CARBON MARKET WATCH

4 May 2026

Position paper: Removals in the EU's post-2030 climate architecture

Carbon Market Match's position on national targets and flexibilities in the EU climate policy framework after 2030

Carbon dioxide removals (CDR) have a role to play in reaching EU-wide and global climate neutrality. However, they will not deliver if used as a substitute for cutting emissions rather than as a supplement. Action on all three fronts, emission reductions, land-based sequestration, and permanent removals, will be needed to deliver on the EU's fair share of the Paris Agreement's 1.5°C goal. As the EU decides what contributions each member state will have to make to achieve the 2040 target, a critical design question arises: how should carbon removals be treated alongside binding emission reduction targets? It will be crucial to get this distinction right by enshrining it in a well-designed, separate, permanent removal target, while fixing the fundamentally broken quality standards under the Carbon Removals and Carbon Farming (CRCF) Regulation, which is indispensable to retaining the EU's credibility given its binding commitment to climate neutrality.

The Effort Sharing Regulation (ESR) and the Land Use, Land Use Change and Forestry (LULUCF) Regulation set binding national emission-reduction and net-removal targets until 2030. These are two of the three main pillars of the EU's climate policy architecture, together with the EU Emissions Trading System (EU ETS). The ESR covers emissions in domestic transport, buildings, agriculture, small industry and waste. The LULUCF Regulation covers emissions and removals from the management of cropland, grassland, wetlands, forests, settlements, as well as changes in land use.

Currently, both regulations allow flexibility in reaching targets. One of them is the possibility of using net removals from the land sector that exceed LULUCF Regulation targets to cover deficits in emission reductions under the ESR. Removals from the land sector are highly unreliable, since carbon sequestered in vegetation and soils can easily be released by unforeseen events, such as wildfires, floods, or by direct human interference, like tree logging. Hence, carbon removals from LULUCF are temporary and have highly limited climate benefits that can never be equal to real and permanent emission reductions. The flexibility between LULUCF net-removals and the national ESR target means countries can use significant volumes of temporary and vulnerable land-based sequestration in the LULUCF sector to count towards achieving their ESR target. This replaces emission reductions that would have had far greater and more reliable climate benefits.

These regulations need to be revised to maintain a fair and effective climate architecture for post-2030 and to implement the EU's adopted 2040 target.

Instead of softening its climate architecture, the EU should reinforce it and make it fit for climate neutrality. This can be achieved by maintaining binding emissions-reduction targets under the ESR and net-removal targets under the LULUCF, while introducing separate permanent removal targets as an additional pillar. This would align with the recommendations of the European Scientific Advisory Board on Climate Change (ESABCC) to set separate targets for emissions reductions, permanent removals and temporary removals within the EU's climate architecture.

A reliable post-2030 climate architecture

Playing to its strengths: maintaining distinct and binding national targets

EU policymakers should build on and continue to improve the current, well-tested framework. This includes maintaining binding targets for member states through both the ESR and the LULUCF pillars, which remain instrumental to ensuring member states' collective responsibility and accountability in delivering on the EU climate targets. Moreover, they are important tools to ensure that member states retain ownership and responsibility for developing targeted sectoral policies and measures. Swift action over the next ten years will be crucial for reducing emissions in the domestic transport, buildings and agriculture sectors, as well as restoring the EU's land sink to keep climate neutrality by

2050 within reach. Therefore, the ESR should be maintained and strengthened as a central emission-reduction policy, which should never be conflated with the LULUCF pillar.

Additionally, the post-2030 architecture should keep targets for emissions reductions and carbon removals separate. The emission reduction targets for the ESR sector should remain expressed in gross greenhouse gas emissions, and should not be conflated with targets for carbon removals, which include temporary sequestration in the LULUCF sector. Instead, the ESR and the LULUCF Regulation should remain two separate pillars, each with ambitious, distinct targets.

There is a need for a binding, ambitious non-CO2 gross emissions reduction target for agriculture, separate from the LULUCF sector. Such a target could ensure that the livestock sector, which is responsible for a major share of EU emissions, begins to pursue emission cuts more candidly. This is also in line with the EU Climate Law, which calls on all sectors to contribute to achieving climate objectives. Many pathways have shown that deep and effective emissions cuts in agriculture are possible, with some projections indicating reductions of up to 60% by 2045. Yet action has been limited. Agriculture must contribute its fair share - failure to do so risks agriculture becoming the largest source of emissions within the next decade.

