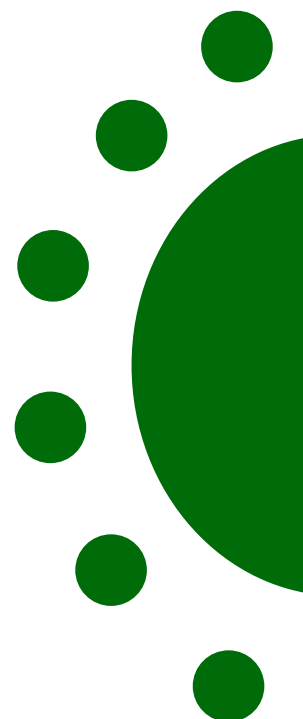


ERCST COMMENTARY

The Carbon Removal Certification Framework: what is next?



Overview of the latest developments on the CCUS- and CDR-related policy landscape in the EU

Since the European Commission (EC) organized the last CCUS Forum, which was held in Oslo in November 2022, Carbon Capture, Utilization, and Storage (CCUS) and Carbon Dioxide Removal (CDR) policies are gaining considerable momentum in the European Union thanks to the launch of various policy initiatives in support to the development and deployment of this technologies – that is, the Net-Zero Industry Act¹ and the revision of the Guidance Documents² of the CCS Directive³, among others. Nevertheless, the policy piece that is still missing is the Industrial Carbon Management strategy, which has been postponed from the last quarter of 2023 to the first quarter of 2024.

The most relevant policy file that has been proposed to target CDR methods specifically is the proposal for a Regulation establishing a Union certification framework for carbon removals (CRCF)⁴. This was published at the Forum, but had been announced in the EC's Sustainable Carbon Cycle Communication⁵, published in December 2021, as one of the tools at the disposal of the EU and its Member States to achieve climate neutrality by 2050.

Within the European Parliament (EP), the proposal is under the jurisdiction of the ENVI Committee, which voted on the draft report prepared by MP Lídia Pereira (EPP) on October 24. The EP is expected to vote on its position on November 20. After the voting takes place, the Council of the EU (the Council) will also produce its position, and tripartite negotiations, also known as trilogues, will start, if necessary. Expectations see the proposal being adopted in the first half of 2024, alongside the Industrial Carbon Management strategy.

A quick dive into the CRCF proposal

The CRCF proposal presents itself as a framework for CDR methods, specifying that more technical regulations, such as the methodologies to apply to the different types of removals introduced in the proposal, will be developed by the EC in the form of Delegated Acts, which will be developed only after the CRCF will enter into force. However, discussions on methodologies have already started within the work of the Carbon Removal Expert Group.

¹ REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on establishing a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem (Net Zero Industry Act) – [Procedure 2023/0081/COD](#).

² EC (n.d.). [Implementing the CCS Directive](#).

³ [Directive 2009/31/EC](#) of the European Parliament and of the Council of 23 April 2009 on the geological storage of carbon dioxide and amending Council Directive 85/337/EEC, European Parliament and Council Directives 2000/60/EC, 2001/80/EC, 2004/35/EC, 2006/12/EC, 2008/1/EC and Regulation (EC) No 1013/2006 (Text with EEA relevance).

⁴ REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing a Union certification framework for carbon removals – [Procedure 2022/0394/COD](#).

⁵ COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL Sustainable Carbon Cycles – [COM/2021/800 final](#).

Because of its scope, the CRCF limits itself in setting the overall objective – that is, to facilitate the deployment of carbon removals in the EU –, alongside a wide list of definitions and the so-called ‘QU.A.L.I.TY’ criteria, which stand for quantification, additionality, long-term storage, and sustainability, respectively in Articles 1 to 7. The structure of the framework, instead, is outlined in Article 9. A simplified graphic representation of the certification process is shown in *Figure 1*.

