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Recommendation of the German Council for Sustainable Development

Incentives and compensations for the reduction of greenhouse gas emissions in agriculture

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Introduction

In Germany, some 16% of the country's entire greenhouse gas (GHG) emissions can be attributed to agriculture and land use. At the same time, the options for a significant **reduction in GHG emissions under the conditions of sustainable, productive and profitable agriculture** are as yet short on detail. As political decisions and investments to support a corresponding transformation in agriculture and agricultural land use require sufficient lead-in – not to mention the time-consuming nature of their implementation – there is no doubt the course needs to be set as promptly as possible.

With this in mind, the German Council for Sustainable Development (RNE) recommends that the federal government[1]

- **compile a study** that describes and evaluates relevant options for the reduction of GHG emissions in agriculture and agricultural land use, and

- review and prepare the **political steps required for implementation** in Germany and at the EU level as soon as possible.

Relevance for the achievement of climate goals

In 2024, the greenhouse gas emissions from agriculture and agricultural land use in Germany accounted for **16% of total GHG emissions[2]**, not including fuel emissions. Around a third of the emissions came from methane from livestock farming, a third from nitrous oxide from fertiliser, and a further third from carbon dioxide (CO_2) from drained peatlands. The coalition government has agreed not to price the emissions from agricultural vehicles (e.g. agricultural diesel) and heat generation (e.g. heating of greenhouses) under the ETSII emissions trading scheme from 2027 onwards, since these are low compared with the remaining emissions from agriculture[3]. The focus should therefore be on impactful **reduction mechanisms for livestock farming, soil cultivation and peatlands**; but these should not be restricted to mere price signals. In livestock farming, for example, there are also effective possibilities via technological innovation, such as modern stall technologies, methane-reducing feed, digital methods of animal feeding and boosting animal health.

For Germany, this means that if agriculture and agricultural land use are to make a noticeable contribution to the achievement of the country's climate goals by 2040 or 2045, the course must be set now.

1 Accompanying document to the RNE's CAP statement from 4 August 2025, available online at https://www.nachhaltigkeitsrat.de/wp-content/uploads/2025/08/RNE-Stellungnahme_Gemeinsame_Agrarpolitik_2028-1.pdf

2 53.7m t CO_2 equivalents from agriculture (8.2%, without fuel emissions) and an estimated 51.3m t CO_2 equivalents (7.9%) from the LULUCF sector, cf. UBA (2025): Beitrag der Landwirtschaft zu den Treibhausgasemissionen [Contribution of agriculture to greenhouse gas emissions], available online at: https://www.umweltbundesamt.de/daten/land-forstwirtschaft/beitrag-der-landwirtschaft-zu-den-treibhausgas#treibhausgas-emissionen-aus-der-landwirtschaft (28 August 2025); UBA (2025): Emissionen der Landnutzung, -änderung und Forstwirtschaft [Emissions from land use, land-use change and forestry], available online at: https://www.umweltbundesamt.de/daten/klima/treibhausgas-emissionen-in-deutschland/emissionen-der-landnutzung-aenderung#allgemeine-emissionsentwicklung

3 The CO_2 emissions from mobile and stationary combustion in agriculture amounted to 1.4% of total emissions in 2024, cf. UBA 2025: Beitrag der Landwirtschaft zu den Treibhausgasemissionen [Contribution of agriculture to greenhouse gas emissions], available online at: https://www.umweltbundesamt.de/daten/land-forstwirtschaft/beitrag-der-landwirtschaft-zu-den-treibhausgas#treibhausgas-emissionen-aus-der-landwirtschaft (28 August 2025).

Example: Greenhouse gas pricing in Denmark and at the EU level

The consideration of possible impactful reduction mechanisms should factor in programmes that are already underway. The example of Denmark, with its **agreement on a green transition for the country**, deserves special attention The agreement aims to significantly reduce Danish GHG emissions, improve the quality of water bodies, boost sustainable agricultural and food production, and create more areas of unspoiled nature and woodlands.