Closing its loopholes: providing predictability by abolishing past and new flexibilities

Recent calls for flexibility in the current EU climate architecture are incompatible with the overall aim of making policies more effective and workable. Flexibilities introduce volatility into the national targets' framework, making it highly complex for countries to track progress due to moving goalposts and often uncertain availability of flexibilities between pillars. In addition, these mainly allow for offsetting, which ultimately means delaying emission cuts. The current rules under the ESR and the LULUCF Regulation allow 262 million tons of ESR-sector emissions to be offset by surplus net removals in the LULUCF sector between 2020 and 2030. That number accounts for about 5% of the EU's 1990 emissions. Not only does this rule conflate removals and reductions, but it also allows temporary sequestration to compensate for much longer-lived emissions, with little to no climate benefit, and risks deterring mitigation.

Prioritising domestic action over international credits

The possibility of relying on international carbon credits to achieve the EU's 2040 climate target is yet another loophole that would slow down the EU's mitigation efforts rather than strengthening them in line with its historical responsibilities. The policy package to implement the EU's 2040 target should be designed based on a domestic 90% net emissions reduction ambition and split into three separate targets. If any international credits are to enter the EU climate framework, their inclusion should be appropriately justified and utilised only as a potential last resort, at the very end and in as limited a way as possible. Their use should not be mandatory for member states and should be strongly disincentivised.

The CRCF pickle

Finally, carbon removals and carbon farming units created under the Carbon Removals and Carbon Farming certification framework should not be used for offsetting emissions under the ESR or LULUCF. This is due to several reasons. First, emissions and removals are inherently different and cannot be equated. Second, the CRCF methodologies are of poor quality[1]. Finally, there is a fundamental misalignment between the CRCF and national inventories' accounting systems.[2]

The European Commission is aware of the incompatibility between the two accounting systems. It has instead proposed using the CRCF to better inform the data in national inventories, improve the emission factors countries use in their models and thus supposedly help member states reach Tier 3 (the highest level of accuracy for estimating greenhouse gas emissions). Yet, the methodologies cast doubt on the quality and accuracy of the CRCF data. Therefore, it is unclear whether the CRCF truly could improve national reporting.

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[1] At present time, the CRCF Delegated Acts with methodologies for permanent removals and carbon farming are fraught with quantification, additionality, liability and sustainability concerns, offering little assurance on the eventual quality of issued units. Source: Öko-Institut, Does the CRCF methodology for permanent removals align with the PACM?, 2025, https://www.oeko.de/fileadmin/oekodoc/PB-EU-CRCF-and- Article-6.4.pdf

[2] To illustrate, the CRCF takes place at a project level, it is time-bound according to a fixed activity period, removal gains are measured against a baseline defined at the start of the project, and specific quality criteria such as additionality and long-term storage need to be met.Meanwhile, national inventories are designed for broad-scale reporting and follow annual emissions balances. Reporting is done according to the so-called TACC criteria: transparency, accuracy, completeness, comparability and consistency (IPCC 2006). Further, removals are also associated with different steps of a removal activity and can be spread across several inventory categories (thus, activities under the CRCF methodologies would fall under two different sections of the national GHG inventories).

Another proposal involves using CRCF units as a Key Performance Indicator (KPI) to access LULUCF flexibilities or to compensate for potential deficits. Yet, setting the expectation from the get-go that national targets will be hard to meet and presenting CRCF as a fallback option risks further disincentivising ambition. Consequently, any use of CRCF credits towards potential member states' KPIs must be done as an addition, and not a replacement, of ambitious binding targets and commitments.

Lastly, the private sector would be involved through the EU Buyers Club. Through this mechanism, private funding would be aggregated to purchase CRCF units. Corporations would be able to use these units to meet their own climate targets (e.g. for corporate reporting and/or to substantiate claims), while advancing member states' goals. No sector has been excluded, meaning purchases may happen within and outside of the value chain. The worst-case scenario is that oil and gas companies purchase carbon farming credits to offset their emissions, count them toward their inventory, and report them in the corresponding national inventory, thereby contributing to national targets. Clearly, this proposal carries additional double-counting and offsetting risks.

