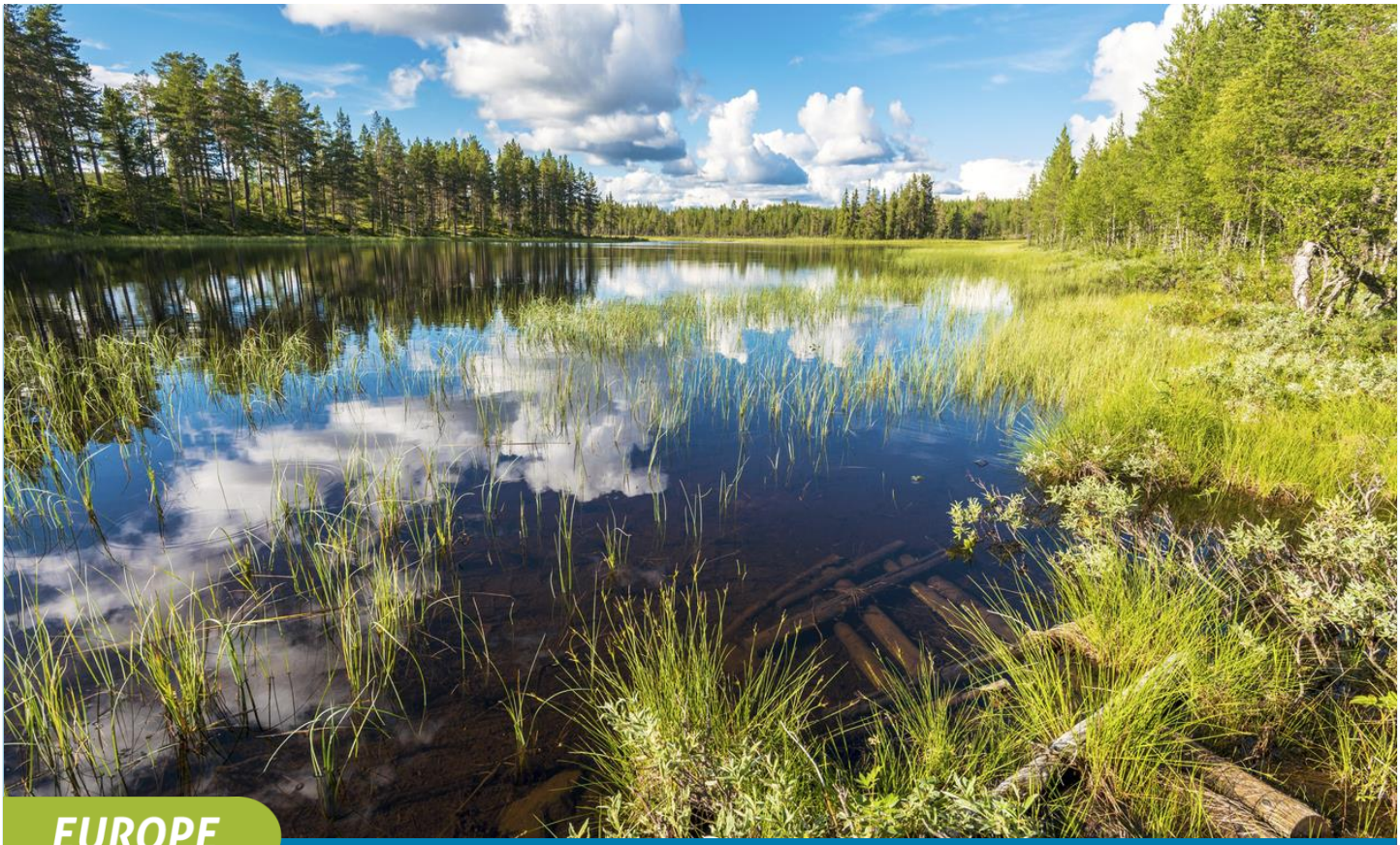


EUROPE

Wetlands in the Carbon Removals and Carbon Farming regulation

Where we are and what comes next

Wetlands INTERNATIONAL

Executive summary

When protected, restored or sustainably managed, wetlands and peatlands in particular can act as highly effective carbon stores and sinks while also supporting unique biodiversity, water and nutrient regulation, and other ecosystem services.

Peatlands are among Europe's most carbon-rich ecosystems, yet nearly 50% of them are degraded due to agriculture, forestry, and peat extraction [1]. Covering approximately 594,000 km² in the EU, degraded **peatlands are responsible for around 5% of total EU greenhouse gas (GHG) emissions [2].**

Rewetting drained peatlands represents a key nature-based solution to reduce the ongoing CO_2 emissions from drained peat soils. Just as importantly rewetting peatlands restores natural water regulation, strengthening resilience to climate change by helping landscapes better cope with droughts and heavy rainfall. It also supports biodiversity recovery and can provide livelihood opportunities through e.g. paludiculture and ecotourism [1].