The key elements of the agreement are as follows:

- **Broad involvement:** The agreement was negotiated by the so-called "green tripartite group", which as well as the government, included key stakeholders such as the Danish Agriculture and Food Council (L&F) and environmental organisations. It was approved by a broad majority in the Danish parliament.

- **GHG pricing:** The agreement includes a gradually increasing tax on GHG emissions from livestock farming, peatland habitats under agricultural use, liming, and F-gases in agriculture and forestry[4].

- **Tax exemptions and offsets:** A minimum tax-free allowance will be introduced for farmers, so that the tax only applies to future emissions above 60% of current emissions. This significantly reduces the tax burden and creates incentives to lower emissions, e.g. through the use of feed additives, higher fat content in the feed or increased biogas production. Further potential offsets are possible through participation in financially attractive climate action programmes. This level of tax would cost, for example, milk producers in Denmark an estimated 1.7 ct/kg of milk in 2030. At a current farm-gate price of 55 ct/kg, this would represent an additional cost of 3%, which the farmers can offset by taking part in the aforementioned climate programmes.

- **Societal benefit and vision:** The agreement is supplemented by a "Green Land Fund" for rewilding agricultural peatland habitats, afforestation of marginal sites and general support for rewilding projects. The government refers to "the biggest transformation in the Danish landscape for over 100 years"[5]. 250,000 hectares of new forest are planned, as is the decommissioning of a total of 140,000 hectares of carbon-rich lowland soils. Alongside the significant reduction of GHG emissions from agriculture and land use associated with the agreement, this should improve water quality and enhance the quality of life in the regions[6].

The Danish model shows that progress is possible: the broad political majority with which the transition was passed in the Danish parliament reinforces the binding nature of the results, while clear policy parameters and arrangements, such as the emissions pricing and offset allowances, provide orientation. The appointed commission (green tripartite group) discussed scientifically acquired results instead of developing their own solutions, and the agricultural associations see that farmers

4 Cf. Danish Dairy Board: Danish initiatives to lower emissions, available online at: https://danishdairyboard.dk/danish-dairy-industry/danish-initiatives-to-lower-emissions (27 August 2025).

5 Cf. Ministeriet for Groen Trepart (2024): About the Agreement on a Green Denmark, available online at: https://mgtp.dk/groent-danmark/english-a-greener-denmark/about-the-agreements-on-a-green-denmark (14 August 2025).

6 Cf. ibid.

have the opportunity to benefit from the measures. Although Danish agriculture has not yet been fully integrated into the emissions trading scheme (ETS), the process shows how a viable approach to market-based mechanisms for GHG reduction can indeed succeed.

At the EU level, too, an emissions trading system for agriculture has been on the cards for some time[7], since the previous climate action as part of the Common Agricultural Policy (CAP) has barely made a difference in terms of emissions reduction. In its Assessment Report 2024, the European Scientific Advisory Board on Climate Change, which advises the EU Commission directly, recommended the introduction of emissions pricing in the agricultural and land use sector[8].

Recommendations for Germany

Considering the relevance of lowering GHG in agriculture and land use, as well as existing, promising examples of implementation, the German Council for Sustainable Development recommends:

- Promptly compiling **a study** to examine the options for pricing GHG emissions from agriculture and agricultural land use. The example of the Danish model can be used for guidance. To increase acceptance of possible measures, the process should seek to engage relevant stakeholders, e.g. agricultural and environmental associations, at an early stage, as with the Danish example.

- Reviewing political **steps for implementation**, e.g. also as part of the European discussion on the integration of agriculture and land use into the ETS.

This course of action should take account of the following aspects in particular:

- Germany is considerably more dependent on imports than Denmark. At the same time, German agriculture is firmly integrated in global markets. As such, revenues from GHG pricing should be specifically funnelled back into agriculture, to avoid any competitive disadvantages. To prevent systematic adverse effects for German agriculture, it is essential to develop suitable balancing mechanisms, similar to the Danish example of a minimum tax exemption for emissions, or in the form of tax reliefs, reduced-interest loans for investment in innovation or compensation payments. In this context, the possibility of an EU-wide introduction of GHG pricing in the agricultural sector and its inclusion in an ETS 3 should also be considered.

