

Building an EU approach to carbon removals

Eurelectric position paper

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

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KEY MESSAGES

- Eurelectric welcomes and supports the European Commission initiative to prepare a robust, EU-wide certification system for carbon removals to complement mitigation efforts and reach the net-zero ambition.
- EU regulation must continue to incentivise the pursuit of greenhouse gas emissions abatement through cost-effective and market-driven solutions, including electrification, phasing out of fossil fuels and deployment of clean and renewable generation capacities.
- Carbon removals should be primarily used for delivering negative emissions and compensating for the residual CO₂ emissions in hard-to-abate sectors, where no other technological decarbonisation solution is available.
- Eurelectric encourages the European Commission to increase the level of ambition of 5 Mt CO₂ industrial carbon removals proposed in the Sustainable Carbon Cycles Communication, considering the current plans of the business community and the significantly higher target for carbon farming (42 Mt CO₂).
- Eurelectric acknowledges that the proposed certification mechanism provides a label to prove/guarantee the sustainability/quality of removals. It is thus important that the ownership of the carbon dioxide removal (CDR) certificate is clearly defined by the Regulation.
- To increase trust, transparency and clarity, the framework should lead to precise, accurate and timely measurement of removals, while the certification process should be carried out by independent private entities, guided by strict public control.
- In view of the elaboration of 2040 climate targets, Eurelectric welcomes the early preparation of new policy incentives, which could lead to an increased demand for CDR credits, including support schemes, EU funds and a strategic approach to raise carbon removal ambition.

Building an EU approach to carbon removals

Eurelectric welcomes and supports the European Commission initiative to prepare an EU-wide and robust certification system for carbon removals to complement mitigation efforts and reach the net-zero ambition.

While carbon removals will play an indispensable part in reaching the EU's climate neutrality goal for 2050, EU regulation must continue to incentivise the pursuit of greenhouse gas emissions abatement through cost-effective and market-driven solutions, including electrification, phasing out of fossil fuels and deployment of clean and renewable generation capacities.

Carbon removals should be primarily used for delivering negative emissions and compensating for the residual CO₂ emissions in hard-to-abate sectors, where no other technological decarbonisation solution is available.

Parallel, stepwise development of legislation for nature-based and industrial solutions

Eurelectric encourages the European Commission to increase the level of ambition of 5 Mt CO₂ industrial carbon removals proposed in the Sustainable Carbon Cycles Communication, considering the current plans of the business community and the significantly higher target for carbon farming (42 Mt CO₂).

Technology-based carbon removals can be measured and verified accurately and offer a high-quality and long-duration (permanent) removal of CO₂ from the atmosphere. To the extent that methodologies already exist (e.g. ETS, CCS, Innovation Fund) they should be utilised for the speedier development of a carbon removals framework, which is urgently needed to incentivise the development of technology-based solutions. Eurelectric encourages policymakers to take advantage of existing methodologies mentioned above to develop as quickly as possible the legislative framework that gives the right signals to investors.

The development of a robust certification scheme through a stepwise legislative approach (Regulation, delegated acts, etc.) should not delay the ramp up of carbon removal technologies. Moreover, in the context of carbon removals, it is important to acknowledge that capturing CO₂ from industrial processes, brings significant co-benefits and is currently more competitive and mature than Direct Air Carbon Capture and Storage (DACCS).

Naturally, accelerating the technology-based carbon removals should not delay the works on the methodological reinforcement of nature-based solutions, which have additional contribution to combat biodiversity loss. In the area of nature-based solutions a stepwise approach for the development of certification might also be reasonable.

The development of a high-quality framework should come as a priority over a rushed implementation.

A need for harmonised standards while ensuring flexibility

Going forward, the electricity industry encourages the EU to establish comprehensive standard requirements for carbon removals, e.g. on monitoring, reporting and verification, on the duration of the removal, baseline setting and additionality.

In particular, Eurelectric welcomes the definition of additionality (considering the financial and regulatory aspects) and is looking forward to the adoption of clearly defined guidelines, including modalities, timelines and updates. A stringent baseline is paramount to guarantee additionality, both from the environmental and financial perspective.

Consequently, the electricity industry calls on the EU Commission to consider including in the certification framework different types or sub-categories of certificates, which better reflect the diversity of carbon removal solutions and their characteristics. Such certification should allow for tailor-made baselines and additionality criteria to cater for different types of removals, while ensuring a harmonised baseline scenario by (sub-)category and a high level of additionality along the projects' time horizons. This would enable off-takers to roll-out the necessary projects, and the market to value the additional positive effects of carbon removal activities.

More clarity and transparency needed

Eurelectric acknowledges that the proposed certification mechanism provides a label to prove/guarantee the sustainability/quality of removals. It is thus important that the ownership of the carbon dioxide removal (CDR) certificate is clearly defined by the Regulation.

If, in time, the certification mechanism paves the way for the establishment of an EU-wide market for carbon removal credits, it is important to clearly define the relationship between certificates and credits, as well as their ownership. In this case, the certification of a CDR project would be a first step in the issuance of credits to the company that initiated and financed the CO₂ sequestration, and it must follow the trade flow when the credit is sold. A clear and transparent registry should be implemented to ensure that the credit exchanges are accurately registered and tracked and that the credits used for offsetting emissions are correctly cancelled. This would prevent double counting.

Moreover, to increase trust, transparency and clarity, the framework should lead to precise, accurate and timely measurement of removals, while the certification process should be carried out by independent private entities, guided by strict public control.

Interaction with other legislations and national policies

Eurelectric understands that the current proposal does not apply to emissions falling within the scope of EU ETS, except for the "storage of CO₂ emissions from sustainable biomass", and removal certificates cannot be used for ETS compliance in the short term. Eurelectric supports this provision considering the potential distortionary effect on the functioning of the ETS that the inclusion of reduction measures taken in non-ETS sectors (e.g. LULUCF, ESR) might have. As the result of a carbon farming project naturally belonging to the LULUCF sector, the result of an industrial carbon removal project is more reasonably counted against the national ESR targets, at this stage.

In preparation for the implementation of Art 30 of the revised ETS directive, it is paramount to conduct a thorough assessment of the potential impact of carbon removals and associated credits on the EU ETS. When creating the certification system, the Commission must ensure the integrity of the existing legal framework of the EU ETS and its rules for the monitoring and reporting of emissions.

Furthermore, it is vital to ensure policy coherence with existing legislation. Specifically, in the case of BECCS, the sustainability of biomass is already ensured via the Renewable Energy Directive II.

Finally, the implementation of this new certification framework raises questions about the relationship with existing certification mechanisms at the national level (e.g. the French Low Carbon Label) and in voluntary markets. The lessons learned from the national and voluntary domains should inform the EU framework for carbon removals, which in turn, could serve as a blueprint for the global mitigation efforts.

Geographical scope and long-term ambition

Recognising the need for carbon removals at the global scale to reach the Paris Agreement, once the EU carbon removal system has been fully developed and is robust enough, it might be pertinent to consider the treatment of certificates issued outside the EU, especially in countries with ambitious carbon removal standards, such as those with linked ETS systems, and countries with comparable levels of decarbonisation ambitions (similar to CBAM exemption requirements).

A certification system for carbon removals alone is not enough to promote these type of climate projects. In view of the elaboration of 2040 climate targets, Eurelectric welcomes the early preparation of new policy incentives, which could lead to an increased demand for CDR credits, including support schemes, EU funds and a strategic approach to raise carbon removal ambition. An EU market-based policy design is needed to incentivise the large-scale deployment of the solutions identified in this proposal and reach the objectives.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability



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