

07/02/2023

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This is a translation of the
Swedish original.

To
Ministry of the Environment
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Opinion on referral of the EU Commission's proposal for a Carbon Removal Certification Framework (CRCF) (ref. no M2022/02237)

Stockholm Exergi AB has taken note of the referral referred to above and herewith submits its opinion in relation thereto.

Summary

Stockholm Exergi in principal welcomes and endorses the proposal of the EU Commission for a regulation on an EU-wide framework for the certification of negative emissions ("carbon removals"). Stockholm Exergi believes that the proposal and the subsequent work constitute a very important step in promoting the emergence of a voluntary market for trade in negative emissions, which in turn constitutes an essential element of the work to achieve the climate targets of the Union and the Member States.

In particular, Stockholm Exergi recommends that the Regulation be developed as follows:

- The statement of objectives as set out in the Preamble to the Regulation should be revised to make it clearer that the objective is to promote the emergence of a voluntary market for *all* forms of negative emissions, by also ensuring that negative emissions with permanent storage, such as BECCS and DACCS, are identified and explicitly covered by the framework.
- It is of fundamental importance that the certification framework distinguishes between different types of negative emissions where the methods' storage has different degrees of permanence. The aim of the methodology must be to facilitate this evaluation by ensuring full transparency and information regarding the degree of permanence of the various negative emissions.
- Furthermore, it is important not to establish parallel regulatory frameworks, and to ensure that, in matters relating to areas regulated by other regulatory frameworks, such as sustainability criteria for biomass, which is regulated in EU-RED, this Regulation does not also constitute a "double regulation". They should instead be regulated by reference to the relevant regulatory framework.

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Although the above comments are absolutely key, the additional comments set out below are important to ensure the Regulation is a coherent whole in relation not only to carbon farming but also to BECCS and DACCS.

Introduction

Following the IPCC's AR6 report of 2022, there is broad consensus that emission reductions are not sufficient to achieve the climate targets laid down in the Paris Agreement. In addition, major efforts must be made to reduce the concentration of carbon dioxide in the atmosphere. This is achieved by achieving negative emissions in various ways. According to the IPCC report, BECCS is expected to account for a substantial part of the necessary negative emissions.

At the same time, in recent years, more and more companies have established targets for achieving net zero emissions in accordance with the Paris Agreement or earlier, often by 2030. In order to achieve net zero emissions, companies are required to reduce emissions in their value chain as far as possible and then neutralise what remains with negative emissions with permanent storage, typically based on BECCS or DACCS.

Establishing a clear and robust framework for the certification of negative emissions creates the conditions for a comprehensive private sector commitment, where the purchase of negative emissions by this sector in order to meet its net zero targets can simultaneously contribute to the climate targets of the Union and of the Member States, as is exemplified by the Commission proposal in relation to the role of Carbon Farming in the LULUCF targets.

Stockholm Exergi notes that the Commission's proposal only establishes an overall framework for a certification methodology and that the details will be refined over the next three years. However, the proposal already highlights a number of important principles which will guide the work.

In this opinion, Stockholm Exergi submits a number of comments, often in the form of recommended corrections, on both the framework and on some of the basic principles highlighted in the proposal. These comments are based on BECCS and are not necessarily applicable to all types of negative emissions. The term negative emissions is used synonymously with carbon removals.

Purpose of the legislation – third paragraph of the Preamble

The third paragraph of the Preamble to the Regulation defines the purpose of the proposal. The statement of objectives should be revised to make it clearer that the objective is to promote the emergence of a voluntary market for all forms of negative emissions. The focus on the land-based sector (*Regulation 2018/841*) should be supplemented so that negative emissions with permanent storage, such as BECCS and DACCS, are also mentioned and explicitly covered by the framework.

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Stockholm Exergi recommends that the following be added after the last sentence of the third paragraph of the Preamble:

”In this context, the Council recognises the need to adopt dedicated, binding and separate targets for net removals with geological storage to complement targets in the land-based sector, preferably in a ‘pillar’ of its own, *i.e.*, outside of ETS, ESR and LULUCF.”.

