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Report Name: Dutch Parliament Approves Law to Reduce Nitrogen Emissions

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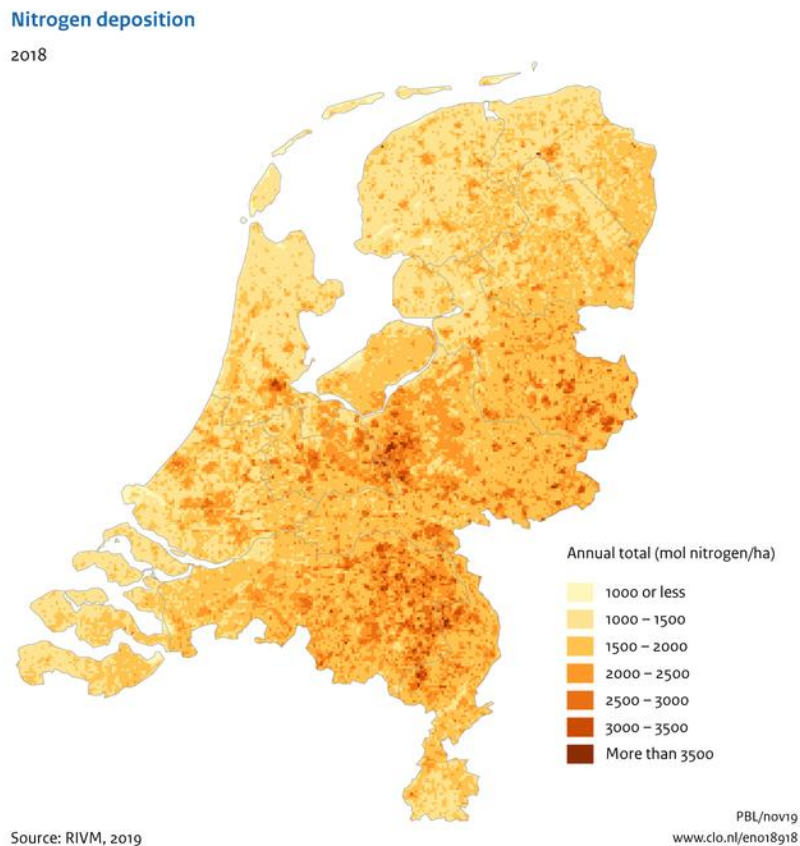
Report Highlights:

On December 17, 2020, the Dutch Parliament approved a new law that aims to curb nitrogen emissions in the Netherlands. The Netherlands Agricultural and Horticultural Association (LTO) -- the representative of 35,000 Dutch agricultural entrepreneurs and employers -- stated that even though the law will be challenging for the Dutch agricultural sector, it was pleased that some flexibilities were eventually incorporated. With the absence of concrete compulsory measures for the agricultural sector, however, it is difficult to determine the full effect the nitrogen law might have on the Dutch livestock industry.

Background

In May 2019, the Dutch Administrative Court of the Council of State, the highest administrative body in the Netherlands, ruled that the Dutch Government's Nitrogen Action Program (known as the PAS) -- a program to limit the effects of nitrogen -- was insufficient. In response the Ministry of Agriculture, Nature and Food Quality (MANFQ) commissioned an external body, under the lead of Johan Remkes (a former Deputy Prime Minister of the Netherlands), to propose a number of short- and long-term solutions in an attempt to comply with the Court's ruling.

Nitrogen Deposition in the Netherlands as of 2018



Source: <https://www.clo.nl/node/35271>

The so-called 'Remkes Committee' published its initial report at the end of September 2019. For the agricultural sector, the Committee recommended the Government find methods to reduce the livestock herd in the Netherlands. The advice included looking at ways to buy-out farmers that are operating livestock enterprises near [Natura-2000](#) areas (areas which are protected under EU law), while encouraging other farms to install additional emission control measures.

In December 2019, the Dutch Cabinet passed a temporary emergency law through Parliament that aimed to reduce emissions, in the short term, so that the economy could keep moving forward and necessary construction projects could be continued. NOTE: This emergency law expired on January 1, 2021. Subsequently, the MANFQ announced a number of measures that would help reduce agricultural

emissions. One of them, the introduction of a €455 million (\$545 million) [Voluntary Buy-out Scheme for the Swine Sector](#) compensates Dutch swine farmers who wish to vacate the industry.¹ The measures also included proposals to modify livestock feed mixes and mixing manure with water (neither of which have been implemented to date).

