

GREEN CLAIMS TRILOGUE NEGOTIATIONS: MAKING HIGH-QUALITY CLIMATE CLAIMS THE NORM**Key messages**

- Europe must build a new carbon removals industry to meet the Paris Agreement and EU Climate Law goals.
- There is an opportunity with the Green Claims negotiations to support this scale-up as well as to embed high-quality climate claims as the norm by bringing together the European Parliament and the Council's proposed amendments.
- The regulatory framework needs to (i) allow the trade of high-quality credits now already (as enabled by the Council amendment) - and not only at the point of residual emissions at end of a corporate's mitigation journey, and (ii) integrate the like-for-like principle, under which fossil fuel emissions can only be neutralised with high-quality carbon removal credits with permanent storage (Parliament amendment).

This paper proposes a way forward for the Green Claims Directive trilogue negotiations and specifically on making high-quality the norm for climate claims using carbon credits. It does so by building on the contributions of the European Parliament and the Council strengthening the initial proposal.

[Stockholm Exergi's negative emissions project](#) is the frontrunner for the industrial carbon removals (CDR) industry and is supported by the [EU's Innovation Fund](#) with 180 million Euros. The proposals below draw on the unique frontrunner insights, learnings and qualitative data Stockholm Exergi has acquired.

The negotiated outcome of the trilogues must protect (i) consumers, (ii) emissions reductions, and (iii) the scale-up of a high-quality carbon removals industry in Europe. To achieve this, two proposals are essential:

- The European Parliament's amendments to ensure high-quality criteria, notably installing the like-for-like principle prescribing that fossil fuel emissions can only be neutralised with high-quality carbon removal credits with permanent storage as defined by the CRC-F. This is vital to secure climate integrity.
- The Council's amendments mandating purchasers of climate credits for offset purposes¹ on their journey to net zero to have a climate mitigation strategy in place compliant with the Corporate Sustainability Reporting Directive (CSRD). This is vital to anchor the priority of emission reductions and to channel sufficient private finance towards scaling up Europe's emerging carbon dioxide removals (CDR) industry.

The co-legislators' negotiated agreement should therefore build on these two foundations to create a robust legal framework that: 1) enables the use of high-quality credits to neutralise residual emissions as well as non-residual ones if 2) traders have a climate mitigation plan in place compliant with the EU Corporate Sustainability Reporting Directive (CSRD), and 3) limits the offsetting of residual fossil emissions to high-quality carbon credits with permanent storage. Only when offsetting is done like-for-like (i.e. permanent removals for fossil emissions) for all unabated emissions should the possibility to make a claim on a neutral or positive impact on the environment be possible.

The amendments to deliver such a legal framework are in the Annex.

¹ With reference to the ongoing SBTi debate in relation to Scope 3, the purpose here, as made clear by the proposed definition, is not to declare Scope 3 target achievement but to balance out unabated emissions (non-residual and residual) and make an appropriate claim.

Stockholm Exergi also welcomes the strong transparency measures proposed by the European Parliament and the Council respectively, and which together form a robust system to protect and empower consumers.

In addition to delivering the aforementioned goals, the proposed amendments address potential unintended consequences that could materialise from the current texts, such as promoting cheaper and lower integrity credits over the scale-up of high-quality, high-costs credits, which is precisely where policy support is required.

Getting this right matters as the final text will have a significant impact on Europe's ability to build a carbon dioxide removals (CDR) industry that is currently scaling up, since the main vehicle to channel private finance is the purchase of removal credits on the Voluntary Carbon Market (VCM). Scaling this industry now is an essential condition for the possibility to introduce long-term funding via a compliance market as soon as possible.

This also means that claiming rules will play a determining role in Europe's capacity to 1) generate demand for permanent removals, 2) embed high quality and integrity in the market, 3) mobilise private capital for CDR projects (sufficient public funding alone is neither realistic due to high CAPEX costs, nor currently materialising), and thereby 4) create this new market and cleantech industry.

In conclusion, the claiming rules will have a direct impact on the cost of the EU to meet its climate targets, as permanent CDR is a critical tool necessary to reach the objectives of the European Climate Law as well as the Paris Agreement, as highlighted by the IPCC.

