CLIMATE CHANGE ADVISORY COUNCIL

Land Use, Land Use Change and Forestry Regulation (EU) 2023/839

Fact Sheet

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EU's Land Use, Land Use Change, and Forestry Amended Regulation (EU) 2023/839	
Link	➢ Regulation - 2023/839 - EN - EUR-Lex
Summary	➢ The LULUCF regulation was introduced through the Regulation (EU) 2018/1999 and amended through Regulation (EU) 2023/839. ➢ Member States must submit a compliance report and indicate use of flexibilities for the period 2021–2025, including the decision to claim a natural disturbance, by 15th March 2027 ➢ Member States must submit a compliance report for period 2026-2030 and indicate use of flexibilities by 15th March 2032. ➢ The budget for each year for the period 2026 to 2029 must be achieved by each Member State on a linear trajectory to meet their 2030 target. ➢ Comprehensive review of the national inventory will be undertaken in 2025, 2027 and 2032 by the European Commission, assisted by the European Environmental Agency. ➢ It is mandatory for Ireland to provide evidence in its National Energy and Climate Plans (NECPs) of the ongoing and planned specific measures to protect their carbon sinks or enhance them, and to reduce the vulnerability of the land to natural disturbances. The European Commission assisted by the European Environment Agency undertakes an assessment of Member States progress. If recommended, the Member State will, within three months, submit to the Commission a corrective action plan or will not have access to key flexibilities.

1. Introduction

This factsheet provides an overview of the amended EU Land Use, Land Use Change and Forestry (LULUCF) Regulation on the inclusion of net greenhouse gas emissions from LULUCF into the 2030 climate and energy framework. It was adopted under the Fit for 55 package which aims to deliver the EU legally binding 2030 target to reduce net greenhouse gas (GHG) emissions by at least 55% by 2030 relative to 1990 levels.

The LULUCF amended Regulation names the different land categories that a Member State must report the so called "managed land", including:

- Cropland
- Grassland
- Settlements
- Wetlands
- Other Land
- Harvested Wood Products
- Other

The amended Regulation addresses a number of complex issues which emerge due to the implementation of the decision, at EU level, to transition from reporting and accounting under the rules of the Kyoto Protocol to a more streamlined process which aligns with obligations under the Paris Agreement and Convention reporting. The EU decided to make the transition in two phases; accounting under the Kyoto Protocol rules continue for the period 2021-2025, and for the period 2026-2030 Member States adapt their inventory systems to the new regime.

For brevity, this factsheet will not reflect on the operation of the Regulation for the period 2021-2025 except to reflect on the only outstanding policy decision for this period, which is regarding the option for Ireland to claim flexibility due to natural disturbance[1].

This factsheet will predominantly focus on the provisions of the amended Regulation related to the period 2026-2030, including the general flexibilities under Article 12 and Land Use mechanism flexibilities under Article13b.

Compliance for the period 2026-2030 under Article 13d through to Article 14 is also discussed followed by a discussion of the Monitoring, Reporting and Verification (MRV) requirements for this same period.

2. Scope

The EU LULUCF Regulation published in 2018 stated that each Member State shall ensure that emissions do not exceed removals for the periods from 2021 to 2025 and from 2026 to 2030[2]. The amended LULUCF Regulation published in 2023 increases ambition for the contribution of LULUCF sector by committing to an increase in net annual removals, aggregated across all member states, by an additional 42 Mt CO_2 -eq[3] by 2030. Annex III of

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[1] natural disturbances" means any non-anthropogenic events or circumstances that cause significant emissions in the LULUCF sector, the occurrence of which is beyond the control of the relevant Member State, and the effects of which the Member State is objectively unable to significantly limit, even after their occurrence, on emissions; This includes wildfire, storm damage, flooding etc.'

