Development of Result-Based Payment Schemes for Carbon Farming

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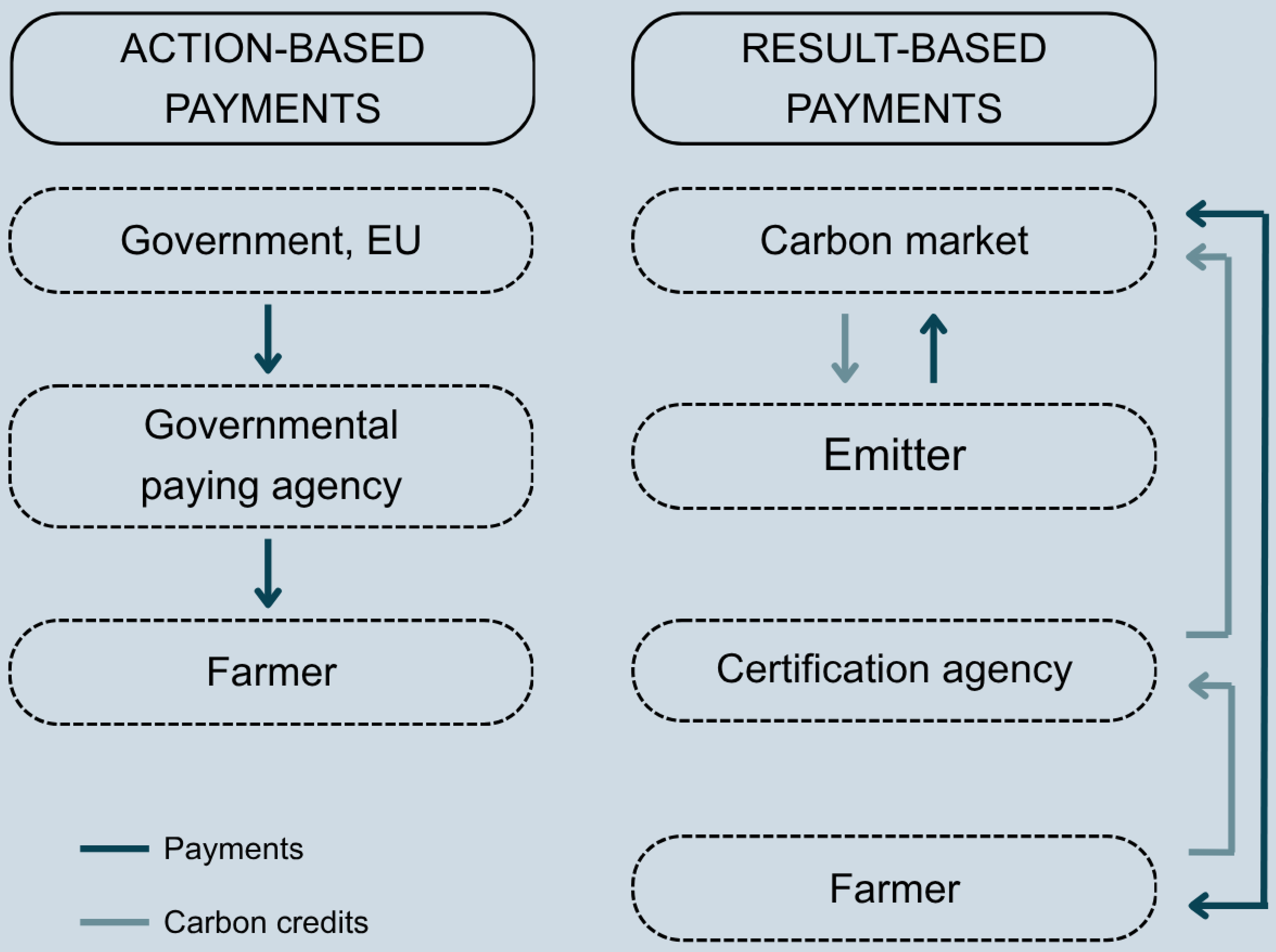
Result-based schemes have environmental potential, but the economic viability remains limited at current EU ETS price levels.



