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From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
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Subject:	Proposal for a Directive of the European Parliament and of the Council establishing a Union certification framework for carbon removals - Policy debate

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With a view to the policy debate at the meeting of the Council (Environment) on 16 March 2023, delegations will find attached a background note and questions prepared by the Presidency to help structure the discussion.

The Permanent Representatives Committee is invited to take note of the background note and questions, as set out in the Annex, and to forward them to the Council with a view to the policy debate.

**Proposal for a Regulation on a Union certification framework for carbon removals****- Policy debate -***Presidency background note with questions for Ministers*

Limiting the global temperature increase to below 1.5° C will require deep, rapid and sustained emissions reductions<sup>1</sup>. Global emissions of greenhouse gases must drastically decrease in the coming decades. In parallel, increasing amounts of CO<sub>2</sub> will have to be captured and removed each year from the atmosphere in order to counterbalance unavoidable emissions and ultimately achieve negative emissions. Various forms of carbon dioxide removals will be necessary to achieve global net zero greenhouse gas emissions, and have been identified as essential elements by the IPCC in several scenarios that limit global warming to 1.5° C.

The European Climate Law sets out a framework for the irreversible and gradual reduction of emissions by sources and the enhancement of removals by sinks to achieve climate neutrality within the Union at the latest by 2050, with the aim of achieving negative emissions thereafter. Scenarios for achieving the climate neutrality objective indicate the need to substantially enhance removals in the Union, through both nature-based and technological solutions, to around 500 Mt annually by 2050<sup>2 3</sup>. The role of carbon removals in our economy and in the Union's climate policy is therefore expected to increase. With current policies, the EU is however not deemed on track to deliver such quantities<sup>4</sup>.

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<sup>1</sup> Climate Change 2022 Mitigation of Climate Change, Working Group III Contribution to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.

<sup>2</sup> In-depth analysis accompanying the Commission Communication Clean Planet for all - A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy.

<sup>3</sup> Impact assessment accompanying the Commission communication 'Stepping up Europe's 2030 climate ambition. Investing in a climate-neutral future for the benefit of our people', doc. 10865/20 ADD 2.

<sup>4</sup> As an example, the partly negative development of the EU's total carbon sink in recent years indicates that further measures are needed in order to achieve the net removal target of -310 Mt CO<sub>2</sub> equivalent in 2030, and even more by 2040 and 2050.

The proposal amending the existing Regulation on Land Use, Land Use Change and Forestry (LULUCF), once it has been formally adopted later this year, sets a new EU-level net removal target of -310 million tonnes of CO<sub>2</sub> equivalent to be achieved in 2030, as well as binding national targets for the Member States. The amended Regulation also lays down new rules for facilitating the accurate monitoring and reporting of carbon removals, which is necessary for the further development of carbon farming activities.

### **First steps towards the further integration of carbon removals**

In December 2021, the European Commission presented its communication on Sustainable Carbon Cycles<sup>5</sup>, stressing the importance of creating incentives and business models to increase carbon uptake in natural carbon sinks in ecosystems ('carbon farming') and of developing a single market for the capture, use, transport and storage of carbon dioxide. The communication also sets out aspirational goals for carbon removals in the medium term<sup>6</sup>.

Subsequently, on 30 November 2022, the European Commission presented its proposal for a Regulation establishing a **Union certification framework for carbon removals**, with the objective of facilitating the deployment of high-quality removals in the EU. The proposal covers different types of carbon removals, through carbon farming, carbon storage in products and permanent storage. Ultimately, the framework aims to further incentivise and speed up the deployment of carbon removals, in particular by enabling additional revenue streams, as well as increasing trust. It also seeks to promote synergies between carbon removals and related co-benefits such as climate mitigation and adaptation, the transition to a circular economy and biodiversity. To that end, it sets out four Q.U.A.L.I.T.Y criteria<sup>7</sup>, as well as the rules for third-party verification, including the rules for the functioning of the certification schemes implementing the framework. According to the Commission's proposal, the Q.U.A.L.I.T.Y criteria will be further operationalised through specific methodologies for the certification, developed by means of delegated acts. These will be based on the four criteria and a minimum set of elements set out in the Regulation and will be developed in consultation with an expert group composed *inter alia* of Member State representatives.

