

GREEN CLAIMS TRILOGUE NEGOTIATIONS: INCENTIVIZING A WORLD-LEADING EUROPEAN INDUSTRY FOR PERMANENT CARBON REMOVALS

Key messages

- Europe must build a new industry for permanent carbon removals to meet the Paris Agreement and EU Climate Law targets.
- Done right, the Green Claims Directive can be an important enabler to stimulate high-quality voluntary climate action beyond regulatory requirements through corporate purchases of permanent carbon removals and, thus, help fund the initial build out of a new world-leading European industry for permanent removals, which will be essential for the Union to cost-efficiently reach its climate objectives in 2040 and 2050.
- In order for corporations to make *significant* purchases of permanent removals certificates they **must be entitled to make compensation claims**, in other words be able to communicate to the market that they have acquired such removals with the purpose of counterbalancing the climate impact of unabated emissions.
- Without that right, corporations have no incentive to make such voluntary purchases *at scale*. The consequence would be a significant delay in the build out of the industry, resulting in loss of competitive position with other trading-blocks as well as a shorter learning curve in view of 2040 and 2050, thus pushing up the cost for the Union to reach its climate targets. Furthermore, in the absence of private capital, the initial build out of the industry would have to be entirely carried by taxpayers' money. Without early deployments co-funded by private and public means, we would also see a delay in the introduction of a compliance market for permanent removals, possibly threatening the ability of the ETS to phase out EUAs according to the current plan.
- Consequently, **the EP amendment in its Article 3b**: "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).", **must be changed or deleted so that compensation claims are allowed throughout a company's emission reduction trajectory towards net-zero.**
- **A high level of transparency and consumer protection can at the same time be achieved** by requiring that corporations making compensation claims must (i) have a net-zero target and plan, as suggested by the Council and (ii) demonstrate that they adhere to the CSRD/ESRS rules that carbon credits are not a means of achieving GHG emission reduction targets (ESRS E1-4 34(b)) and that the claims and credits neither impede nor reduce the achievement of such targets (ESRS E1-7 61(b)), as implicitly already suggested by the EP.

The issue of limiting compensation claims as proposed by the EP will not only make it impossible to proceed to the imminent Final Investment Decision for [Stockholm Exergi's negative emissions project](#), with a projected capacity to remove 800 k tonnes of CO₂ per year and currently a frontrunner for industrial carbon removals, with funding from the [EU Innovation Fund](#) (€180 m) in addition to government aid from the Swedish support scheme for bio-CCS as well as a significant portion of the funding expected from the voluntary carbon market based on already signed off-take agreements. It would also generally impact the whole nascent European industry for permanent carbon removals in the same way. It would further impact the general decarbonization through CCS, since projects targeting CCS of fossil emissions could no longer count on the volumes of biogenic and atmospheric capture, pushing up the unit cost of their CAPEX investments for transport and storage of CO₂.