The relationship between the proposal's voluntary methodology for negative emissions and a future obligation-based system (compliance) for negative emissions should also be clarified. It should be an overall objective that the methodology works for projects that deliver negative emissions both to the voluntary market and for "compliance" purposes.

Stockholm Exergi recommends that the following be added to paragraph 3, 4 or 5 of the Preamble:

”While the certification framework for carbon removals as defined by this Regulation is voluntary, it should be designed to allow its applicability to be extended to carbon removals under statutory requirements.”.

Relationship to the Paris Agreement – fourth paragraph of the Preamble

The Regulation should make explicit that which is currently implicit, namely the relationship between the Paris Agreement and the negative emissions certified in accordance with the methodology to be developed within the framework of the Regulation. In other words, the regulation should state that the EU intends to include these negative emissions in the EU's NDC (Nationally Determined Contribution) at the same time as they are traded on an international voluntary market.

Stockholm Exergi recommends the following addition (underlined text) to the last sentence of the fourth paragraph of the Preamble:

“The Union certification framework will be instrumental in meeting the Union’s climate change mitigation objectives set in international and in the Union legislation, notably through its expected positive impact on trade in certified removals on the voluntary market.”.

The issue of permanence – thirteenth paragraph of the Preamble

It is of fundamental importance that the certification framework distinguishes between different types of negative emissions where the methods’ storage has different degrees of permanence. The degree of permanence of the various types of traded units of negative emissions will, to a large extent, set the market price for these units. The aim of the methodology must be to facilitate this evaluation by ensuring full transparency and information regarding the degree of permanence of the various negative emissions.

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Against this background, Stockholm Exergi particularly wishes to endorse the conclusion of the Preamble which states "Activities that store carbon in geological formations provide enough certainties on the very long-term duration of several centuries for the stored carbon and can be considered as providing permanent storage of carbon."

Reuse of existing EU legislation - fourteenth paragraph of the Preamble

The process of basing certification methodology as far as possible on existing EU legislation is endorsed. It is important to minimise the administrative burden on companies and not to add extra layers of conditionality to existing legislation.

Thus, for example, the MRV rules for geological storage should be based on the CCS Directive and its implementing acts by reference to them. And if new requirements need to be introduced, this should be done by reviewing these regulatory frameworks rather than by developing a parallel regulatory framework in this Regulation.

Another example that will come up in the subsequent work on the design of the detailed methodology is how sustainable biomass should be assessed for BECCS. In this respect, the methodology should already refer exclusively to the EU-RED regulatory framework. Issues such as regeneration, primary forests and carbon stock are already dealt with in Article 29 of RED (<http://data.europa.eu/eli/dir/2018/2001/2022-06-07>) and in the Commission's guidelines for implementation of same article (http://data.europa.eu/eli/reg_impl/2022/2448/oj).¹

In this context, it is endorsed that the proposal clarifies that sustainable biomass is considered to have zero emissions in accordance with Annex IV of the ETS Directive.

Definition of negative emissions (removal) in Article 2.1(a)

An emission reduction must not and will not be regarded as a negative emission. If there is an interest in supporting the proposed activity, this should occur within a scheme which promotes reduction.

Stockholm Exergi recommends that the following text be deleted from the definition of negative emissions laid down in Article 2.1(a):

"the reduction of carbon release from a biogenic carbon pool to the atmosphere"

¹ Primary forests: RED Art 29.3(a) and Operation guidance Art 3(b)(iv)(1) and Art 4(b)(iv)(1).
Regeneration: RED Art 29.6(a)(ii) and Art 29.6(b)(ii) and Operation guidance Art 3(b)(ii) Art 4(b)(ii).
Carbon stock: RED Art 29.7 and Operation guidance Art 5 and Art 6.

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Additionality - Article 5²

The definition of additionality laid down in Article 5 is not appropriate for negative emissions with geological storage and should be amended.

Unlike all traditional measures, negative emissions with geological storage have no alternative use. Other typical measures, such as afforestation, which has an alternative value for the land owner, could be achieved without the financial contribution which the purchase of the right to the climate benefit of the measure conveys. This does not apply to negative emissions with geological storage, where every tonne is produced with the aim of allowing the person financing its production to invoke the climate benefit of the measure.

