or hybrid) funding. Only so can it ultimately reward farmers for "real" climate action.

The CAP: a complete toolbox for carbon farming

The CAP contains the [key building blocks](#) of an effective policy package to upscale carbon farming: mandatory baselines (conditionality), voluntary support measures (eco-schemes and agri-environmental and climate measures), and support for on-farm investments. Furthermore, the "2nd Pillar" of the CAP includes a wide range of "soft measures" which can also make a crucial contribution to the implementation of carbon farming, such as knowledge exchange measures, cooperation among farmers, and extension/advisory services.

The new green architecture (2023-2027)



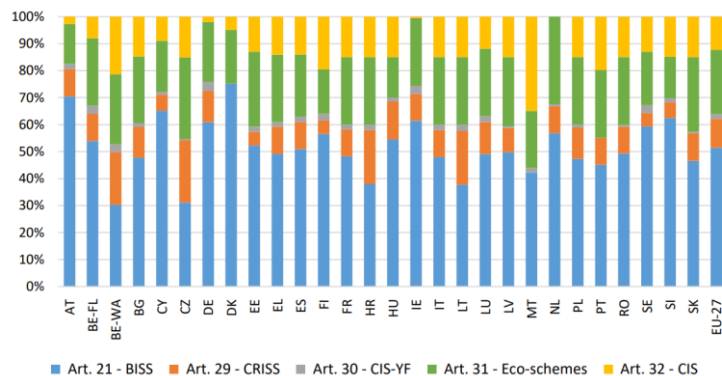
Member States are required to spend in principle at least 25 % of their 1st Pillar (or direct payments) budget allocation on eco-schemes and 35% of the 2nd Pillar budget for measures related to the environment and climate objectives. **All in all, this should amount to around € 72bn of EU funding which Member States must allocate between 2023-2027 to interventions focused on climate and environmental objectives, including carbon farming.** In comparison, the global voluntary carbon market was valued at [USD 2bn in 2021](#).

Furthermore, the European Council committed to allocating 25% of the EU's budget (Multiannual Financial Framework, MFF), and **40% of the CAP budget on climate action**, through the so-called "climate mainstreaming" mechanism. This could deliver major progress for climate mitigation, however "climate mainstreaming" has been so far, and is likely to remain until 2027, **mostly a creative accounting mechanism**, strongly criticized by the [European Court of Auditors](#) and other [experts](#).

Unfortunately, the implementation choices of Member States in their CAP Strategic Plans show a strong lack of ambition. In many cases the scope and nature of green measures is not well targeted and a large proportion of national budgets continues to be spent on untargeted "income-support" payments with no benefits for climate or the environment or in some cases even harmful impacts (see table 1).

Conditionality standards are defined very loosely and further undermined by many exemptions; strongly limiting their protective impact on soils and carbon stocks. When it comes to support measures, [only eight Member States](#) (CY, DE, DK, ES, HR, LT, NL, PL) are funding carbon farming measures through eco-schemes or AECMs in their CAP Strategic Plans.

Table 1: Distribution of Direct Payments in national CAP Strategic Plans



Source: [Comparative analysis of the CAP Strategic Plans and their effective contribution to the achievement of the EU objectives \(2023\)](#), study requested by the [Agriculture Committee of the European Parliament](#)

Case studies: [Germany](#) and [Poland](#)

A few federal states in Germany reward farmers via pillar II measures for **peatland rewetting and the promotion of paludiculture** with the aim to improve or maintain carbon storage on agricultural land. Moreover, the eco-schemes for maintaining **agroforestry** on arable land and permanent grassland and for the **extensification of grasslands** with a ban on ploughing have the potential to contribute to increasing carbon sequestration on agricultural land.

However, the target area(s) and budget allocated to these promising measures are often inadequate and will therefore only have a limited impact for the climate and biodiversity.

Poland's **point-based eco-scheme on carbon farming and nutrient management** allows farmers to choose among various agricultural practices, including the use of winter catch crops, crop diversification, the incorporation of manure in arable soils, reduced tillage and the incorporation of straw, the development and implementation of a fertilisation management plan, and extensive management of grassland.

Rewarding farmers for implementing a holistic set of agricultural practices has the potential to deliver substantial agronomic and environmental benefit. Yet, most eco-schemes focus on single, basic practices, which are often already implemented in many farms, adding little value.

In sum, CAP Strategic Plans currently largely lack ambitious, adequately funded and cross-cutting carbon farming measures. There are a few good measures that incentivise farmers to start carbon farming activities, however, these are not available everywhere and do not necessarily address soil (and carbon stock) degradation hotspots (e.g. drained peatlands). Carbon farming can and should play a key role in delivering climate mitigation in agriculture and the 2023-2027 CAP offers several tools to support its widescale uptake. Yet, the actual impacts on the ground largely depend on whether and how Member States design and implement carbon farming-related interventions. So far, Member States have remained reluctant - as a matter of political choice - to use their CAP funding to realise the potential of carbon farming. This must change.



How can the CAP do more to upscale carbon farming?

As part of the [Fit for 55 package](#), the European Union recently adopted two revised regulations with the aim of ensuring that the EU reaches its target of reducing net GHG emissions by at least 55% by 2030. The Effort Sharing Regulation (ESR) requires the agriculture, building, transport, waste, and small industries sectors to jointly cut their emissions by 40% by 2030. The Land Use, Land Use Change and Forestry (LULUCF) Regulation governs related land use emissions and has set a new target of 310 MtCO₂eq of net removals in that sector in 2030.

Member States should align their CAP Strategic Plans with the new LULUCF and ESR targets to provide clear incentives for farmers to prioritize carbon farming and wider farm practices that will reduce emissions and increase carbon sequestration in soils, trees (e.g. through agroforestry), hedges, and wetlands.

The CAP could make a significant contribution to upscaling carbon farming across the EU by tightening conditionality rules to prevent further degradation of soils and carbon stocks as well as increasing the number, ambition, targets, and budget of voluntary support measures for carbon farming measures. Such measures should include the establishment and the maintenance of agroforestry systems and landscape features such as hedges, the rewetting and restoration of drained peatlands, including support for paludiculture (farming on wet peatlands), the extensification and high nature value management of grasslands, and agroecological soil management.

Based on current CAP Strategic Plans, around 70% of the CAP budget will still be spent on untargeted Direct Payments which have no economic or social justification and too often support further environmental degradation. These archaic payments should be phased out between now and 2034 (i.e. over this and the next budget cycle), and their budget should be reallocated to more targeted measures such as eco-schemes and Pillar 2 measures that support farmers to adopt more climate-, nature- and soil-friendly practices.

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