

ERCST Reflection Note

The CRCF trilogues and the Industrial Carbon Management strategy: where are we headed?

Authors

Andrei Marcu, Elena Bonfiglio





From 2009 to date

When looking at the regulatory development related to Carbon Capture, Utilization, and Storage (CCUS) and Carbon Dioxide Removal (CDR) technologies in the EU, little has been done at the implementation levels, since the adoption of the CCS Directive¹ in 2009.

New momentum for these technologies started again since the creation of the CCUS Forum, which was launched in Brussels in 2021, followed by two other meetings – one in Oslo in 2022, and one in Aalborg in 2023. CCUS and CDRs crawled back into the limelight of the policymaking process, with the European Commission proposing new legislation and Member States introducing plans related to deploying the technology in their National Energy and Climate Plans (NECP).

The Commission has put forward two main pieces of regulation, which will become the basis for the development of CDRs and CCUS, respectively, in the EU: the Carbon Removal Certification Framework (CRCF)² and the Industrial Carbon Management Strategy (ICMS)³. To complete the framework, it is also important to mention the Net-Zero Industry Act, which was proposed in March 2023, and the Communication on Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society⁴, published in February 2024, jointly with the ICMS.

It is worth mentioning that in February 2024, important developments in these two files took place. The ICMS was published on February 6, and a provisional agreement between the Parliament and the Council on the EC's proposal for the CRCF was reached on February 20. The related ordinary procedure is expected to come to an end before the end of this Commission.

A closer look: the CRCF trilogues and the ICMS

Having found a provisional agreement on the CRCF and publishing the ICMS can be seen as important landmarks for CCUS and CDR, as they show the increased interest at the EU's and

¹ 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).

² COM(2023) 161 final, 2023/0081(COD).

³ COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS Towards an ambitious Industrial Carbon Management for the EU – COM/2024/62 final.

⁴ COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS Securing our future Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society – COM/2024/63 final.



Member States levels in deploying the technology to achieve climate targets. However, both files are far from being perfect.

One important element that is missing in both policies is clarity. In the case of the CRCF, many details are left to the delegated acts on methodologies, which will be developed by the Commission with the help of the expert group on carbon removals, which met for the first time on March 7, 2023, and has carried out 2 other meetings since then, with the next one scheduled for April.

The ICMS is also missing important elements, such as what will be included in the proposal for a possible future CO₂ transport regulatory package, on which the Commission is supposed to start working this year. It seems that details of the package content are left to the next Commission to be decided, as the term is almost over, but this also means that it will be unlikely to have proposals for new regulations already in 2024, and having them in 2025 may be already late to be on the right pathways to develop the capacity of capturing 280 million tonnes of CO₂ by 2040 and 450 million tonnes mentioned in the ICMS, which then need an infrastructure already in place to be transported to storage place. However, it is also not clear whether such numbers will transform and become targets.

Links to other regulations are also not specified in the two documents. Because of this, it is not clear how the CRCF will be entangled with other existing pieces of law, as well as what the end use of the certificate is. It will probably become a reference in other regulations, as it happened with the Green Claims Directive⁵, which is not adopted yet⁶.

Similar considerations apply to the ICMS, in which the Commissions listed a list of actions to be taken in the 3 outlined pathways – CCS, CCU, and CDRs – without being too specific on linkages with existing policies already regulating these technologies.

While it may not be necessary to specify this information at this stage, at the same time it is important to remember that the Commission's strategy does not develop in a vacuum, and having such linkages clear from the beginning would help industry and stakeholders to better foresee the development of the EU's regulatory framework in their quests for reducing policy uncertainty.

Also, neither the ICMS nor the political agreement on the CRCF – which text is not public yet – are tackling the problem of not creating a so-called '2-speed Europe'. Indeed, none of them includes measures on how to overcome creating substantial differences among Member State

⁵ Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on substantiation and communication of explicit environmental claims (Green Claims Directive) – COM/2023/166 final.

⁶ European Parliament (2024). Substantiating green claims. Legislative Train Schedule, 20/02/2024 update. Accessible at <https://www.europarl.europa.eu/legislative-train/theme-a-european-green-deal/file-substantiating-green-claims>



countries, which may arise from geological limitations and/or different policy developments at national levels. Indeed, there are some Member States that have already launched a national strategy, such as Germany recently, and some others that are still very reluctant.

While this is not yet becoming an issue as policy developments at the national level are slow, it is always better to prevent such a situation from developing as it will negatively affect emission reduction in Europe as well as investments from stakeholders in CCUS and CDR projects. It will increase competitiveness within the EU with the risk of leaving the industrial hubs located in countries that are less proactive without valid options for reducing their emissions.

International cooperation has also been somewhat downplayed in both documents. The ICMS mentioned that in an undefined future, there may be the potential recognition of CO₂ storage in third countries without a linked ETS if they provide equivalent conditions to storage⁷.

In the CRCF, both the European Parliament and the Council asked to put a reference to the EU's NDC, but since the international framework for carbon removals is not clear yet, the proposal specifies that the units certified under the CRCF will be valid only to be counted for the EU's NDC and not for third countries. A review clause for 2026 has been added for the Commission to analyze whether to change this condition and align with the progress of Article 6 of the Paris Agreement.

Where are we headed?

While ERCST would see State overregulation as a negative that should be avoided, often some initial state intervention is still needed to kick off the market, as is the case for CCUS and CDR technologies. Indeed, because of the risk of creating a 2-speed Europe, different geological capacities between EU's Member States, and creating a business case for stakeholders, a coordination effort from the Commission may be needed. Having these two pieces in the EU's policy framework is vitally important in terms of the future prosperity of Europe.

But it is also important to highlight how little attention has been given to CO₂ storage. Indeed, any CO₂ that is captured and transported has to ultimately be stored to be considered as removed or reduced. Having one part of the value chain more developed than another is not going to be helpful. Therefore, focus must be put on these activities, as putting targets on the storage part – in terms of absolute storage, and not as storage injection capacity – can be the right driver for developing the capture and transport parts of the value chain, as they can be seen as services to the storage activity.

⁷ COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS Towards an ambitious Industrial Carbon Management for the EU – COM/2024/62 final. Page 24.



Also, the EU policy framework does not develop in a vacuum but is on the contrary set within an international context that is the Paris Agreement, where it was agreed that the net zero was global because removals and emissions were not in the same place. Not looking forward to cooperation even if international standards are not ready can be harmful and can put the EU at a disadvantage compared to other countries.

Both the ICMS and the CRCF political agreement are essential to kick-starting CCUS and CDR technologies in the EU context, but this is only the first building block to make the EU competitive in these technologies without further damaging its industry. Hopes are that in the next political cycle, the Commission will roll up its sleeves and start digging into both files to have the policy framework ready as soon as possible, which will allow stakeholders to make financial decisions to kick off related projects.