

EFET response to the EU Commission consultation on certification of carbon removals

■

29 April 2022

The European Federation of Energy Traders (EFET)¹ welcomes the opportunity to provide our comments to the roadmap on the future EU Commission proposal for a regulatory framework on certification of carbon removals.

We have five main recommendations:

1. Standardisation of national certification approaches and monitoring, reporting and verifying (MRV) methodologies will help to expand the voluntary carbon market
2. An EU-wide certification framework will ensure robust accreditation and enhanced penetration of market-based carbon removal solutions
3. A technology-neutral approach, based on the amount of carbon captured, mitigated, or used, will help achieve the EU objective of carbon neutrality
4. The main objectives for the certification of carbon removals in the context of an EU-wide certification scheme need to be clearly defined
5. The incorporation of an EU offset certification scheme into the compulsory scope of the EU ETS should be envisaged in due course

1. We welcome the prospective standardisation of carbon credits and offsets in Europe

We welcome the intention of the EU Commission² to accelerate decarbonisation by harnessing market-based carbon capture, utilisation and storage (CCUS) methods through the implementation of carbon sequestration techniques on farms, as well as through industrial carbon dioxide removal (CDR) technologies that can create lead value chains across Europe.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org

² https://ec.europa.eu/clima/system/files/2021-12/com_2021_800_en_0.pdf

In particular, we welcome the intention of the EU Commission to ensure a high degree of transparency, environmental integrity and methodology standardisation for the achievement of a pan-European approach regarding carbon credits placed on the voluntary carbon market.

A certification system for carbon removal technologies needs to facilitate the tracking and monetisation of environmental benefits. It also needs to be flexible enough to cater for various carbon value chain processes. For this reason, alignment of national certification approaches and standardised MRV methodologies are of prime importance for natural, technological and hybrid CDR strategies.

Standardisation of carbon credits and offsets, which currently take the form of various voluntary schemes, instruments or tokens, shall ensure that:

- a carbon of tonne equivalent rate of removal or sequestration can be established for various carbon removal technologies, methods and initiatives, irrespective of whether their corresponding standards and regulations would be national or EU-wide
- a standard evidential instrument can be developed for the certification of those carbon removal technologies, methods and initiatives

2. We call for strict EU-wide harmonisation and accreditation of voluntary arrangements for the certification of CDR technologies

We welcome the EU Commission intention regarding the establishment of an EU-wide certification framework which will ensure robust accreditation and enhanced penetration of market-based carbon removal solutions. Harmonisation and accreditation at EU level of currently voluntary arrangements, applying nationally or internationally for the certification of CDR technologies, will facilitate the recognition of and trade in instruments between Member States. It will also facilitate the subsequent incorporation of a prospective EU offset certification scheme into the EU ETS (*see section 5*).

The EU has a key role to undertake in certifying carbon removals. By looking at methodologies already applied by the industry and other bodies, the EU may identify those methodologies that are fit for purpose, have the correct MRV rules attached to them and do not raise the risk of double counting of emissions. The EU will hence be able to set minimum standards to ensure harmonised and transparent reporting on emission reductions by corporates, governments and individuals.

We hence call for strict harmonisation at EU level of the rules for the certification of carbon removals following identification of approved methodologies at the level of national emission authorities. We stress that any standard EU certificate which may be developed for the certification of CDR technologies should be freely tradable across borders. As an additional step, we request for the process of approving a new carbon removal technology by a Member State to also be subject to approval by the EU Commission. Through this process, once a given CDR technology is accepted in one Member State, it will be possible for it to be automatically used in all other Member States.

3. Technology neutrality should be an integral component of an EU-wide certification system for carbon removals

Any EU-wide certification system for CDR technologies should be open to the full breadth of both technology-based solutions (e.g. bioenergy with carbon capture and storage – BECCS, Direct Air Capture with Carbon Storage – DACCS, enhanced weathering) and nature-based solutions (e.g. soil carbon sequestration, biochar.) This will help to achieve the EU objective of climate neutrality. The deployment of all CDR technologies should be incentivised as soon as each of them is considered commercially viable. Therefore, the development of an EU regulatory framework for carbon removals should be designed in a way so that it does not delay the uptake of technologies which are close to their commercialisation. It should also not set artificial deadlines for still unviable technologies to be scaled up.

4. The main objectives for the certification of carbon removals as part of an EU-wide certification scheme should be clearly defined

We see value in clearly determining the main objectives for the certification of carbon removals. Any EU-wide certification scheme should seek to:

- Standardise the measurement of carbon removal, storage and sequestration achieved by a variety of methods, technologies and techniques
- Stipulate how removal, secure storage and progressive sequestration must be recorded and validated
- Harmonise national and international rules for unitising the quantity of carbon removed, stored or sequestered as certified one tonne amounts
- Thereby increase trust in certification and develop a standard, fungible EU certificate, which ultimately replaces non-standard, voluntary certificates, as well as a plethora of so-called crypto climate tokens
- Disqualify fraudulent or questionable claims and schemes, especially those relying on very old, effectively unverifiable offsets and credits accumulated from past projects
- Preclude any double counting of carbon claimed to be removed, stored or sequestered

5. We envisage the integration in due course of an EU offset certification scheme into the compulsory scope of the EU ETS

The interaction between voluntary markets and compliance markets is also worth highlighting. The EU ETS is Europe's central instrument to reach climate goals. The voluntary market should seek to facilitate high quality credits that are used for residual emissions after emissions reductions have been achieved as much as possible, whilst the compliance market can support the scale up of investment decisions today in removals technologies. The respective price for EUAs has become a benchmark for carbon abatement across Europe. For this reason, EFET

sees a benefit to the integration of an EU offset certification scheme into the EU ETS, as far as practicable, through transparent and verifiable “CDR certificates” or “negative EUAs”.

In principle, EFET envisages the incorporation in due course of an EU offset certification scheme into the compulsory scope of the EU ETS. However, the right time for this merger should follow careful observation of the methodologies being developed in the voluntary markets and ensuring credits accord with high integrity principles. These principles should cover good design, transparency and verification mechanisms.