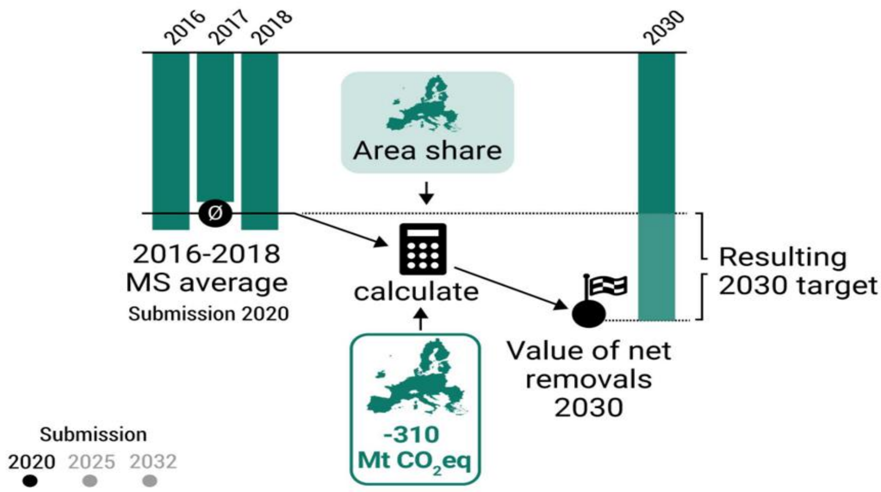
[2] Regulation - 2018/841 - EN - EUR-Lex

[3] The baseline is based on inventory reporting when the regulation was agreed. The baseline may change, as inventories are revised over time.

the LULUCF Regulation provides the country specific target for each member state which envisages aggregate EU wide net removals increase to -310 Mt CO_2-eq by 2030 from a baseline of -268 Mt CO_2-eq.

The amended Regulation sets binding national LULUCF targets for each Member State based on each country's capacity for mitigation of emissions and removals. Ireland's binding target for 2026-2030 is to reduce emissions by -0.626 Mt CO_2 eq[4] compared to a baseline which is calculated as the average 2016-2018 emissions; See Figure 1 for an example of Member States target calculation[5].

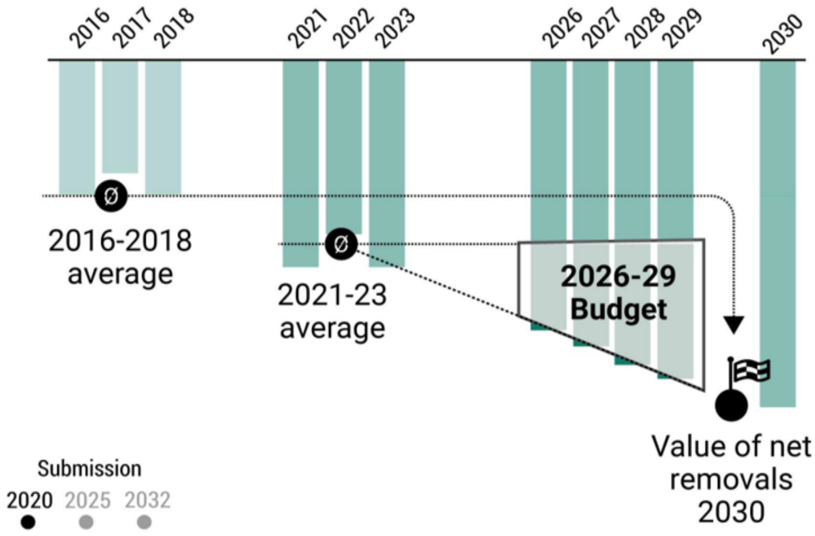
Figure 1 Example of Member States' Target calculation for 2030.



To encourage each Member State to make steady progress, each Member State net removals/emissions must be consistent with a linear trajectory towards their binding 2030 target. The trajectory starts in 2022 from the average of greenhouse gas emissions reported by that Member State during 2021, 2022 and 2023, and ends in 2030 with the achievement of the national target agreed for that Member State. Each Member State has committed to achieve a sum of net greenhouse gas emissions and removals for the period from 2026 to 2029 (the 'budget for 2026 to 2029') and finally reaching the national target for the year 2030; See Figure 2[6] for an example of a national budget calculation.