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<sup>5</sup> Doc. 15045/21 + ADD 1-4

<sup>6</sup> By 2028, all land managers should have access to verified emission and removal data to measure carbon farming practices, and all CO<sub>2</sub> captured, transported, used and stored through industrial activities should be reported and accounted for; by 2030, carbon farming approaches should contribute to achieving the LULUCF target of -310 Mt CO<sub>2</sub> equivalent net removals; by 2030, industrial technologies should annually remove at least 5 Mt CO<sub>2</sub> equivalent

<sup>7</sup> Quality; Additionality Long-term storage; Sustainability (Q.U.A.L.I.T.Y)

As regards carbon removals from industrial activities such as bioenergy-based CCS (BECCS) and Direct Air Carbon Capture and Storage (DACCS), the Commission has proposed to build on existing monitoring and reporting rules on the geological storage of CO<sub>2</sub> from ETS installations and methodologies applicable to projects under the Innovation Fund. For carbon farming activities, the Commission has pointed to synergies with *inter alia* the LULUCF regulation and the Common Agricultural Policy, as well as the recently proposed Nature Restoration Law. As regards carbon storage products, the Commission has pointed to the need for further research to identify relevant product categories and methodologies.

### **Status of work in the Council**

The Commission gave an initial presentation of the proposal at the meeting of the Environment Council on 20 December 2022 under the Czech Presidency. Discussions in the Working Party on the Environment commenced in February under the Swedish Presidency. During the three working party meetings held to date, delegations have examined the proposal with an opportunity to raise questions for clarification and to outline their initial positions.

Amongst other things, the Commission has underlined the voluntary nature of the framework and the need to begin scaling up carbon removals in the near term in order to achieve the Union's long-term climate targets. It has described the proposal as a Monitoring, Reporting and Verification tool and, as such, as a first step towards integrating carbon removals into the EU's climate policy and further regulating their use in the context of the future climate target for 2040 and beyond.

### **Topics to discuss**

It is generally acknowledged that, although priority must be given to the rapid reduction of greenhouse gas emissions, carbon removals will play an increasingly important role in the transition towards climate neutrality. Therefore, during the discussions to date, Member States have generally welcomed the intention to further incentivise carbon removal activities and to seek further harmonisation at EU level. Some Member States have also underlined the importance of the 'emission reductions first' principle.

The examination of the proposal is still in an early stage, and more discussion will be needed on a number of issues. Delegations have sought further clarification of several central elements of the proposal, such as key definitions, additionality and the procedure for setting the baselines and establishing the specific certification methodologies.

Questions have also been raised in relation to the QU.A.L.ITY criteria, the operation of the certification schemes and risk of double counting. In addition, linked to concerns about the risk of greenwashing, a few delegations have asked whether the end-use of the certificates generated under the framework should not to some extent be reflected in the proposed regulation. Moreover, many delegations have inquired about the relationship of the proposed framework with current national schemes serving similar purposes, as well as with international mechanisms and processes.

Delegations have also raised questions relating to the duration of storage, for example as concerns the validity of certificates, monitoring and liability.

With regard to the specific category of carbon farming, several delegations have highlighted the need to consider national specificities, such as the varying climatic and geographic conditions across the Union, and to ensure that the framework remains accessible for smaller operators and landowners too. Likewise, some delegations have also stressed the need to keep the administrative burden manageable, in particular for individual operators.

## Questions for the ministers

In order to provide guidance for the continued work on the proposed regulation, the Presidency invites Ministers to reflect on the following two questions:

*In the coming decades, carbon removals are expected to become an increasingly important complement to emission reductions in pursuit of the 1.5° C- temperature goal of the Paris Agreement and the objective of climate neutrality in the Union by 2050 at the latest. With the proposal for a carbon removal certification framework, the European Union has an opportunity to provide inspiration for how carbon removals can be further integrated into climate policy frameworks in a responsible manner.*

- 1. In what way could a certification framework at EU level contribute to increasing high-quality carbon removals in the Union as a complement to sustained emission reduction efforts?*
- 2. To that end, what, in your view, are the main opportunities and challenges presented by the Commission's proposal? Are there any specific elements that need further clarification in order to move negotiations forward?*

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