Ultimately, relying on the Voluntary Carbon Market as a key enabler for reaching national targets keeps member states (and companies) off the hook when it comes to prioritising emission reductions in top-polluting sectors. In the short term, voluntary initiatives from the private sector are welcome, provided they are not used for offsetting or insetting. In any case, the EU should soon move towards legal obligations to procure removals, set responsible use cases, and regulate claims. Regulation, not relaxation, is needed to achieve EU climate goals.

Filling its gaps: establishing separate targets for permanent removals

The EU missed the opportunity to distinguish between targets for gross emissions reduction, land-based sequestration and permanent removals in the European Climate Law. The design of the post-2030 climate package - specifically the revision of the Effort Sharing Regulation and the Governance Regulation - is an opportunity to rectify this flaw in the European climate architecture.

> We only briefly sketch out this complex topic here. For more in-depth information on how national permanent removal targets can and should be designed, read our upcoming Beyond Net: A guide on separate permanent removal targets in the EU.

Separate permanent removal targets could safeguard emission-reduction efforts while incentivising realistic and feasible plans for permanent CDR that will be needed to counterbalance hard-to-abate residual emissions and achieve net-negative emissions thereafter. To support a responsible decision on separate permanent removal targets, the Governance Regulation must be strengthened to ensure member states collect and report adequate data, conduct rigorous feasibility and sustainability assessments, and are held accountable for implausible CDR projections that lack credible underpinning.

A collective EU-wide target for permanent removals based on rigorous sustainability assessments should be established bottom-up: national feasibility assessments inform the aggregate EU figure, which is then distributed as binding national targets - embedded within the Effort Sharing Regulation. Intermediate targets should be set every five years from 2030 onward and integrated into the EU's nationally determined contributions (NDCs).

National removals targets could help track progress and would make removal efforts more transparent. Adding a distinct permanent removal target to the post-2030 package clarifies a specific place for removals and gives member states the opportunity to commit to building up permanent removal capabilities, without shifting attention from necessary economy-wide decarbonisation. If concerns about resource demands, such as biomass and renewable energy, are adequately addressed through detailed assessments and planning, and quality criteria are strengthened to meet the challenge, countries can provide their fair share of permanent CDR within the established bounds.

A well-designed permanent removal target includes a ceiling, representing planetary, social, and economic boundaries that any deployment volume has to respect. The floor is the foundation that defines the minimum delivery volumes needed to ensure planning certainty and a fair distribution of effort across all member states. Floor targets should initially be indicative, becoming legally binding from 2035 onward, with automatic penalty mechanisms triggered by underdelivery or ceiling breaches. A trading facility can incentivise overachievement of the floor target by allowing EU-wide trading of credits that exceed target levels. Regular revision cycles based on new scientific and technological knowledge can update ceiling and floor target levels. National floor target numbers should be based primarily on member states' fiscal capacity, while accounting for their historical responsibility and their potential to tax high-polluting industries.

The costs of permanent CDR, a public good, must be shared between public budgets and the private sector. High-polluting companies that have disproportionately benefited from unconstrained emissions should be made responsible for financing a share of the removals required to counterbalance residual and historical emissions. Only ambitious targets, grounded in feasibility, fairly allocated, and adequately financed, can give permanent CDR the space it deserves without delaying emission cuts or damaging ecosystems.

Carbon Market Watch is convinced that the post-2030 package has the chance to get carbon removals right and clean up past failings. Therefore, we ask EU lawmakers to lay down the following tracks toward a reliable and effective EU climate framework:

- Maintain binding national targets that keep gross emission reductions within a strengthened ESR, and net removals from LULUCF separate.
- Keep international credits out of the target design and prepare a package for 90% domestic emission reduction.
- Abolish flexibilities in gross reduction targets that allow offsetting with removals.
- Drastically enhance the quality of the CRCF and its methodologies.
- Lay the groundwork for separate permanent CDR targets.

Contact

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