[4] This is an emissions reduction of approximately 14% relative to the baseline 4.4 MtCO_2eq.
[5] Handbook on the updated LULUCF Regulation EU 2018/841 - Guidance and orientation for the implementation of the updated regulation - Version 2
[6] Handbook on the updated LULUCF Regulation EU 2018/841 - Guidance and orientation for the implementation of the updated regulation - Version 2

Figure 2 Example of a Member States' budget calculation 2026-2029.



In short, the amended Regulation sets out two components to reaching the 2030 target for Ireland:

1. A binding target where net emissions in 2030 must be at least -0.626Mt CO2eq less than emissions reported for the period 2016-2018.
2. Cumulative emissions in in the period 2026-2029 must be less than (or equal to) an emissions budget equal to the sum of annual emissions along a linear trajectory starting in 2022, from the average emissions in 2021-2023, to target emission in 2030.

3. Flexibilities

The flexibilities are described under Articles 12 and 13 of the regulation.

<u>What are flexibilities?</u>

"Flexibilities" refer to specific mechanisms that allow Member States to adjust or compensate for emissions and removals in a sector provided certain conditions are met. These are designed to help Member States meet their climate targets while making provision for natural variability and unforeseen events.

The three flexibilities available under the EU LULUCF amended Regulation are:

- General Flexibilities (available for the period 2021-2030)
- Natural Disturbances (available for the period 2021-2030)
- Managed Forest and Land Flexibilities (available for the period 2026-2030)

The goal is to:

- Ensure fairness and accuracy in accounting.
- Recognise the biological and environmental variability of land use systems.
- Support Member States in complying with EU climate targets, when facing challenges beyond their control.

3.1 Article 12: General Flexibilities

Article 12 of the Regulation states that Member States may use the General Flexibilities to comply with their binding target and budget for the period 2021-2030. The General Flexibilities create the opportunity for Member States to comply with their LULUCF Regulation obligations and their obligations under the Effort Sharing Regulation (ESR) through the transfer of surplus allocated emissions. For example, if a Member State does not meet its LULUCF target or budget, it can deduct annual emission allocations from the ESR and transfer them to LULUCF. On the other hand, if a Member State has overachieved on its LULUCF target it can transfer a proportion of these to enable compliance under the ESR. However, the LULUCF amended Regulation puts a cap on the use of transfers at EU level. The maximum transfer of credits is 131 Mt CO2eq between the LULUCF and the ESR for the period 2026 to 2030 aggregated over all Member States[7].

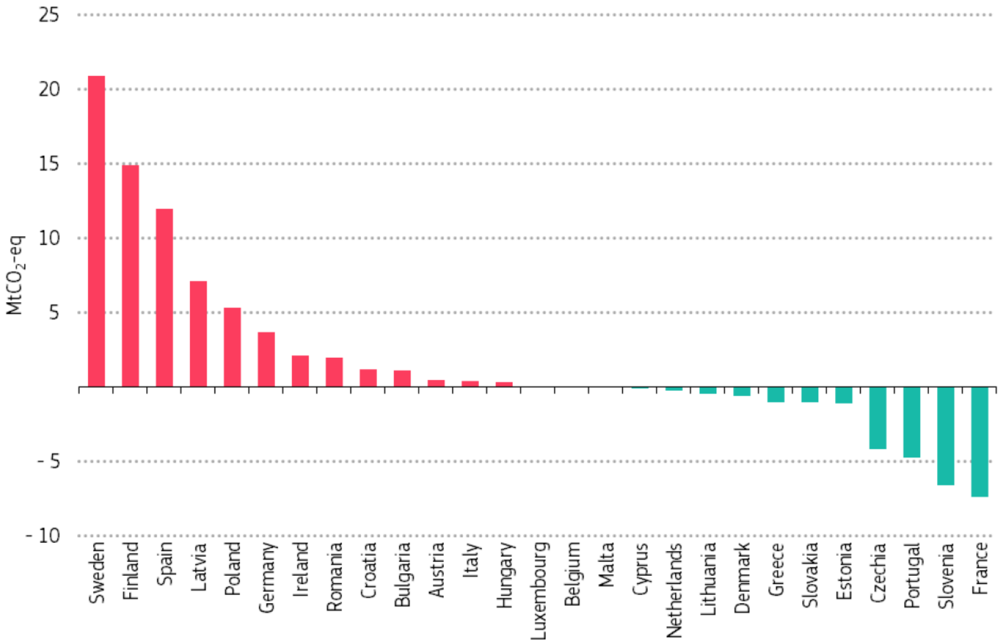
The General Flexibilities under Article 12 have consequences for the timing of the final calculation for the ESR. Specifically, the Commission will undertake a comprehensive review of the final LULUCF inventory in 2032 and the completion of this review will trigger the final calculation of compliance under the ESR. The impact of this means that whether a Member State has been compliant with its obligations under the LULUCF and ESR will not be known until 2032.

