

COP28

AGROFORESTRY SECTOR IN THE EURO-MEDITERRANEAN: TOWARDS NOVEL POLICIES, COOPERATION AND FINANCING FRAMEWORKS



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Agroforestry sector in the Euro-Mediterranean:
Recommendations for new policies and financing frameworks





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BACKGROUND AND CONTEXT

- European Green Deal: Policy initiatives and sustainable practices are needed to transform the Euro-Mediterranean region into a more integrated, resource-efficient and competitive economy
- Agroforestry, as a multifunctional system, could be at the centre of this transition given its environmental, economic and social benefits
- Recent studies reveal the need for a policy framework that links food systems, agriculture, forestry and rural development for a holistic approach to environmental, economic and social sustainability (e.g., Donham et al., 2022; Hajdukovic, 2023)



POLICY CONTEXT IN THE EURO-MEDITERRANEAN REGION

- To undertake this transformation, it is essential to identify and put the socio-economic value of the ecosystem services and environmental benefits provided by agroforestry systems at the centre of the financial focus
- The policy landscape for agroforestry in Europe: Agroforestry receives support within the new CAP and major EU legislations such as the European Green Deal, the Biodiversity and Farm to Fork strategies, and the EU Forest strategy for 2030. Carbon farming practices such as agroforestry are promoted by European policies
- Carbon farming embodies a holistic approach to sustainability by providing farmers with an economic reward for climate and environmental actions that benefit society

BARRIERS TO THE ADOPTION OF AGROFORESTRY IN THE EURO-MEDITERRANEAN REGION



There are several barriers to the adoption of agroforestry by farmers:

- The permanent nature of the change with legal and economic implications, the income uncertainty, and the complexity of agroforestry, which requires specific knowledge and expertise on the part of farmers
- Farming is a risky and costly business, as agriculture is dependent on weather and climate
- Policy and regulation: There are many regulatory inconsistencies and a lack of political support between agriculture and forestry in European policies, including in the CAP
- The practical implementation of carbon farming schemes faces several technical challenges, including the duration of the removal, the risk of uncontrolled re-emission, measurement uncertainty, the identification of potential impacts on biodiversity, and the complexity and high cost of monitoring, reporting and verification (MRV) systems

RECOMMENDATIONS FOR NOVEL POLICIES AND FINANCING FRAMEWORKS (I)



Motivation and objective

- Innovative financial instruments and policies need to be developed to overcome the main barriers to agroforestry adoption and to enable farmers to achieve multiple objectives such as food production, carbon sequestration and biodiversity enhancement
- This requires a holistic approach to land management that considers both climate change mitigation and biodiversity in synergy with the achievement of other sustainability objectives
- A sustainable financing scheme for agroforestry needs to be based on payments for ecosystem services and environmental benefits provided by agroforestry systems

RECOMMENDATIONS FOR NOVEL POLICIES AND FINANCING FRAMEWORKS (II)

Design principles for a sustainable financing scheme for agroforestry

- Additionality and permanence: The scheme must produce desirable results that would not have occurred without it, and the permanence of emission reductions must be ensured
- MRV systems are needed to ensure that agroforestry practices have real, positive and measurable impacts on the climate and biodiversity
- Recognising the co-benefits of agroforestry practices and rewarding farmers for delivering them
- The financing scheme for agroforestry requires:
 - i. The identification of the environmental results and the appropriate land management practices to achieve them
 - ii. The costs of these practices, and the financing mechanisms and sources should be identified in the agroforestry plan
 - iii. Measurable climate and co-benefits indicators for environmental results should be developed



RECOMMENDATIONS FOR NOVEL POLICIES AND FINANCING FRAMEWORKS (III)

Proposed sustainable financing scheme for agroforestry

A hybrid scheme complemented by ex-ante payments and advisory services to farmers

Three main components:

- Ex-ante payment: Farmers receive an initial payment to cover the high up-front costs (e.g., planning, preparation of the agroforestry plan, initial investment and implementation costs) and to remove up-front financial barriers
- Hybrid carbon farming scheme: A combination of an annual guaranteed action-based payment to farmers for adopting agroforestry practices for the presumed environmental benefits (e.g., carbon sequestration, biodiversity), and an additional result-based payment after five years if these benefits can be demonstrated through MRV systems
- Advisory services to farmers: Farmers should receive substantial advice and technical support from reliable sources (specialist adviser) from the start of the agroforestry project



RECOMMENDATIONS FOR NOVEL POLICIES AND FINANCING FRAMEWORKS (IV)

Financing mechanisms and sources for agroforestry

- Agroforestry can be funded through the CAP (e.g., eco-schemes, AECMs, green direct payments), other public financing instruments such as State aid, private initiatives linked to voluntary carbon markets, the corporate supply chain, or through a combination of these funding options

Expected future changes

- In order to provide direct incentives to farmers, it seems necessary to integrate payments for environmental results into the CAP, e.g., in greening payments and eco-schemes under Pillar I and AECMs under Pillar II
- Development of the EU certificate framework for carbon removals and ongoing discussions about the possible future integration of agriculture and forestry into the EU ETS
- Development of a voluntary market for biodiversity credits



CONCLUDING REMARKS

- There is a need for a policy framework that links food systems, agriculture, forestry and rural development for a holistic approach to environmental, economic and social sustainability
- The use of a hybrid carbon farming scheme complemented by ex-ante payments and advisory services can be very important in achieving this objective
- Carbon farming programmes should be the first step towards a real change in the contribution of agriculture and forestry to the Euro-Mediterranean environmental and climate objectives



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