Austria, Finland, Iceland, the Netherlands, Norway, and Sweden call on the European Commission to analyse how permanent carbon dioxide removals can be integrated in the 2040 climate framework and the EU ETS

Joint proposal for aspects for analysis in the future Commission report, impact assessment and legislative proposal for the inclusion of carbon removals under emissions trading, as required under EU ETS, Art 30 (5) a. Note this proposal is supplementary to earlier positions[1] and the proposal does not prejudge the position of any signatory on the post-2030 climate framework.

While emission reductions remain a priority, permanent carbon dioxide removals (CDR) such as carbon capture and storage from biogenic sources (BioCCS) or directly from the atmosphere (DACCS) will play a significant role in meeting our climate goals, both at the EU and global level. The European Commission's 2040 communication estimates that up to 75 Mt CO2 permanent removals are needed to counterbalance residual emissions and reach the recommended 90% climate target in 2040. Both permanent and temporary CDR will be needed to achieve climate neutrality in Europe at the latest by 2050, and net-negative emissions after.

There is currently no coherent policy framework for permanent CDR in the EU. At this time, the rollout and innovation of permanent CDR is therefore fully dependent on the voluntary carbon market, public funding programmes and the expectation of future integrations in compliance markets such as the EU ETS. Uncertainties when it comes to the long-term integration of permanent carbon removals and a lack of self-sustaining and market-viable business cases may result in insufficient investments.

To address this, the EU must develop common instruments and a clear pathway to develop and roll out carbon removals as soon as possible. As the atmospheric net results of mitigating CO2 emissions and removing an equal amount of CO2 using permanent CDRs are closely related, incentives for these technologies should be aligned to ensure a more cost-effective climate regulation. This will incentivise the deployment of the technologies and increase the long-term certainty for investors. This should be done while ensuring a continued focus on emission reductions, a strong monitoring, reporting and verification system (MRV) , sustainability, and synergy with other European policy goals.

The upcoming Commission report on the integration of permanent carbon removals in the EU ETS provides the opportunity to analyse and deploy possible ways forward on integrating BioCCS and DACCS into the EU climate policy architecture. We call on the Commission to utilise the latest scientific advice available and follow IPCC guidelines, when available, and to in particular:

1. Focus on the development of policy instruments, including market-based economic incentives, to develop and roll out *permanent* carbon removals, and to do so in a way that does not distort the deployment of emissions reductions or non-permanent removals such as nature-based removals.
2. Analyse how the methodologies from the EU ETS for fossil-CCS and the EU's certification framework (CRCF) can contribute to strong quantification for permanent CDR technologies and what alterations are required to maintain consistency with national and European emissions reporting and accounting.
3. Examine different options for integrating permanent carbon removals into the EU ETS, including their effect on marginal compliance costs, certificate prices and public resources by utilising and/or combining:
    a. removal allowances that are cancelled out by auctioning fewer allowances, thus maintaining the existing cap; for the long term also analysing removal allowances issued in addition to the existing EU ETS cap

[1] Such as the Dutch Roadmap for Carbon Removals and this roadmap's position on the ETS1 as well as the Dutch working paper attached to this roadmap.

b. requirement for companies to purchase a specific quantity of removal certificates for compliance and for potential future surrender
c. procurement of removal allowances using ETS revenues, e.g. through the EU Innovation Fund, to incentivise deployment of permanent carbon removals

4. Considering how to provide additional funding for procuring carbon removals
5. Include the positive effects of removals on European competitiveness and clean growth

We note that at this moment, BioCCS and DACCS are widely seen as the only permanent carbon removal technologies with regulatory frameworks mature enough to ensure a safe integration in the EU ETS. However, as robust MRV systems for other CDR technologies that ensure permanent storage come available, other techniques could also be considered. The MRV must provide clarity on key principles, including guaranteeing permanent storage and sustainability. We also note that permanent CDR is expected to be needed to cover residual emissions not only within the EU ETS but also in other parts of the economy.

Linking permanent removals to European competitiveness and clean growth

Carbon removals are likely to have very beneficial effects on both clean growth and the progress towards our climate targets. Achieving worldwide climate targets cannot be done without removals, but these technologies are yet to be developed: there is potential here for a burgeoning industry that can provide us with clean economic development, export development, and European jobs. Our existing policy frameworks put the EU in a good position to be an early mover. We note this should occur with strong consideration for regulatory simplicity.

Developing carbon removals is required to help us achieve the climate targets for hard to abate emissions. While care should be maintained to avoid abatement deterrence to the largest extent possible, developing more effective and cheaper removal technologies will help achieve our long-term climate targets with less pressure on our society and economic activities. It is therefore imperative we act fast and decisively.

Signed by

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