Under Article 12.2, if a Member State outperforms its LULUCF target and budget, it can transfer its LULUCF excess removals to another Member State. Revenues from transfers should be used to fund climate mitigation, either within the EU or in other countries. They must report these actions to the European Commission[8] and make the information publicly available.

The most recent EU Climate Action Progress Report highlights the majority of Member States, including Ireland, are not projected to achieve their national 2030 targets. The latest projections provided by Member States show that the EU as a whole is not on track to meeting its 2030 LULUCF target, leaving a gap of around 40-55 Mt CO2 -eq. Irelands most recent projections indicate a national gap of 2 MtCO2-eq. Therefore, the supply of surplus credits for purchase will be very limited, as shown in Figure 3[9]. In a recent communication to the Commission Sweden and Finland acknowledge that they are projected to be unsuccessful in their respective 2030 commitments and formally requested a ‘post-2030 legislation that takes into account the realistic potential of LULUCF removals and their inherent uncertainties’[10]. It is worth noting for example that the 2025 submission for France saw their LULUCF sector switch from a source to sink due to refinements to their methodology.

[7] Handbook on the updated LULUCF Regulation EU 2018/841 - Guidance and orientation for the implementation of the updated regulation - Version 2 (Pg48)
[8] From this point forward the European Commission will be referred to as the Commission.
[9] Climate action progress report 2025 - Publications Office of the EU (2025)
[10] Letter from Sweden and Finland to President von der Leyen - Government.se

Figure 3: Projected gap to the national 2030 targets*, based on Member States' projections for 2030[11].



* *The gaps to the 2030 LULUCF target have been calculated taking into account the latest Member States' GHG inventories data and projections (both submitted in 2025), including a re-adjustment to take into account possible discrepancies between the inventory data and projections. As Member States continuously improve their methodologies for GHG inventory data and projections in terms of accuracy, the gap calculations are susceptible to changes in the future.*

3.2 Article 13: Managed Forest Land Flexibilities

Amendments to Article 13 set out the rules related to access to the flexibilities, governance and corrective action for the periods 2021-2025 and the period 2026-2030.This paper does not discuss most of the provisions related to the period 2021-2025 as they are not applicable going forward. Also, the paper does not discuss 13a as it is a specific provision that recognise unique circumstances in Finland.

The Managed Forest Land Flexibilities under Article 13 are concerned with Member States that don't meet the 'no debit' rule for the period 2021-2025. The 'no debit' rule means accounted emissions (debits) must not exceed accounted removals (credits). Of particular interest here is the flexibility regarding claiming natural disturbances.

This provision allows for where forest lands were damaged due to a natural event, such as a storm, wildfire etc., the Member State has the option to report this damage as a natural disturbance and subtract any emissions due to disturbance from the accounting for compliance purposes. For example, it is feasible to claim a natural disturbance for the 26,000 hectares of forest damaged by Storm Éowyn if the Government decides to do so.

