

Call for evidence on the Governance Regulation

Carbon Market Watch's feedback on the role of carbon dioxide removals planning and reporting in the Governance Regulation framework.

[Carbon Dioxide Removals](#) (CDR) are processes and technologies that draw carbon dioxide (CO₂) from the atmosphere and store it over relevant time horizons. This way, the removed CO₂ can no longer contribute to climate breakdown. Used wisely, CDR can help the European Union achieve climate neutrality and net negative emissions thereafter. To ensure CDR does not delay rapid, deep, and sustained emissions reductions, carbon removals should never replace emission reductions; they must occur in parallel, while emission reductions are the priority. Careful planning for a realistic volume of feasible, safely deployable CDR, with limited trade-offs, is necessary to carve out a credible and functional role for removals in climate policy.

Currently, member states' National Energy and Climate Plans (NECPs) [lack transparency and proper assessments](#) of the planned deployment of permanent carbon dioxide removals to reach their climate targets.

There are various concerns related to the deployment of permanent CDR processes, such as Bioenergy with Carbon Capture and Storage (BECCS) and Direct Air Carbon Capture and Storage (DACCS), which require resources that are limited, such as clean energy, water and land. Deploying large volumes of permanent CDR would add [pressure on food production, biodiversity](#), and [the rights of local communities](#). High-quality assessments of the environmental, social and economic impacts of relying on CDR are necessary to gauge

feasible volumes of permanent CDR based on sustainably available supply and avoid delivery risks. At the moment, central questions regarding expected resource demand and financing for permanent CDR, as well as plans for CO₂ transport and storage infrastructure, remain unanswered by member states. Additionally, assessments of social and environmental impacts, as well as trade-offs with other legal commitments (e.g., net-sequestration targets in the LULUCF Regulation), are widely missing from NECPs and Long-Term Strategies (LTS). Despite that, member states continue to plan to rely on future carbon removals that may never materialise, risking deterring mitigation.

The European Commission's acknowledgement of these shortcomings, as noted in its [assessment of member states' latest NECPs](#), is welcome and underscores the need for actionable steps to improve assessments and reporting on permanent CDR. However, the lack of consequences for member states that don't comply with the Governance Regulation diminished incentives to provide robust and high-quality assessments and reporting within countries' NECPs. It signals a reluctance to enforce climate regulation, potentially leading to EU climate rules in this field being perceived as optional. There is a need for stronger enforcement of the Governance Regulation's planning and assessment requirements, which can be achieved by making parts of the financing to Member States within the Multiannual Financial Framework (MFF) contingent on their completeness and quality. Linking compliance with reporting requirements and financing streams may strengthen the quality of NECPs and LTSs while avoiding lengthy infringement procedures.

The [lack of assessments and transparency in reporting on plans and assessments for CDR in Member States' NECPs](#) and LTSs results in an overreliance on CDR to fulfil climate plans, as environmental and health impacts, delivery risks, and trade-offs with other commitments are underestimated. In addition to strengthening enforcement of reporting requirements, the structure of the reporting documents should be revised. Introducing a separate section in the NECP and LTS templates dedicated to permanent CDR targets and policies would enhance transparency and prevent spreading out permanent removal planning over sectoral planning exercises. The European Commission's [guidance for the update of 2021-2030 NECPs](#), which already made reporting requirements on permanent CDR more explicit, was a welcome step in the right direction. Taking one step further and including such formulations in the new Governance Regulation, encompassing sensitivity analyses of the potential impacts of relied-on permanent CDR volumes and transparency on the assumptions used in conducted modelling, will enhance the quality of reporting and assessments.

Several of the most recent member states' climate plans show an [overreliance on permanent CDR](#), creating [delivery risks and potentially deterring mitigation](#). Introducing safeguards against such overreliance directly into Article 31 of the Governance Regulation would provide a structural remedy. Specifically, Article 31 could be supplemented by a provision that defines overreliance on permanent CDR volumes as insufficient ambition. Overreliance should be defined as permanent CDR volumes not backed by in-depth assessments credibly demonstrating that projected volumes and supporting infrastructure are likely to be available, that their deployment does not result in adverse environmental or social impacts, and that the associated resource use and cost are disclosed, realistic, sustainable and do not compete with decarbonisation.

In summation, stronger enforcement, more explicit requirements, and safeguards against overreliance on carbon removals in countries' NECPs and LTSs would form the foundation of a sound governance framework for carbon dioxide removals at the EU level that meets the EU's overall climate and environmental goals.

The following amendments should be considered:

- The Governance Regulation should provide a dedicated separate space for assessments, planning and reporting on policies and targets for permanent CDR in the NECP and LTS templates. These should support a separate setup of targets to reduce gross emissions, restore and protect the LULUCF sink, and deploy permanent CDR.
- Compliance with the Governance Regulation should be strengthened by making MFF financing to member states conditional on the completeness and quality of their NECPs and LTSs.
- In Article 3, the following should be added to strengthen the assessment of impacts: "- assessments of energy and resource demand of the included permanent removal capacities in climate plans and potential tradeoffs with other relevant policies and commitments as set out in Article 4."
- Annex I, Part 1, should be revised to require member states to separately assess and disclose the biomass demand and feedstock types for permanent carbon removals.
- Article 8 should be revised to make the need for assessments on potential health, environmental, social, and macroeconomic effects resulting from the deployment of permanent removals more explicit.

- Article 31 should be supplemented by a provision defining overreliance on permanent CDR as insufficient ambition, where projected volumes lack in-depth assessments credibly demonstrating their likely availability, the absence of adverse environmental or social impacts, and disclosed, realistic, and sustainable resource use.

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Key Literature

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