In April 2020, the Dutch Government proposed a €5 billion (\$5.6 billion) support program to finance investments focused on nature restoration and encouraging farmers, industry, aviation, and shipping to reduce their nitrogen emissions. A significant part of the fund was allocated to agriculture to buy-out swine, poultry and cattle farmers that operate close to nitrogen-sensitive nature areas, bringing the total cost of the buy-out program (excluding the earlier fund of €455 million) to €1.0 billion (\$1.2 billion). For additional information, see [NL2020-0012: Dutch Government Announces Programs to Curb Nitrogen Emissions](#).

In June 2020, the Remkes Committee released its final recommendations which noted the Government's €5 billion plan to reduce nitrogen-based pollution was unambitious and "there {was} insufficient evidence that it {would} allow nature to fully recover." In particular, the committee found that the Government's target of a 26 percent cut in emissions by 2030 did not go far enough. Remkes added that the Government's proposal to buy-out farmers who want to end production would not be enough to reduce emissions, particularly on livestock farms close to environmentally sensitive areas. For additional information, see [NL2020-0029: Advisory Council Critical of Government Approach to Reduce Nitrogen Emissions](#).

In an effort to further strengthen its efforts, the MANFQ announced that it intended to temporarily limit the use of proteins in feed as of September 1, 2020 (until the end of 2020) in order to attain a reduction of 0.2 kilotons in nitrogen emissions. Through this measure, the Ministry hoped to create space for the construction of 75,000 new homes in the Netherlands (which also generates emissions). The feed proposal, however, received strong opposition from the farm sector. Moreover, research from the Netherlands' Wageningen University indicated that the proposed measure would not successfully reduce nitrogen emissions as more protein would need to be added to cows' diets in order to make up for lower levels of protein in grass and ensure animal health. In the end, the MANFQ elected to scrap the feed measure due to a recent period of drought in the Netherlands. For additional information, see [NL2020-0041: Dutch Ministry Abandons Controversial Feed Measure to Limit Nitrogen Emissions](#).

In November 2020, the MANFQ opened another voluntary buy-out program: [the Targeted Buy-out Scheme](#). The funding for this initiative has been spread out over the course of three years: €100 million for 2020, €100 million for 2021, and €150 million for 2022. To be eligible, a farm must be located within a distance of 10 km (6.2 miles) of a Natura-2000 area and be responsible for a minimum nitrogen deposition level in the neighboring Natura-2000 area (i.e., 2 moles of nitrogen per-hectare, per-year). The Dutch Provinces are responsible for the implementation of the program, including the determination of the compensation, in negotiation with the farmers.

¹ While now closed to new applicants, the funding for this program was increased in stages to allow the MANFQ to honor all 407 applications that met the requirements of the program. Consequently, if all pig farmers who registered for the program are determined to be eligible, a total of 910,645 pig licenses will be withdrawn from the market. FAS/The Hague believes that this would result in a reduction in piglet and slaughter hog exports to neighboring Germany.

Sufficient Dutch Parliamentary Approval Obtained for Law

On December 17, 2020, the Dutch Minister of Agriculture, Nature and Food Quality, Carola Schouten, obtained sufficient support in the Dutch Parliament for a new law to limit nitrogen emissions in the Netherlands. The [Law](#) amending the Dutch [Nature Conservation Law](#) and the [Environmental Law](#) (hereinafter referred to as the nitrogen law), sets limits for nitrogen levels in Natura-2000 areas. The law sets three targets:

- 40 percent of the nitrogen sensitive Natura-2000 areas must be below the critical deposition value (< 255 mole per hectare) in 2025,
- 50 percent of the nitrogen sensitive Natura-2000 areas must be below the critical deposition value in 2030, and
- 74 percent of the nitrogen sensitive Natura-2000 areas must be below the critical deposition value in 2035.

To accomplish these goals the nitrogen law aims to half nitrogen emissions by construction and agriculture by 2035. Based on the voting of the political parties in Parliament, it is expected that the law will also be approved by the Dutch Senate in the spring of 2021.

The Minister stated in the accompanying note that the main difference between the new law and the previous laws is not to steer economic activities based on calculated future nitrogen emissions but on the actual nitrogen levels of the nature reserves. The new nitrogen law contains provisions for local actors, Provinces, and municipalities to achieve these nitrogen levels by curbing emissions from construction and agriculture. With the new law, a fund of €3 billion (\$3.6 billion) will be made available for nature restoration, €2 billion (\$2.4 billion) for measures in the agricultural sector, and €1 billion (\$1.2 billion) for measures to limit nitrogen emissions by construction projects.