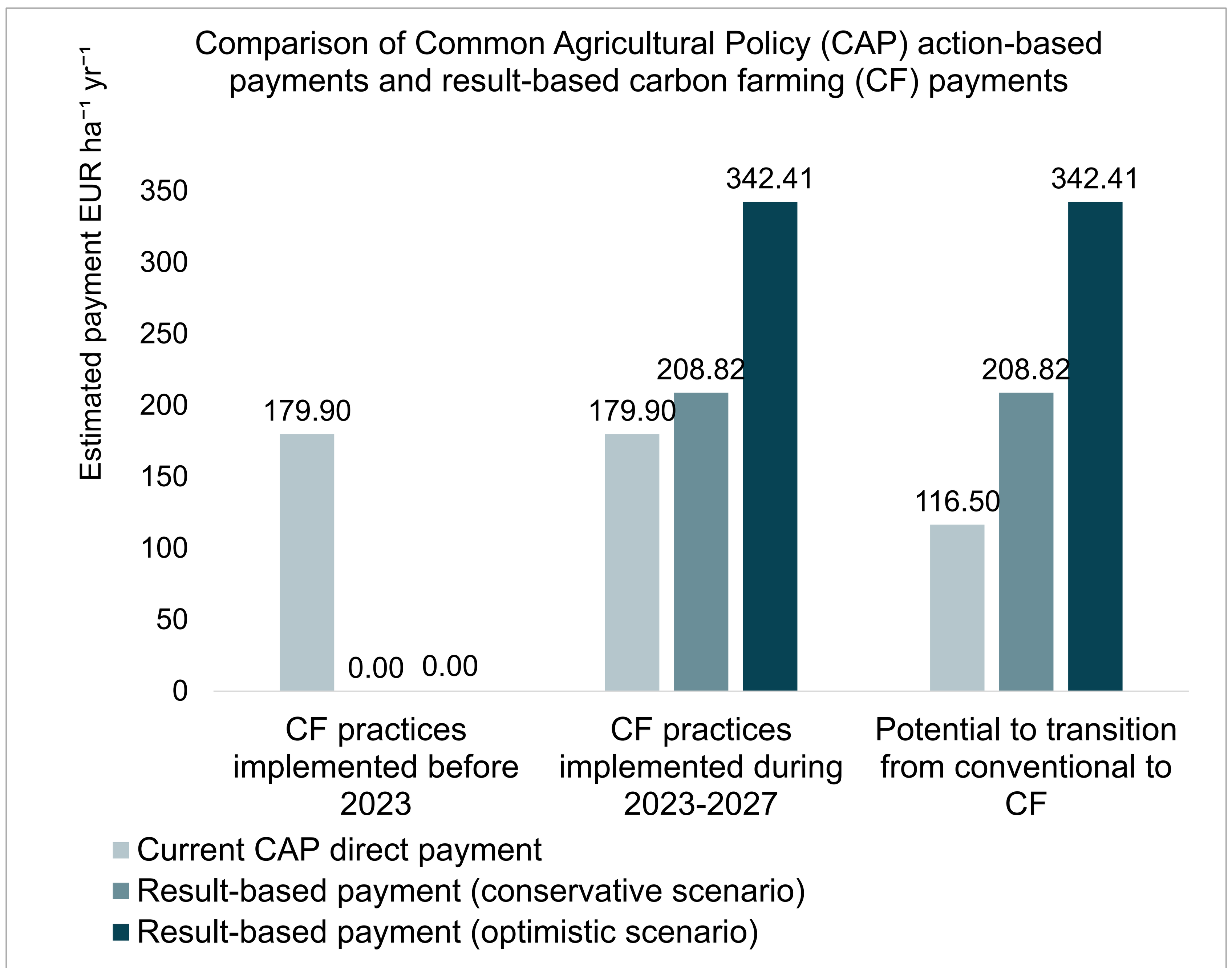
Introduction

Agriculture significantly contributes to GHG emissions, yet the existing subsidy system does not incentivize meaningful emission reductions, underlining the need for more outcome-oriented policy. Carbon farming presents a potential solution to link payments to measurable sequestration and emission reductions. However, its financial viability relative to current direct payments remains unclear, particularly in Latvia's climatic and agronomic context. This study investigates whether a result-based carbon farming payment scheme could provide farmers with competitive economic returns.

