



2040 Climate Targets & Industrial Carbon Management Strategy: NEP reaction

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The Negative Emissions Platform welcomes the timely publication of the 2040 Climate Target and Industrial Carbon Management Strategy Communications. Urging clarity, NEP emphasises the need for a definitive political signal, enhanced financing mechanisms leveraging the Voluntary Carbon Market, and a tech-neutral, portfolio approach to ensure climate targets are reached. NEP eagerly anticipates engaging with EU institutions to ensure these critical documents align with a comprehensive strategy, supporting the carbon removal sector's growth in the ongoing battle against the climate crisis.

Key messages

- 1. Clear political signal:** The Commission should have set a clear target for carbon removals that is separate from emission reductions that is further broken down to permanent carbon removals and LULUCF targets. A separate target for permanent carbon removals would provide a decisive signal to the market.
- 2. Enhancing financing mechanisms:** The Commission should have set out how it intends to leverage the Voluntary Carbon Market (VCM) and other funding tools to support the development of the carbon removal sector.
- 3. Tech-neutrality and portfolio approach:** The Commission should have acknowledged the central importance of a diverse portfolio approach of carbon removals based on high-integrity and permanence, allowing for technological development and innovation.



Lack of a clear political signal

NEP sees the 2040 Climate Targets as the foundation for the carbon removal sector and the basis for further policies and funding. However, the 2040 Climate Target Communication fails to clearly separate the role of carbon removals from emissions reductions. Moreover, various figures for carbon removals are referred to and it is very unclear how they break down between LULUCF and “industrial” carbon removals, creating uncertainty about their coherence with each other and with other listed figures.

The two Communications were an important opportunity for the Commission to provide a clear political signal of how it sees permanent carbon removals fitting into its overall climate framework; where and how it would be used; and how it intends to support the sector to meet those targets.

NEP calls on the new European Commission to **set a clear target for permanent carbon removals in the legislative proposal for a 2040 climate target**, giving a firm signal to the sector and setting out the policies and funding needed to support the sector to scale up.



Demand for carbon removals & financing

The CDR sector is currently in its infancy, relying on a limited number of tools to get projects off the ground, such as state subsidies and the Voluntary Carbon Market (VCM). NEP welcomes the European Commission's forthcoming assessment on how carbon removals will fit into emissions trading. A compliance market will be an indispensable tool to spur demand and fund the sector, as well as address residual emissions in the most polluting sectors.

Nevertheless, until a compliance market is established, the sector will be relying on the VCM as a key source of funding in the coming decade. Moreover, even after a compliance market is established, it is well understood that it will be insufficient by itself in fully funding the sector and that the VCM will continue to play a key role.

Given the crucial role of the VCM, the European Commission could have used the Industrial Carbon Management Strategy to provide **a comprehensive strategy on how it intends to support the sector through the VCM, thereby establishing a robust foundation for the sector's growth.** For example, the Commission could have provided clarity on the issues around claims and the importance of harmonising EU regulation on this, such that it provides incentives for companies to buy carbon removal credits through the VCM. Not addressing this topic was a big omission in the strategy.



Tech-neutrality

To reach 75 million tonnes of technological permanent removals by 2040, we have 15 years to build a new industry, with close to a yearly growth of 5 million tonnes. This is a very significant challenge, even considering contributions from outside the EU. To be successful, the EU needs a strategy where all technologies that can demonstrate permanence could be deployed.

NEP welcomes the reference in the 2040 Climate Targets Communication on the need for a portfolio approach. However, in both Communications, there appears to be undue emphasis on selected technologies. Moreover, the definition of 'industrial carbon removal' only refers to DACS, BECCS and biogenic carbon, thus excluding a diverse range of other permanent carbon removals.

No single technology will be sufficient in addressing the expected demand of carbon removals to meet climate targets. Moreover, given that all carbon removal activities will have distinct advantages and disadvantages, the adoption a portfolio approach is essential to mitigating potential risks and ensuring that climate targets are reached. **All high-integrity permanent solutions should be able to contribute to the 2040 Climate Targets and receive regulatory and financial support through the Industrial Carbon Management Strategy.**



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The Negative Emissions Platform is a Brussels-based partnership of European and international organisations focused on carbon removals. Our members are primarily technology companies, but also include project developers, investors, carbon marketplaces, and buyers of carbon removals. We provide a forum in which diverse like-minded organisations actively collaborate to improve political and public recognition of carbon removals.