

Monday, March 11<sup>th</sup>, 2024

# The future of the EU ETS: Carbon removals

(Online) Stakeholders Roundtable

# 1. State of play

Some relevant legislative files, aiming a framework for carbon removals:

- EU Emission Trading System (**ETS**) Directive
  - Monitoring and Reporting Regulation (**MRR**)
- Union certification framework for carbon removals (**CRCF**)
- Europe's **2040** climate target
- Industrial Carbon Management Strategy (**ICMS**)

# 1. State of play (EU ETS)

## Art 49 Monitoring and Reporting Regulation (MRR)

- “1. The **operator shall subtract** from the emissions of the installation **any amount of CO<sub>2</sub>** originating from **fossil carbon** in activities covered by Annex I to Directive 2003/87/EC that is not emitted from the installation, but:
  - (a) transferred out of the installation to any of the following:
    - (i) a capture installation **for the purpose of transport and long-term geological storage** in a storage site permitted **under Directive 2009/31/EC**;
    - (ii) a transport network with the purpose of **long-term geological storage** in a storage site permitted **under Directive 2009/31/EC**;
    - (iii) a storage site permitted under Directive 2009/31/EC for the purpose of long-term geological storage;
  - (b) transferred out of the installation and used **to produce precipitated calcium carbonate**, in which the used CO<sub>2</sub> is chemically bound”.

# 1. State of play (EU ETS)

Art 12 (3b) EU ETS Directive 2003/87

- *3b. “An **obligation to surrender allowances** shall not arise in respect of emissions of GHG gases which are considered to have been **captured and utilised** in such a way that they have become **permanently chemically bound in a product** so that they do not enter the atmosphere under normal use, including any normal activity taking place after the end of the life of the product.”*

Art 30 (5) EU ETS Directive 2003/87

*“5. **By 31 July 2026**, the Commission shall report to the European Parliament and to the Council on the following matters, accompanied, where appropriate, by a **legislative proposal and impact assessment**:*

*(a) how **negative emissions** resulting from GHGs that are removed from the atmosphere and safely and permanently stored could be **accounted for and** how those negative emissions could be **covered by emissions trading**, if appropriate, including a clear **scope** and strict **criteria** for such coverage, and **safeguards** to ensure that such removals do not offset necessary emission reductions in accordance with Union climate targets laid down in Regulation (EU) 2021/1119”;*

# 1. State of play (CRCF and 2040)

COM(2022)672 - Proposal for **Union certification framework for carbon removals (CRCF)**

- (Open) **Definition** of carbon removals
    - **Permanent** carbon removal, **temporary** carbon storage, carbon **farming**.
  - **EU registry** for carbon removals, **monitoring** and **liability**.
  - **Domestic scope**: Certified units should only contribute to the EU's NDC.
  - **Use of CRCF certificates**: still unclear.
  - Status and next steps:
    - Provisional agreement,
    - **Final text 27<sup>th</sup> March**.
    - To be formally adopted by EP and Council.
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COM/2024/63 final – **Europe's 2040 climate target** and path to climate neutrality by 2050

- To deliver a reduction of net GHG emissions of **90% in 2040**:
  - The **remaining EU GHG emissions** should be **less than 850 MtCO<sub>2</sub>-eq**.
  - **Carbon removals** (from the atmosphere through land-based and industrial carbon removals) should reach **up to 400 MtCO<sub>2</sub>**.

# 1. State of play (ICMS)

COM(2024)62 - Towards an ambitious **Industrial Carbon Management for the EU (ICMS)**

- Three pathways:
  - CCS
  - CCU
  - CDR
- Main priority: building of CO<sub>2</sub> **infrastructure**
- Foreseen actions:
  - Pathways-specific
  - No new legislation proposal → Linkages with already existing regulations are not clear yet.

## 2. EU ETS: Open issues

- To discuss today:

Roundtable icebreakers will present views and issues relevant to the debate on the integration of carbon removals within the EU ETS, beginning with opening remarks of 5–7-minute each. An open roundtable discussion with participants will conclude the session.

The icebreakers will provide their views on:

- How **important** is the integration of carbon removals within the EU ETS?
- How **urgent** is to integrate carbon removals in the EU ETS?