A declaration of natural disturbance is optional. However, Annex VII Regulation 2018/841 documents that Ireland has been allocated an initial total of just -0.2 Mt CO_2eq flexibilities

[11] Climate action progress report 2025 - Publications Office of the EU (2025)

under Article 13 for the period 2021-2030. Claiming a natural disturbance for the period 2021-2025 would leave Ireland with reduce available flexibilities for the period 2026-2030[12].

To claim a natural disturbance a Member State must identify the areas impacted, provide evidence of the damage, demonstrate that the disturbance was atypical and outline the steps to be taken to prevent or reduce similar damage in the future. This would create a significant monitoring, verification, and reporting (MRV) burden. Importantly, any lands for which a Member State claims a natural disturbance must be restored to its original condition prior to the natural disturbance before these lands are reinstated into the accounting regime. Also, harvested wood products (HWP) for any materials removed from these lands after are excluded from the accounting regime. If the option for natural disturbance is not declared, emissions and removals associated with storm damage, and associated HWP are reported and accounted for as normal.

If Ireland is not compliant with the no debit rule for 2021-2025 period, Ireland could declare a natural disturbance for the forests damaged caused by storm Éowyn and may secure compliance. Ireland will need to consider the conditions of claiming a natural disturbance and make this decision in advance of submitting its compliance report in 2027.

3.3 Article 13b: Land Use Mechanism

Article 13b describes the Land Use flexible mechanism for the period 2026 to 2030. Member States may need to access this flexibility if their net emissions are greater than their target and budget, despite implementation of actions and following EU guidance[13]. The Member State must provide sufficient evidence of following EU guidance before being permitted to access this flexibility to compensate for under-compliance.

The preconditions for access to the 13b flexibility for Member States include:

- the EU has achieved the overall target,
- the Member State has included in its updated National Energy and Climate Plan (NECP) the ongoing or planned specific measures to protect their carbon sinks or enhance them, and to reduce the vulnerability of the land to natural disturbances,
- the Member State has exhausted the flexibility available pursuant to Article 12(1) of this Regulation.

The allocations available under this flexibility is capped at 178 Mt CO_2 eq across the EU. However, recent LULUCF projections indicate that the EU will not meet the overall target meaning Member States may not be able to access this flexibility[14].

If the allocations are released, it is anticipated they will be released in three rounds[15].The first round will provide access to flexibilities for Member States who have fulfilled the pre-conditions of the Regulation but nevertheless have not stayed within their budget or reached their target. Evidence must be submitted to the Commission regarding the reasons the Member State cannot stay within their budget or reach their target.

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[12] Regulation - 2018/841 - EN - EUR-Lex
[13] The EU will monitor progress of States through the monitoring of various reporting by Member States including the biannual National Energy and Climate Progress Reports and provide guidance where appropriate. Failure to respond to the EU guidance may impact access to flexibility under Article 13b.
[14] Climate action progress report 2025 - Publications Office of the EU (2025)
[15] LULUCF-Bulletin_FINAL.pdf

The second round allows Member States access to further allocations by claiming natural disturbance but only applies if there are unused allocations available under the mechanism after the first round.