ANNEX – LEGISLATIVE AMENDMENTS
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Relevant Council text in Article 3.1a	Relevant EP text in Article 3b	Compromise proposal combining text and suggested amendments in bold	Reader’s guide
On 1) installing the like-for-like principle and 2) enabling the use of high-quality carbon credits on the mitigation journey to net zero			
<p>(e) if the explicit environmental claim is an offset claim, claiming that a trader has a neutral, reduced or positive impact on the environment in terms of greenhouse gas emissions, the assessment shall as well:</p> <p>(i) demonstrate that the trader has set a net zero target as set out in [...] Directive 2013/34/EU as regards sustainability reporting standards, and is on a decarbonisation pathway to meet the target;</p> <p>(ii) disclose [...] the percentage of total greenhouse gas emissions [...] [...] balanced out using carbon credits, for a specific time period.</p>	<p>Compensation claims based on the use of carbon credits may only be made in respect of the residual emissions of a trader in accordance with the delegated act set out in Article 3(4a).</p> <p>For claims on future environmental performance based on the use of carbon credits, the trader shall comply with the relevant rules set out in Delegated Regulation (EU) 2023/2772.</p>	<p>(e) if the explicit environmental claim is an offset claim, claiming that a trader has a neutral or reduced impact on the environment in terms of greenhouse gas emissions, the assessment shall as well:</p> <p>(i) demonstrate that the trader has set a net zero target as set out in [...] Directive 2013/34/EU as regards sustainability reporting standards, and is on a decarbonisation pathway to meet the target;</p> <p>(ii) disclose [...] the percentage of total greenhouse gas emissions [...] [...] balanced out using carbon credits, for a specific time period.</p> <p>(iii) demonstrate that the trader complies with the relevant rules set out in Delegated Regulation (EU) 2023/2772.</p>	<p>The Council text with its scope of claims and two sub-bullets is maintained.</p> <p>The initial EP paragraph to limit claims only to the residual point is deleted.</p> <p>To the Council text, the compliance suggested by the EP with regard to relevant rules set out in Delegated Regulation (EU) 2023/2772, is brought in as a new (iii). The notion of “future environmental performance” is deleted, to avoid limiting the application of the Regulation.</p>

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	<p>The carbon credits used must be certified units issued in accordance with [Regulation of the European Parliament and of the Council establishing a Union certification framework for carbon removals], or other units in accordance with paragraph 3c.</p> <p>Where the use of units is for compensation of fossil emissions, the claim shall be substantiated by permanent removals as defined in [Regulation (EU) .../... of the European Parliament and of the Council establishing a Union certification framework for carbon removals].</p>	<p>Removal carbon credits used must be certified units issued in accordance with [Regulation of the European Parliament and of the Council establishing a Union certification framework for carbon removals], or other units in accordance with paragraph 3c.</p> <p>For a claim with a neutral or positive impact, credits based on carbon removals compliant with the [CRCF Regulation] shall be required for all unabated emissions. Where the use of units is for compensation of fossil emissions in such claims, the claim shall be substantiated by permanent removals as defined in [Regulation (EU) .../... of the European Parliament and of the Council establishing a Union certification framework for carbon removals].</p>	<p>The EP text stating that carbon credits must be certified under the CRCF is maintained. It is clarified that it concerns removal credits, not other credits.</p> <p>The EP like-for-like principle requiring permanent removals for fossil emissions is maintained. Text is added to ensure that also for non-fossil emissions, CRCF removals is a requirement.</p> <p>The introduction of “in such claims” implies that the Council’s position to allow claims and general credits for reduced environmental impact is maintained.</p> <p>The like-for-like principle focus on climate neutral and climate positive claims. Policy makers may consider to extend the like-for-like principle also to claims for a reduced environmental impact. This would, however, most likely result in unintended consequences and is advised against. Such consequences would include:</p>
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			<ul style="list-style-type: none"> - fewer emission reduction projects (which could be of high quality); - Inconsistency with current Voluntary Carbon Market practices, including recent efforts by the Integrity Council for the Voluntary Carbon Market to secure high quality reduction credits; - undermining of the spirit of trading within Article 6 of the Paris Agreement; - practical inability of the removals industry to scale in time to meet potential demand.
	<p>3c. Certified units other than those issued in accordance with [Regulation establishing a Union certification framework for permanent carbon removals, carbon farming and carbon storage in products] may be used in duly justified cases where those schemes are recognised by the Commission as part of the list of compliant schemes corresponding to at least equivalent requirements to those provided by [Regulation (EU) .../... establishing a Union certification framework for permanent carbon removals, carbon farming and carbon</p>	<p>3c. Certified units other than those issued in accordance with [Regulation establishing a Union certification framework for permanent carbon removals, carbon farming and carbon storage in products] may:</p> <p>(i) for removals credits be used in duly justified cases where those schemes are recognised by the Commission as part of the list of compliant schemes corresponding to at least equivalent requirements to those provided by [Regulation (EU) .../... establishing a Union certification framework for permanent carbon removals, carbon farming and carbon storage</p>	<p>The EP proposal for recognizing credits from other certification schemes than the CRCF is maintained.</p> <p>In order to ensure high-quality also for other credits than removals, the EP text is divided in two sub-items.</p>

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	<p>storage in products], in particular with regard to monitoring, reporting, verification and liability requirements, and ensuring no double counting.</p> <p>The Commission is empowered to adopt delegated acts in accordance with Article 18 to list recognised carbon credit schemes that are considered to comply with such equivalent requirements.</p>	<p>in products], in particular with regard to monitoring, reporting, verification and liability requirements, and ensuring no double counting.</p> <p>(ii) for other credits be used if they are based on up-to-date, high-quality schemes recognised or developed by the Commission, where quality requirements shall be on par with those for removals, above.</p> <p>The Commission is empowered to adopt delegated acts in accordance with Article 18 to list recognised carbon credit schemes that are considered to comply with such equivalent requirements.</p>	
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