# Making good on the "net" in net zero: the Net-Zero Industry Act must support carbon removal

**Key recommendations:**

- The proposal offers a timely lifeline to the European net zero ecosystem but misses crucial support for carbon removals (CDR). The Carbon Capture and Storage (CCS) category must be expanded to include CDR as a (strategic) family of net-zero technologies.
- We welcome the explicit commitment to an EU annual CO2 injection capacity target by 2030 and we call for a comprehensive approach to carbon management that considers both CCS and CDR.
- The NZIA Article 18 introduces an innovative clause which directly holds oil and gas extractors responsible to build the EU's CO2 storage network. We call on co-legislators to maintain this provision, while considering expanding the scope of the obligation to the entirety of fossil fuel supply, beyond production.

Carbon Gap welcomes the Commission's proposal for a Net-Zero Industry Act (NZIA) and committed efforts to strengthen Europe's net zero ecosystem. The NZIA represents significant advances for the sector, especially for the 8 strategic technologies that have been listed.

We believe the proposal can be improved to ensure it delivers on its goals, as outlined in the recommendations below.

## 1. Include carbon dioxide removal (CDR) to deliver climate neutrality

The Act risks missing a critical opportunity to **provide full support to other technologies, such as carbon dioxide removal (CDR), which are key to delivering climate neutrality by 2050, and net negative emissions thereafter, for Europe.** In its current form, the Act excludes technologies that generate *negative* emissions even where these could fall under the definition of 'Innovative net-zero technologies' (e.g., some forms of direct air capture are considered TRL 7). Furthermore, the NZIA must also respond to the new realities facing net-zero technology companies created by the three recent US climate bills. Permanent carbon removal technologies will receive support in the US in the order of mid-single digit billions USD. **If CDR is not included in the NZIA, the EU risks ceding this promising slice of the net zero technology suite**

**entirely**. If instead CDR innovation and scale-up is shared across many regions and countries rather than concentrated in a few, the planet will benefit.

## 2. An explicit CO2 injection capacity target is a start to unlocking carbon removal

Carbon Gap welcomes the explicit commitment to an EU annual CO2 injection capacity target by 2030. The proposed target of 50 million tonnes of CO2 per year as a minimum for the EU alone is a strong start, but may need to be increased even as we clarify which sources of CO2 are eligible for storage. Commission has rightly recognised the lack of existing or planned CO2 storage as a key piece of the puzzle. Many CDR methods store CO2 geologically, such as direct air capture with carbon storage (DACCS), bioenergy with carbon capture and storage (BECCS), especially the capture of biogenic carbon from waste and non-energy processes such as waste incineration (so-called Biomass Carbon Removal and Storage), and the permanent storage of mineralised carbon.

Therefore, **we welcome clarity that an EU CO2 storage network will be created that can accommodate CO2 from carbon removal activities.** Crucially, this limited shared storage capacity must be transparently administered and prioritised so that high-value decarbonisation and removal projects are not crowded out by the capture of carbon that could have been avoided in the first place. To counteract this risk, a **comprehensive and coordinated approach to carbon management that considers both CCS and CDR will be essential for ensuring that limited CO2 storage capacity is used effectively** to reach the Union's climate neutrality targets.

## 3. Maintain the responsibility to build that injection capacity where it belongs: on fossil producers

The NZIA Article 18 positively introduces an obligation on EU-based oil and gas extractors to take responsibility for building the EU CO2 storage infrastructure. Anyone who dug up oil or gas in the 2020-2023 period is **directly responsible for contributing to building the newly mandated CO2 injection capacity** pro-rata according to how much fossil fuel they produced. This obligation puts fossil fuel producers on the hook, in a similar way as producers of packaging, car tires, and other consumer products are often required by law to take responsibility for the environmental footprint of end-of-life disposal of those products.

This also creates an unprecedented opportunity to collate and host transparent, open data on carbon storage resources, much of which is held today by private companies. We will need **a centralised EU registry to log all CO2 stored under the scheme**, including the source of the stored CO2 so regulators can ensure that the highest-value removals, and most difficult-to-decarbonise sectors, are prioritised.

For this obligation to deliver all of its benefits, **the EU should evaluate the implications of extending responsibility to all suppliers of oil and gas to Europe**, not just domestic producers. The EU imports the vast majority of its oil and gas to meet its consumption demands, with crude oil import dependency reaching an all-time high in 2020 at 97%. If the obligation only falls on domestic producers, they will bear the costs alone, which could cause domestic production to dip as imports surge, with no assurances that EU fossil fuel consumption declines overall. This could lead to worse environmental outcomes and endanger Europe's climate progress. Ultimately, all fossil fuel suppliers must shoulder responsibility, if not through this Act than through some other means. **We must ensure this policy delivers both less fossil fuel use overall, and more carbon storage.**

Carbon Gap looks forward to engaging on critical details of the obligation, such as which entities are obliged to build Europe's CO2 storage infrastructure, where this infrastructure can be located, and how different sources of CO2 for storage are prioritised or barred.

## Call to action

The next months will be crucial to land the Net-Zero Industry Act. For the reasons above, we urge the European Parliament and the Council to **explicitly include CDR methods as (strategic) net-zero technologies.** This family of mature and permanent CDR methods would become the only set of technologies that can deliver the "net" in the EU's net zero strategy. Additionally, we call for **strengthening the provisions on the EU's carbon storage capacity** to ensure they deliver.

## Contact

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