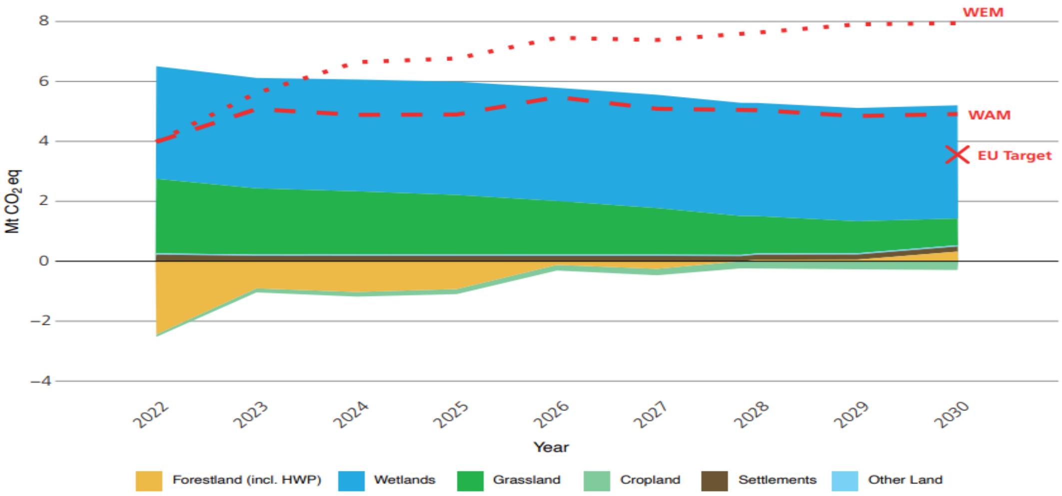
The third round allows a Member State to access even further allocations up to 50 Mt CO2eq of unused allocation[16] from other Member States of the years 2021 to 2030 if they either can provide evidence that these can be attributed to climate change impacts or arise because they **have a significantly higher share of organic soils compared to the EU average**. The Commission has recently published an implementing act providing guidance for Member States on how to apply for access to allocations under the third round of the Land Use flexible mechanism[17]. Ireland is eligible to apply for this flexibility due to its relatively high proportion of organic soils. However, to secure access to allocations under this flexibility for the 2026–2030 period, Ireland must submit sufficient supporting evidence to the Commission by 30th November 2026, in accordance with the criteria outlined in the implementing act.

4. Compliance

The EPA projections indicate that Ireland will not meet its 2030 LULUCF targets shown in Figure 4 [18] under either the WEM or WAM scenario. The trends in both scenarios are primarily due to the continuing high emissions from the Grassland and Wetlands[19] along with a projected steady decline in the sink of carbon into Forest land. Indeed, Forest Land is projected to become a source of emissions in the near future[20]. These projections indicate that to be compliant Ireland will need to access available flexibilities.

[16] The 50 Mt CO2eq allocation is not additional but contained within the overall 178 Mt CO_2 eq cap.
[17] Land use, land use change and forestry – flexibility mechanism for impacts of natural disturbances (new process)
[18] *LULUCF-Bulletin_FINAL.pdf
[19] The term Wetlands as applied to Ireland refers to those areas of peatland that have not been reported under another land use (i.e. forestry and grassland on organic soil) and that are either in a near-natural or some form of exploited status.
[20] *LULUCF-Bulletin_FINAL.pdf

Figure 4 Projected LULUCF emissions / removals for Ireland to 2030 With Existing Measures (WEM) and With Additional Measures (WAM) scenarios* in dotted lines. The EU 2030 target is also shown. The shaded areas show the projected emissions and removals under the WAM scenario for each land use category.



* *The EU* Target *is calculated based on the required emissions reductions from the average of emissions in 2016, 2017 and 2018 reported for LULUCF in the latest national GHG inventory.*

Article 13c of the amended Regulation states that if after a full review in 2032, the Commission finds that a country has gone over its allowed emissions for the years 2026 to 2030, even after using the flexibility options allowed under Articles 12 and 13b, then there will be a penalty. Net emissions, taking into account the flexibilities, in excess of the target will be multiplied by 1.08 to penalise for non-compliance, and that amount will be added to the country's reported emissions for the year 2030.

The Commission assisted by the European Environmental Agency undertakes an annual assessment of Member States progress towards reaching national targets. The assessment is published by the Commission in its annual EU Climate Action Progress Report. Under Article 13d if the Commission finds[21], that a Member State is not making sufficient progress towards meeting its LULUCF target, that Member State will, within three months, submit to the Commission:

- a detailed explanation of why it is not making sufficient progress,
- an assessment of how EU funding has supported its efforts towards complying with its target and budget and of how it intends to use such funding to make progress towards complying with them,
- a corrective action plan detailing additional actions complementing the National Energy and Climate Plan that it will implement in order to comply with its target or budget through domestic policies and measures, accompanied by a detailed assessment of the envisaged net greenhouse gas removals that would result from those actions,
- a strict timetable for implementing such actions, which enables the assessment of annual progress in implementation.