- The scope of the study should also cover GHG emissions from peatland management, which currently make up 7% of Germany's total GHG emissions (Fig. 1), as well as emissions from the cultivation of mineral and humus soils. It should examine whether GHG pricing of different soils used for agriculture can be executed with the same mechanisms as pricing of production-related emissions from fertilisation and livestock farming. This review should also include the agricultural use of rewetted

7 Cf. European Commission (2023): Pricing agricultural emissions and rewarding climate action in the agri-food value chain, available online at: https://climate.ec.europa.eu/document/download/996c24d8-9004-4c4e-b637-60b384ae4814_en?filename=Pricing%20agricultural%20emissions%20and%20rewarding%20climate%20action%20in%20the%20agri-food%20value%20chain.pdf (3 July 2025).

8 Cf. ESABCC (2024): Towards EU climate neutrality. Progress, policy gaps and opportunities, p. 154, available online at: https://climate-advisory-board.europa.eu/reports-and-publications/towards-eu-climate-neutrality-progress-policy-gaps-and-opportunities/esabcc_report_towards-eu-climate-neutrality.pdf (15 September 2025).

peatlands (paludiculture), of which there is a growing number of good examples and strong governmental support in Germany, and the CO_2 absorption potential of rewetted, agriculturally used peatlands, which is currently being intensively researched.

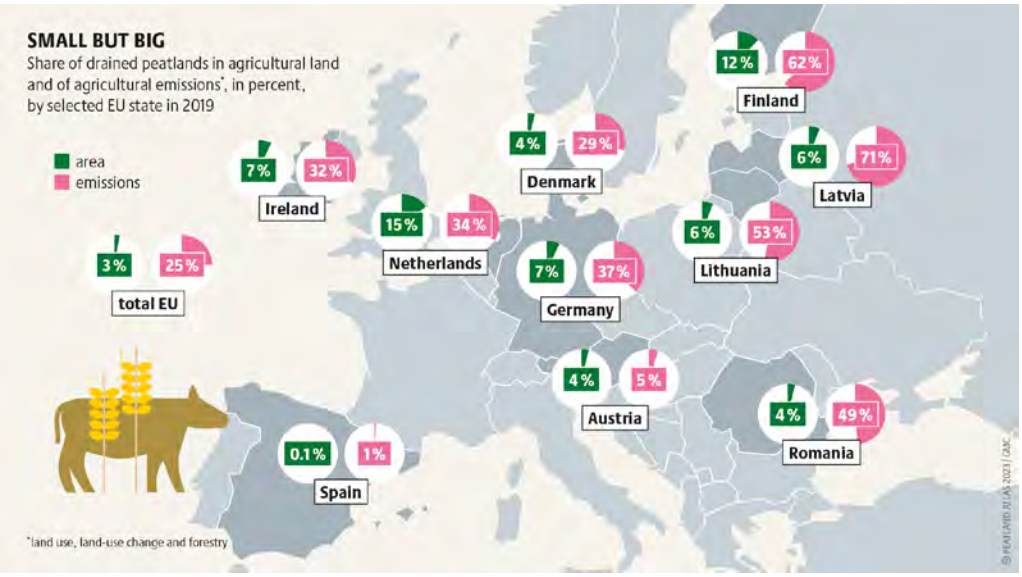

Fig. 1: Agricultural peatlands and GHG emissions (source: Greifswalder Moor Centum, 2023[9]).

9 Greifswalder Moor Centrum (2023): Peatland Atlas. available online at: https://www.greifswaldmoor.de/mooratlas.html (19 September 2025).

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About the Council for Sustainable Development

The German Council for Sustainable Development (RNE) advises the Federal Government on issues of sustainability policy. It acts in this capacity as an independent entity, and since 2001 its members have been appointed every three years by the Federal Government. The Council consists of 15 public figures, comprising individuals from civil society, the business sector, the scientific community and the political arena. The Council also carries out its own projects aimed at advancing the topic of sustainability in practical terms. In addition, it helps shape topically focused momentum within policy and societal dialogue. The Council is supported in its activities by an administrative office based in Berlin.

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