The Carbon Removals and Carbon Farming Regulation (CRCF) provides an opportunity to scale up action by recognising and certifying emission reductions, carbon removals, and sustainable land practices. The European Commission is currently developing a draft Delegated Act establishing carbon farming certification methodologies, which will include a methodology for peatland rewetting. Once adopted, these methodologies will provide the EU's reference criteria for the certification of peatland-related carbon credits and for the credibility of credits and claims in European carbon markets. If well implemented, the CRCF can unlock private finance and promote high-integrity, results-based mitigation in line with broader EU environmental goals.
In line with the ongoing process of CRCF implementation consisting of the Expert Group meeting on the draft Delegated Act, planned for the 5th and 6th of February 2026, as well as the public consultation, this paper aims to inform on points of contention for the Delegated Act regarding peatlands, and the areas to look out for thoughout the implementation of the CRCF.

Introduction

According to the monitoring report of the European Environmental Agency[3], the EU is very unlikely to meet its land sector climate targets (incl. increase net GHG removals from land-use, land-use change and forestry sector to –310 $MtCO_2$ equivalent by 2030) unless more ambitious measures are implemented such as rewetting of drained peatlands to reduce emissions. Despite common underreporting in peatland emissions [4], in Europe this can amount to a climate mitigation potential of 60-100 Mt CO_2-equivalent per year, and up to 195 Mt CO_2-equivalent per year by 2050 [5]. Mobilising large scale funding for wetland and peatland restoration is therefore an urgent matter that requires a significant contribution from the private sector, on top of public funds.

The European Commission's Carbon Removals and Carbon Farming (CRCF) Regulation, adopted in December 2024, aims to establish an EU-wide certification framework for activities with potential to reduce GHG emissions, and remove or store carbon. The Regulation seeks to incentivise investment in sustainable carbon farming solutions and permanent carbon removal technologies as part of the EU's broader climate neutrality goals for 2050. Following its adoption, work is underway to develop the methodologies that will define how emission reductions and carbon removals are measured, reported, and verified under the CRCF. These methodologies are to be progressively introduced in a single Delegated Act in early 2026. Once finalised, the CRCF will be able to accredit independent certification schemes, allowing them to include the emission reductions in a union-wide registry (to be developed by 2028) [6].

Peatlands are included as a viable pathway for soil emission reductions. The final shape of the CRCF Delegated Act will influence the scale and effectiveness of future investment in peatland rewetting in the EU Member States. Funding enabled through CRCF could be pivotal in accelerating peatland restoration. Nevertheless, certain conditions will need to be met, both to ensure the longevity of legislation that can adapt to peatland specific conditions as well as its widespread uptake and sale of the issued credits.

As CRCF moves from design to implementation, it is essential to focus on where the framework can most

effectively deliver on its climate, biodiversity, and socio-economic objectives. This paper sets out guiding principles that CRCF should apply to peatlands, along with recommendations on high-level methodological issues. It also outlines the conditions needed to secure long-term financing for rewetting. In addition to peatlands other wetland types also offer potential. The paper considers how the framework could, in the near future, be expanded to include these other wetland types, such as managed Mediterranean wetlands.

