

Regulatory and Financial Gaps Hindering Carbon Dioxide Removal Technologies

Date: November 21, 2019

Time: 13:30 - 16:30

Location: ERCST offices, Rue Archimède 61, 1000, Brussels

During the last brainstorm session on “Incentivising Carbon Dioxide Removal Technologies (CDRTs)”, focus was placed on how the development and deployment of CDRTs have become vital in order to remain consistent with numerous 1,5 °C pathways. Energy efficiency and renewable energy sources will continue to be key aspects for limiting warming to 1,5 °C, and CDRTs cannot be expected to solve all manner of ills. However, there is a definite need for employing all available options, including CDRTs, especially when factoring in the current lock-in of fossil fuels which far exceed the carbon budget for limiting warming to 1,5 °C.

At the current state of play, there are numerous challenges and barriers impeding the progress of these technologies, resulting in a sharp contrast between the development projections needed in various scenarios, and the current actual projections, highlighted by the low technology readiness levels across the board for CDRTs. Therefore, it is important to bring the discussion to focusing on the various impediments to these nascent technologies, looking at the existing regulatory and financial gaps.

This session will focus on these regulatory and financial gaps, both at the EU and international level (Paris Agreement). This workstream will not promote specific CDRTs, but rather focus on the enabling framework that is necessary to deploy these technologies at scale, if they are proven to be sustainable.

At the European level, with the need for reaching carbon neutrality by 2050 becoming more pressing under the new European Commission, discussion needs to be brought further on deploying CDRTs. This includes expanding and developing the existing incentives under the EU ETS, the ESR, the Innovation and Modernisation Funds, as well as under Directives like the LULUCF Directive.

At the international level, with the Article 6 rulebook being the last part of the Paris Agreement (PA) rulebook needing to be finalised, the different options available under Article 6 for aiding in the development of CDRT projects should equally be explored. A precedent is already set as CCS projects were already included as project activities under Kyoto’s Clean Development Mechanism, although in the end none were ever carried out. Incentives under Article 5 of the PA should equally be explored.

This session is part of a longer-term engagement and the second in a series on this topic. ERCST will organise more meetings on CDRTs in 2020.

13:15 Registration and coffee

13:30 Welcome remarks

- A. Marcu, Director, ERCST

13:40 – 14:00 Presentation from ERCST: Regulatory and Financial Gaps

ERCST will start the session with a short presentation, covering the current shortfall in innovation development for CDRTs, focusing on:

- **On-site plant capture** (capturing emissions produced from an on-site point source, e.g. CCS);
- **Direct air capture** (directly removing emissions from the atmosphere, e.g. DAC);
- **Natural capture** (removing emissions directly from the atmosphere through natural carbon sinks, e.g. land management to increase and fix carbon in soils)

For each in turn, we will delve more deeply into the financial and legislative gaps at both the EU and international level. Emphasis will also be put on the difference between carbon neutral and carbon negative technologies and approaches, trying to understand what exactly is the difference and whether or not there should be a difference.

This presentation will be followed by two panel discussions with selected stakeholders on the financial and regulatory gaps, with the first focusing on the EU, and the second on the international framework.

14:00-15:15 Panel 1: regulatory and financial gaps at the EU level

Preliminary questions:

- How can the EU take the lead in closing this innovation gap?
- What are the regulatory and financial gaps?
- How to enable deeper interaction between the different frameworks (e.g. LULUCF, ESR, etc.)?
- Potential for including voluntary market credits under the EU ETS?
- How can the Common Agricultural Policy be reformed to incentivise CDRTs?
- What role for the Innovation and Modernisation Funds in promoting CDRTs?

- F. Del Corso, Air Liquide
- C. Beuttler, Climeworks
- K. Whiriskey, Bellona
- U. Aarnio, CAN Europe
- K. Gustafsson, Stockholm Exergi

15:15 -16:15 Panel 2: regulatory and financial gaps at the international level

Preliminary questions:

- What are the regulatory and financial gaps?
- How can the cross-border issues involved with multi-stage chain of CDRT technologies be solved?
- How can emission reductions through CDRTs be made available for international trading under Article 6 of the Paris Agreement? What would this look like? What would some of the issues look like?
- Will there be a unified credit system to be regulated and employed under a general carbon market? Providing a link between voluntary and non-voluntary carbon trading markets?
- How could REDD+ fit into this framework? What can be learned from experiences gained through this form of Results Based Climate Finance (RBCF)?

- S. De Clara, IETA
- P. Zakkour, Kapsarc
- S. Traavik, Norway
- E. Sardellitti, Fuels Europe

16:15 -16:30 *Reaction by the European Commission*

- C. Holzleitner, DG Clima

After the initial remarks from selected stakeholders the discussion will be opened up to all participants.

16:30 Way forward and end of the meeting

- A. Marcu, Director, ERCST