The Main Provisions of the New Law

The budget of €2 billion for the agricultural sector will be made available for financing buy-out programs, innovation, and technical measures to reduce nitrogen emissions. The technical measures generally include the mixing of manure with water, increased grazing, and adaptations to feed and feed management (e.g., using feed with a lower protein content or a higher uptake of nitrogen). The law passed Parliament with a number of provisions, which provide some flexibility towards its implementation:

- Besides safeguarding Natura-2000 areas, the nitrogen law also accounts for local economic, social, and cultural requirements. This [provision](#) mainly intends to take into account the financial position of the farmer and the related feasibility of the measures. These local requirements are part of the EU's directives but were not yet included in Dutch law.
- The law permits the Dutch Government to discuss measures to reduce the nitrogen emissions with the European Commission and other EU Member State Governments. This provision mainly pertains to nitrogen emissions originating from neighboring countries.

- Within three years, the law plans to legalize expansion or renovation permits of more than 3,000 farmers which qualified for them before the verdict of the Council of State (see Background).
- The prohibition against voluntary bought-out farmers from starting another farm was cancelled. Farmers who have been voluntary bought out can now start a farm at another location, but must substantially reduce the nitrogen emissions at their new location.
- In addition, the law includes a commitment from the MANFQ to cooperate with the agricultural and food sector, banks, NGOs, Provinces, and municipalities to agree on an accord to implement the law, and, at the same time, offer an economically viable and ecologically sustainable future for the agricultural sector.

Opposition to the Law

Three opposition parties -- the Socialist Party (SP), the Reformed Political Party (SGP), and 50Plus -- joined the Cabinet and voted in favor of the law. Several other parties -- the PVV (Party for Freedom), Green Left, the Party for the Animals, and the Labor Party (PvdA) -- argued that the law is not ambitious enough in reducing nitrogen emissions. The Forum for Democracy (FvD) stated that the only intention of the new law is to decimate the agricultural sector, and voted against it.

The Netherlands Agricultural and Horticultural Association (LTO) stated that the law is a hardship for the sector, and has an unachievable goal for 2035. However, the LTO stated that some of their lobbying efforts have been successful. In cooperation with another Dutch farmers' organization, Agractie, and the Netherlands Agricultural Youth Board (NAJK), the LTO claims to have lobbied for the flexibilities listed above. The Farmers Defense Force (FDF) expressed frustration that farmers are being forced to solve the national nitrogen problem, and that tough procedures to implement the law would follow. They added that "nothing {had been arranged} for agriculture" except for an increase of the reduction targets.

Implications for the Dutch Agricultural Sector

The effect of the new nitrogen law on the intensive Dutch livestock sector is difficult to determine as the measures for the agricultural sector have not been agreed upon. The implementation of the law will depend on the efforts and objectives of the local interested parties (i.e., the farmers, municipalities and Provinces), taking into account the local circumstances and requirements. The only programs available to date that could have a significant impact on the sector are the previously established voluntary buy-out program of €455 million and the new program of €350 million for livestock and poultry farmers.

In 2021, a third voluntary buy-out program is expected to be opened: the National Buy-out Program -- which is rumored to become available for farms which don't reach the level of 2 moles of nitrogen per hectare, per-year. Currently the Government is working on a draft regulation which is anticipated to be published in the near-term.

With a third planned program, the total budget for buying out intensive livestock farms in the Netherlands for the period of 2020 to 2023 is projected to be nearly €1.5 billion (assuming at least €1.0

billion of the €2.0 billion for agriculture is used to support buy-outs – as initially proposed in April 2020 -- and including the Voluntary Buy-out Scheme for the Swine Sector of €455 million).

There is a lot of uncertainty, at present, with regard to how many farmers will voluntarily pursue buy-outs. For example, if €1.455 billion were only to be allocated to the swine industry, and the same payment conditions were applied as defined by the Voluntary Buy-out Scheme for the Swine Sector, as much as 3 million animals in production² could be taken out of the market. This would correspond to roughly 2,000 swine farms, and nearly one-quarter of the Dutch swine herd. It must be noted, however, that the last two buy-out programs are also open for cattle and poultry farms. Accordingly, the impact on Dutch swine production is expected to be lower (potentially significantly) than the numbers noted above.

Attachments:

No Attachments.

² A farmer must have a number of production licenses which cover the average number of animals at the farm during the year. A hog weighing 25 kg or more accounts for one license, a weaned piglet for 0.36, and a sow for 1.96 licenses.