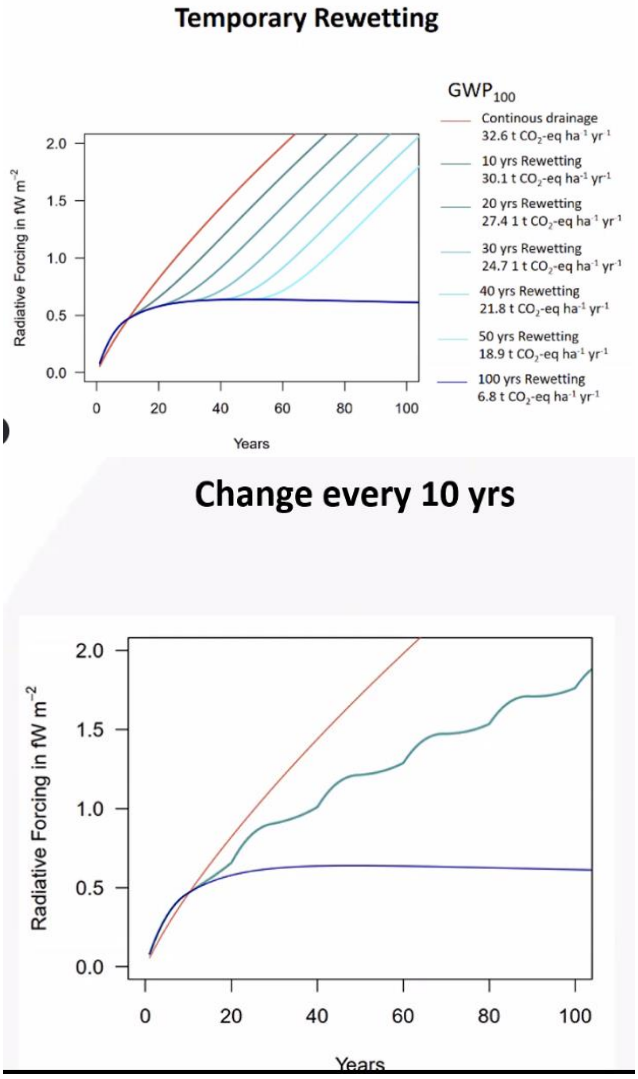
CRCF Peatlands methodology

PERMANENCE OF EMISSIONS

In the CRCF, peatland rewetting is classified as an activity under soil emission reductions [7]. Among the key methodological questions surrounding peatland rewetting, the permanence of emissions reduction remains a central and contested issue.

Most carbon farming frameworks and markets include safeguards against "reversals" — events when stored carbon is released, nullifying the original climate benefit. In contrast, emission reductions from peatland rewetting are greenhouse gases that - as a result of peatland rewetting - are not released and thus delay or reduce the increase of GHG concentrations in the atmosphere. This lowered concentration in the project scenario compared to the baseline scenario persists, even when drainage is re-installed and the emissions return to the same rate as before the rewetting activity. Therefore, a reversal of the activity does not lead to a reversal of the achieved emission reductions, as long as the baseline remains the same. In this respect, emission reduction projects differ from carbon removal projects, where the reversal of the activity (e.g. by deforestation) potentially returns the carbon removed by that activity (e.g. by afforestation) back into the atmosphere and thus nullifies the benefit.

As the forthcoming Delegated Act under the CRCF aims to cover three carbon farming certification methodologies together (agriculture and agroforestry on mineral soils, peatland rewetting, and tree planting), there is a risk that peatlands and forests will be subject to the same permanence requirements. Yet peatlands differ fundamentally from forests in how they store and emit greenhouse gases: forests accumulate carbon in living biomass over decades, whereas peatlands hold the highest carbon stocks per hectare of any terrestrial ecosystem, storing vast layers of dead organic matter built up over thousands of years. This difference in both process and scale makes identical rules on permanence inappropriate.



Radiative forcing under different peatland management options (Hans Joosten, n.d.)

DURATION OF REWETTING PROJECTS

There has been significant discussion about the appropriate duration of such projects. The envisaged minimum requirements for practitioners to undertake peatland rewetting will be a 10-year commitment rather than the 5 years for other land cover types. This allows biogeochemical processes to stabilise over the

longer term and so fully benefit from net carbon emission reductions. Nonetheless, financing for peatland rewetting projects will require significant input in the early stages of restoration, as rewetting costs can be quite high [8]. This means longer rewetting periods make both ecological and financial sense.

We support the need for pragmatism, inclusivity, and flexibility in the early phases, when encouraging practitioners to start peatland rewetting projects. The earlier rewetting starts, the more resilient the peatlands will be [9]. Nonetheless, we strongly advise to put forward arguments and incentives to keep practitioners on board for longer periods.

CRCF in the wider policy and standard landscape

COMMON AGRICULTURE POLICY AND NATURE RESTORATION REGULATION

To ensure environmental integrity and policy coherence, it is essential that the CRCF is coherent with other key EU legislation, such as the Nature Restoration Regulation (NRR) and the Common Agricultural Policy (CAP).

The NRR sets progressive binding restoration targets for habitats not in good condition, aiming for at least 30% by 2030, 60% by 2040, and 90% by 2050. For drained peatlands in agricultural use, Article 11(4) [10] requires Member States to restore organic soils and explicitly mandates that part of this restoration target must be achieved through rewetting. Rewetting peatlands reduces GHG emissions and enhances biodiversity, contributing to both climate and nature targets. The NRR also requires Member States to make rewetting attractive for farmers and landowners to invest in as well as to provide knowledge and advice on its benefits and management. In this context, paludiculture is recognised as a sustainable restoration practice for peatlands with both financial and ecological advantages. Furthermore, the CRCF will provide methodological guidelines which should incentivise the development of local certification schemes for peatland rewetting.

The Common Agricultural Policy (CAP) can be complemented by the CRCF by providing financial incentives, technical support, and long-term management assistance to farmers. Through eco-schemes and agri-environment-climate measures, CAP can help offset the opportunity costs of adopting carbon farming practices, such as peatland rewetting or paludiculture, while also supporting biodiversity and water management objectives. By reducing financial risks and facilitating knowledge transfer, CAP can enhance participation in CRCF-certified projects and ensure that carbon reductions are sustained over the long term, thereby reinforcing policy coherence and the effectiveness of EU climate and restoration goals.

