

INDUSTRIAL CARBON MANAGEMENT

Communication COM(2024) 62 of 6 February 2024:
Towards an ambitious Industrial Carbon Management for the EU

cepPolicyBrief No. 8/2024

SHORT VERSION [[Go to Long Version](#)]

Context | Objective | Interested Parties

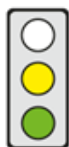
Context: The EU's goal of achieving climate neutrality by 2050 requires access to a variety of technological options to reduce net greenhouse gas emissions. This also includes technologies for the capture and subsequent geological storage (CCS) or utilisation (CCU) of CO₂. The Communication outlines the Commission's strategy for the creation of framework conditions for a future EU internal market for captured CO₂.

Aim: Creation of favourable framework conditions for the development and scaling of industrial carbon management.

Affected parties: Chemical industry, lime and cement production, steel industry, waste management, construction industry

Brief Assessment

Pro



- ▶ Industrial carbon management can contribute to achieving the EU target of climate neutrality by 2050. Therefore, the Commission rightly wants to remove barriers to the ramp-up of CCS/CCU technologies and identify measures to address safety and environmental risks.
- ▶ The proposed coordination platform will allow the existing coordination problems in the development of CO₂ supply chains to be addressed in a targeted manner.
- ▶ The development of an accounting system for CO₂ streams will enable efficient competition between different technology and utilisation options.

Contra

- ▶ The preferred option of restricting CCU applications to local supply relationships represents an unjustified restriction of the possibilities for the industrial utilisation of CO₂.
- ▶ The Commission has not presented a clear funding concept for the scaling of CO₂ removal technologies.

Coordination platform for CO₂ storage [Long Version A.4, C.1.1]

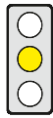
Commission proposal: By 2026, the Commission wants to set up a platform at EU level to match up CO₂ storage requirements and availability, in terms of time and location. The platform is intended to pool information on infrastructure planning and ensure transparency when awarding contracts to transport and storage providers. The possibility of a mechanism to pool demand is also being considered. In this way, the platform will contribute to the development of markets for captured CO₂.



cep-Assessment: A central coordination platform will be able to minimise the existing coordination problems in the development of CO₂ supply chains and thereby accelerate the development of transparent markets for trade in transport and storage capacities. To that end, it should be used as early as possible not only for the pure exchange of information but also for market coordination. The Commission should develop auction mechanisms for the platform that also enable small companies to utilise storage capacities.

Promoting the capture and utilisation of CO₂ (CCU) [Long Version A.4, C.1.2]

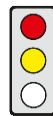
Commission proposal: Existing structural and regulatory barriers to CCU deployment will be identified and removed. A robust and transparent accounting system for recording the origin, transport and utilisation of the recycled CO₂ will serve as the basis for this. Innovative, sustainable CCU applications with and without permanent CO₂ sequestration will also be promoted, including the examination of extended crediting in the EU Emissions Trading System (EU ETS).



cep-Assessment: A transparent and scientifically informed accounting system is an important prerequisite for ensuring fair competition between different utilisation options for captured CO₂. However, an equally important market signal would be the definition of uniform criteria (in particular the length of the average storage period) for the recognition of CCU in the various EU laws. There is a lack of any clear statement on this point.

Locality restriction for CCU [Long Version A.4, C.1.2]

Commission proposal: CCU applications will be implemented at local level by connecting the sources of industrial CO₂ emissions with nearby production sites that will act as CO₂ consumers (e.g. chemical companies). This is intended to limit the need for investment in the long-distance transport of CO₂.



cep-Assessment: Generally restricting CCU applications to the local dimension cannot be justified. Some industrial companies that are located far away from potential sources of supply could thus be cut off from an economically viable way of reducing their emissions.

Developing a CO₂ infrastructure [Long Version A.3, C.1.3]

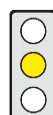
Commission proposal: Establishing an EU-wide CO₂ transport infrastructure will be supported by defining minimum standards for CO₂ streams (composition, purity, pressure and temperature), issuing guidelines for the handling of extraneous material and developing standardised mechanisms and nominating coordinators for the establishment of a cross-border infrastructure.



cep-Assessment: EU-wide coordination of network planning is a prerequisite for minimising infrastructure development costs and creating fair competition in a future internal market for CO₂. Transparent EU-wide quality standards will facilitate transport management and avoid cost competition that would otherwise reduce quality.

Integrating CO₂ removals into the EU ETS [Long Version A.5, C.1.4]

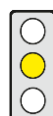
Commission proposal: By 2026, a review is to be carried out to determine whether and, if so, how industrial CO₂ removals from the atmosphere can be integrated into the EU ETS. This should either take the form of direct integration (CO₂ removals can be used to meet surrender obligations) or a separate compliance mechanism. The prerequisite is maintaining environmental integrity - especially when utilising biomass for BioCCS.



cep-Assessment: Integrating CO₂ removals into the EU ETS is appropriate as a long-term challenge in the sense of focussing uniformly on the goal of net zero emissions. In the short term, however, the significant cost differences between CO₂ avoidance technologies and CO₂ removals mean this approach is unlikely to provide an incentive for CO₂ removals. Without a transparent balancing system for BioCCS, there would also be a risk of distorting competition between the different extraction technologies.

Further public support for CO₂ removals [Long Version A.5, C.1.4]

Commission proposal: Additional forms of state support for young CO₂ removal technologies will be initiated and the possible role of the Member States analysed. In addition, tailored programmes will be set up at EU level to promote the development of new CO₂ removal technologies, including existing funding instruments such as Horizon Europe and the Innovation Fund.



cep-Assessment: In view of the current high costs of CO₂ removal, increased research funding could make a meaningful long-term contribution to increasing the competitiveness of such technologies. However, additional market-oriented, technology-neutral funding instruments are needed for the scaling phase so that solutions which have already been technically tried and tested, are given the chance of rapid commercialisation. The Commission has not put forward any concrete ideas in this regard.