It follows that additionality cannot only be determined by whether a carbon removal activity is subject to statutory requirements (as stated in sub-paragraph 5.1(a)). The same BECCS facility must be able to deliver negative emissions both to a voluntary market and within the framework of a market governed by legal requirements.

Crucial for the voluntary market is whether the purchase of the right to the negative emissions provides an additional and necessary financial contribution to the production of the traded unit, as implied by sub-paragraph 5.1(b). Given that negative emissions with geological storage will require state aid, it is necessary that this is evaluated in order to assess additionality. The financing provided by the purchase of the negative emissions will therefore be fundamental to ensuring that the production of negative emissions is carried out. Requirements for the evaluation of IRR or market penetration are thus also irrelevant to the additionality concept for BECCS.

The meaning of Article 5.2 is difficult to comment on and should be clarified. One possible reading is that all negative emissions with geological storage should be considered additional without further analysis. This would be contrary to what is stated above and would risk eroding confidence in these instruments.

Stockholm Exergi recommends the introduction of a new sub-paragraph in Article 5 as follows:

”3. For removals with geological storage, additionality shall only be assessed based on the necessity of the financial contribution resulting from the purchase of the carbon removal units certified in accordance with the requirements of this Regulation. In case a decision to invest in a carbon removal activity would be made under a compulsory statutory requirement, the activity shall still be considered additional for voluntary purchases expected to be part of the funding of the activity.”

² This chapter has been amended in comparison with the original Swedish text to increase clarity.

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Sustainability – Article 7

The proposal's emphasis on the need for negative emissions to be robust and sustainable is endorsed. The idea of “do no significant harm”, as expressed in Article 7, is also endorsed.

However, in the first place, the listing in the Regulation of the criteria on which this evaluation should be based, is opposed. This listing may lead to errors or may not be applicable to, for example, DACCS or BECCS. If a listing is nevertheless desirable, it should refer to existing EU legislation.

For BECCS, the sustainability of the measure must be determined by the requirements on the biomass. These requirements should not be regulated or affected by the Regulation, but should be covered exclusively by other existing regulations in the Union, the main example of which is REDII and its future revisions.

Stockholm Exergi recommends, in the first instance, that the list laid down in Article 7 be deleted so it can instead be developed in the subsequent work and, in the second instance, that a new paragraph 4 be added as follows:

”4. BECCS removals shall be considered sustainable if the biomass used complies with Article 29 of Directive (EU) 2018/2001 (RED), as amended from time to time, and associated Commission Implementing Regulations and other applicable EU legislation.”

In addition, Stockholm Exergi recommends clarification whether the intention of Article 7.1(a) is to extend the actual climate outcome of the measure beyond the net carbon removal benefit laid down in Article 4.1. If the outcome of the legislative process is to maintain the list of sustainability targets, this sub-item should be deleted. The climate outcome of a measure must be based solely on the net calculation referred to in Article 4.1.

Register of certified negative emission units – Article 12

The proposal to register certified negative emission units in a register is endorsed. However, in order to ensure full transparency between the way in which these units are traded on the voluntary market and how they are managed at national level, it is necessary to supplement the Regulation's proposal to establish that alongside the units for the voluntary market, units are also created for national purposes, including the trade in climate outcomes between the Member States in line with what the ‘Fit for 55’ regulatory framework enables.

In other words, the Regulation should already establish that, for each tonne of negative emissions, two twin units are created; one for business trading on the voluntary market and one for the host country's national accounts. The national units should be recorded in the registries already established by EU law for the ETS (Emissions Trading System) and ESR (Effort Sharing

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Regulation). For a given tonne, management of the registry should at any time ensure traceability between the two types of units.

Stockholm Exergi recommends that a new sub-paragraph be incorporated into Article 12, which reads as follows:

”1a. The public registry maintained within the certification scheme shall also be interoperable with the Union registries, where corresponding records of certified carbon removal units shall be created to enable a direct and transparent tracking of said units for the purpose of aggregating, reporting and accounting removals at a national and at a Union level, pertaining to Union climate objectives.”

Stockholm Exergi is happy to answer questions or attend a meeting in relation to this opinion.

Best regards

Stockholm Exergi AB

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