The CRCF Regulation foresees a review by the European Commission at the end of 2026 to assess the need for alignment with the Paris Agreement's Article 6 and best practices on corresponding adjustments. This review will help determine whether further safeguards are needed to ensure that carbon removals certified under CRCF are consistent with internationally recognised accounting standards and to avoid potential double counting across EU and global frameworks.

SCIENCE-BASED TARGETS INITIATIVE

The SBTi [11] (Science-Based Targets initiative) is an internationally recognised framework that guides companies in reducing their GHG emissions and, where possible, investing in carbon removal projects worldwide. For companies, having their investments directed by the SBTi represents a stronger guarantee that their environmental goals are validated and reduces allegations of greenwashing. However, the SBTi currently acts as a limitation to widescale investment in peatland rewetting since they do not consider it as part of their framework.

Recently, there has been increased discussion around the possibility for peatland rewetting to be included under the SBTi as a carbon sequestration and emission reduction target. Through their work developing the CRCF, the Commission should strongly engage with SBTi to encourage alignment, otherwise it would be at risk of losing a significant portion of the market that SBTi can direct to it. The CRCF can play a key role in demonstrating that peatland rewetting is a scientifically robust and vital practice for global climate mitigation, helping secure its place in the international target-setting framework shifting the needle for SBTi investment strategies in the future.

Wetlands in CRCF in the (near) future

MEDITERRANEAN WETLANDS

In the future, the CRCF will have many opportunities to expand its scope and to include more wetland ecosystems beyond peatlands. Many other wetland types can have significant carbon storage or sequestration capacity. To enable this expansion, it will be important to explore the potential of other wetland ecosystems, both in terms of emission reductions and carbon sequestration, to determine the environmental benefits, risks, and feasibility of incorporating certain wet farming practices to the CRCF.

Mediterranean coastal wetlands for example, face many of the same pressures as peatlands, particularly drainage for agriculture, further exacerbated by increasing water scarcity and climate change. Operational experience already exists to quantify climate benefits in managed Mediterranean wetlands through standardized monitoring, reporting and verification approaches. Work done by Fundacion Global Nature to develop the Wetlands4Climate methodology [12], provides a solid basis to demonstrate how adaptive hydrological and vegetation management can be translated into measurable and verifiable emission reductions, while also delivering biodiversity and water-related co-benefits.

Conclusion and recommendations

CONCLUSION

We welcome the CRCF as a potentially important legislative tool to unlock private finance to rewet peatlands with potential for a wider set of wetland types in the future. However a number of technical ambiguities remain to be ironed out before the CRCF is fit for purpose.

Ultimately, the success of the CRCF will hinge not only on its ability to generate carbon credits, but on its capacity to catalyse real restoration at scale. Investing in wetlands and peatlands is not simply a carbon strategy; it is a climate, nature, and societal imperative.

Establishing a 'peatland rewetting market' to provide incentives for investment and long-term planning will be needed to encourage uptake of the CRCF.

A robust peatland rewetting methodology — aligned with the NRR and CAP — is critical to ensuring the uptake of rewetting and restoration projects across the EU. The CRCF's interoperability will dictate the feasibility of peatland rewetting to the potential practitioner when weighing their options.

Non-alignmment of SBTi to the CRCF risks that investment into peatland rewetting will not reach its full potential.

Peatlands risk being grouped with other ecosystem types when their carbon funtioning differs reducing the incentives for the uptake of CRCF. The CRCF methodologies should reflect this encouraging uptake and accepting that a better enabling enviornment needs to be established to encourage investment.

Wetland restoration provides significant benefits for biodiversity, by recovering critical habitats for waterbirds, fish, and threatened species, while also enhancing ecosystem resilience to climate change. These ecological and social co-benefits strengthen the value of the generated credits, which can achieve higher recognition and differentiation in carbon markets for their contribution to biodiversity and nature conservation objectives, alongside climate mitigation.

RECOMMENDATIONS

1) The EU and Member States should reduce the risks of investment in peatland rewetting by creating favorable conditions for the development of a market for paludiculture products and their associated logistical and processing infrastructure.

2) Reward peatland rewetting projects that go beyond the 10 year minimum with additional benefits.

3) Explicitly recognise that carbon credits associated with peatland rewetting generate co-benefits for biodiversity and ecosystem services, reflected in their certification and communication, enabling them to obtain a market premium compared to less comprehensive credits.

4) Focus on engaging with SBTi around peatland rewetting to align with CRCF and maximalise investment in peatland rewetting.

5) Mobilise science based knowledge on wider wetland carbon reduction emissions and sequestration to underpin future expansion of the CRCF.

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