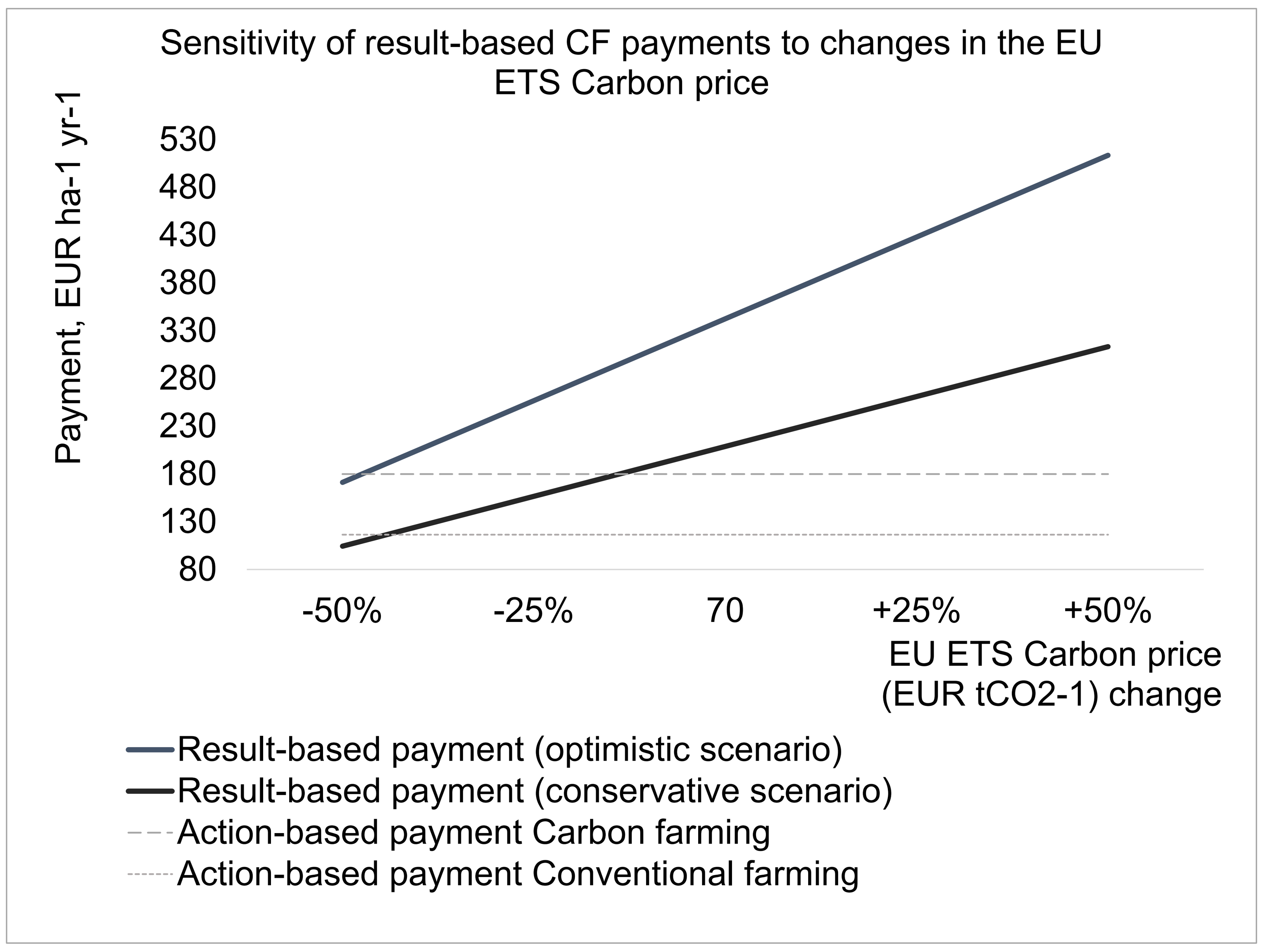
Methodology

Data collection from the case study farm → Selection of indices from the literature → Estimates according to the draft of CRCF methodology → Scenario result analysis

Results



Farms implementing new carbon-farming practices stand to gain the most, while early adopters do not receive any extra benefits under the current CRCF draft rules.



Result-based payments become financially beneficial only when they surpass CAP action-based payments.

With an EU ETS price of around 70 EUR per t CO_2eq, the economic incentive remains limited, especially for farms with modest soil organic carbon (SOC) increases.

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