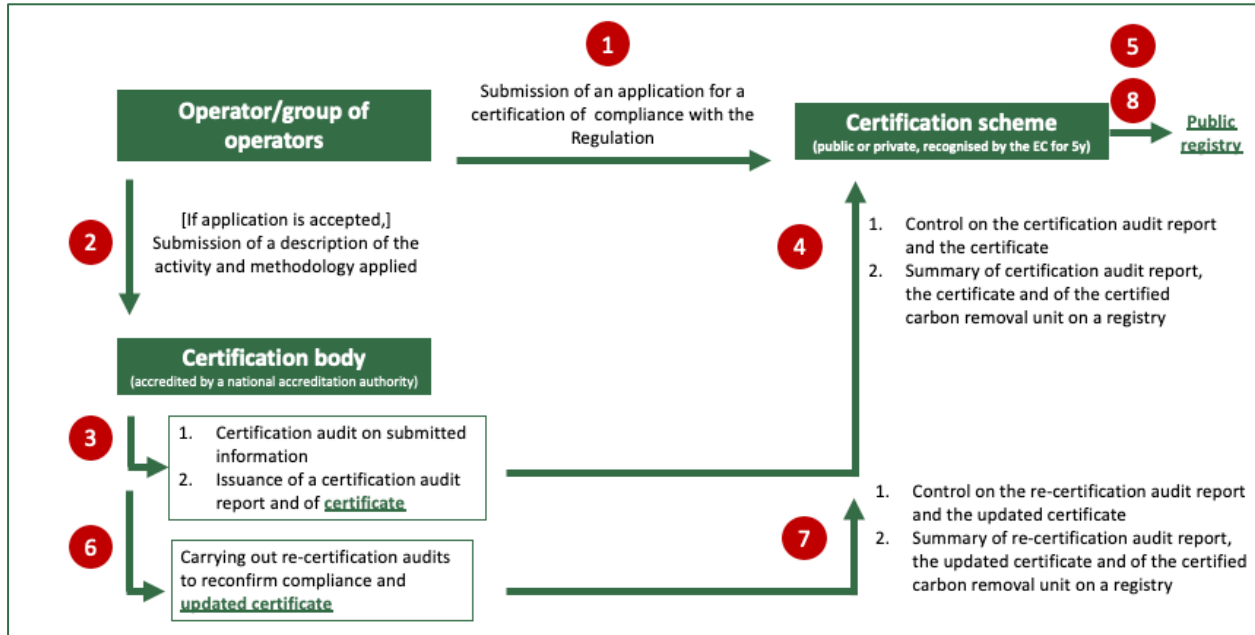


Figure 1. Key elements and steps of the certification process.

Compelling issues: market demand and market fragmentation

The CRCF proposal is part of a growing worldwide buzz about the need to deploy these technologies to achieve global net-zero emissions by 2050. Certainly, this proposal shows the political support from the EC and the ENVI Committee and a willingness to move ahead in the deployment of these technologies.

However, a (market) framework should include governance rules and one or more methodologies as well as demand and supply for the product(s) of that market. The current text does not mention any end-use of the certificates that will be generated under the CRCF, making it unclear why operators should ask for these new certifications. It does only refer to the supply of the certificates.

Such an oversight raises questions on the reasons why the EC did not include any explicit demand provisions in their proposal.

In addition, we must consider the ‘ETS endgame’, when there will be no more allowances available under the ETS by 2039, according to the current regulation. This lack of liquidity can be addressed by allowing certificates generated by the CRCF into the ETS, with the appropriate adjustments to the system. In the

recently revised ETS Directive⁶, the EC has already committed to prepare a report on this matter to be proposed to the EP and the Council by 2026.

While the current regulation sees a differentiation based on the emission sources, making a distinction on whether the emissions are captured at source or from the air, the CRCF risks introducing even higher policy and market fragmentation as a result of the creation of four different units– carbon removal units, carbon farming sequestration units, carbon farming emission reduction units, and carbon storage product units – by the ENVI Committee. This amendment was not envisioned in the EC text, as it was introduced by the ENVI Committee. The EP vote will be substantial in creating the right market setting for CDR certificates.

The way forward

The CRCF legislative process is still far from reaching a conclusion. After the vote from the ENVI Committee, the EP Plenary needs to vote on the compromised amendments and define its position. Afterward, the Council needs to express itself on the matter, and trilogues may start. The proposal is expected to be adopted in the first half of 2024, while the first delegated act on one of the methodologies is expected by the end of 2024, and the first project will be certified by 2025.

While the EU has adopted a regulatory approach to deal with CDR methods, rather than providing direct incentives to the technologies as it happens in other jurisdictions outside the EU, this approach should not be an obstacle to the role that a well-designed market can play. Moreover, there is a necessity to be more forward-looking and take into consideration the interplay with other EU policies, such as the EU ETS.

⁶ [DIRECTIVE \(EU\) 2023/959](#) OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 10 May 2023 amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union and Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading system.