[21] The Governance of the Energy Union and Climate Action Regulation, establishes the legislative framework for the EU's Energy Union and Climate Action strategies. It requires EU member states to develop national energy and climate plans (NECPs).

As noted in section 3.3, if a Member State does not take on board the Commissions guidance and submit to the Commission the sufficient corrective action requirements, the Member State will not be given access to the Land Use flexible mechanism Article 13b.

If the Member State has established a national climate advisory body, the Member State **may** seek their advice to identify the additional actions needed to be integrated into the National Energy and Climate Plan that it will implement in order to support compliance with its LULUCF target.

5. Monitoring, reporting and verification (MRV)

Ireland reports LULUCF emissions and removals annually to the European Commission and to the UNFCCC. Article 14 states by 15 March 2027 for the period from 2021 to 2025, and by 15 March 2032 for the period from 2026 to 2030, Member States shall submit to the Commission a compliance report, based on annual datasets, containing the balance of total emissions and total removals for the relevant period on each of the land accounting categories. The compliance report must include various assessments and elements including setting out of policies and measures regarding possible trade-offs, the synergies between climate mitigation and adaptation, synergies between climate mitigation and biodiversity and details on the intention to use flexibilities including on the related amounts.

The Member State must demonstrate the LULUCF sector is on a linear trajectory towards reaching its 2030 target. This requirement to demonstrate progress towards the target effectively sets a sectoral budget for the period 2026-2030. The net emissions and removals in Member States must stay within a national budget. In the Council's AR 2025 there is an estimate of this budget which is 17.7 Mt CO_2 eq[22].

The budget shall be defined based on the greenhouse gas inventory data submitted in 2025 and the compliance with this budget shall be assessed on the basis of the greenhouse gas inventory data submitted in 2032. Ireland's LULUCF budget will be formalised by the Commission in an implementing act, after a comprehensive review of the GHG inventory submitted in 2025[23]. The implementing Act has not yet been published.

Improved monitoring of land is required for achieving enhanced accuracy and precision of LULUCF inventories. The amended Regulation aims to support this through the application of the International Panel on Climate Change concept of higher tiers[24], supporting the development of high-quality national datasets, and through an enhanced monitoring of land-use change, using geographically explicit data. To establish a process of being able to properly assess land use and land use change, the amended Regulation states that "to facilitate data collection and methodology improvement, land use should be inventoried and reported using geographical tracking of each land area".

The Commission, assisted by the European Environmental Agency, will carry out a comprehensive review of the national inventory in 2025, 2027 and 2032 to ensure the sufficient level of quality and accuracy is being met. The Commission will make recommendations to support countries in their development of the improvements to national methodologies. The Commission may recommend that the MRV of a Member State be

[22] CCAC-AR2025-AFOLU-final-corrected.pdf
[23] Handbook on the updated LULUCF Regulation EU 2018/841 - Guidance and orientation for the implementation of the updated regulation - Version 2
[24] Higher tiers increase the quality of the calculations, avoiding applying default assumptions for some sectors or subsectors.

supported out of country by the EU Joint Research Centre if the improved requirements are not implemented at national level. In most cases Member States would prefer to oversee their own MRV.

The EPA is responsible for overseeing the national inventory and are developing new methodological approaches aligned with the EU LULUCF amended Regulation requirements. The Integrated Carbon Observatory System (ICOS) Ireland network is a good example of advanced technologies that capture LULUCF emissions data across Ireland[25]. Further research and development are expected to improve the quality of inventory over time but also leading to significant revisions to the emissions removal estimates.

[25] ICOS Ireland | ICOS