

Press release

NET-ZERO INDUSTRY ACT: CARBON GAP WELCOMES PARLIAMENT RECOGNITION OF CARBON REMOVAL AS KEY NET ZERO TECHNOLOGY ALONGSIDE CO₂ STORAGE OBLIGATION FOR FOSSIL FUEL SUPPLIERS

Brussels, 25 October 2023 – The report on the Net-Zero Industry Act (NZIA) by MEP Christian Ehler adopted today by the European Parliament ITRE Committee is a substantial improvement of the Commission's proposal, but it leaves a few issues to be clarified.

Very welcome inclusion of CDR technologies in the scope of NZIA

Carbon Gap welcomes the addition of carbon dioxide removal (CDR) to the list of net zero technologies in the scope of the Act, as well as the recognition of CO₂ capture, infrastructure, and storage projects as net zero strategic projects. This addition will allow CDR projects to benefit from a faster permit-granting process, easier access to financing and investments, and direct funding at the EU and/or member state level.

As made clear by leading scientific bodies, including recently by the [European Scientific Advisory Board on Climate Change](#), scaling up sustainable carbon removal from both the land sector and technologies is needed to achieve climate neutrality. The inclusion of CDR in the NZIA would ensure that these critical technologies get the attention they need to contribute to Europe's climate action whilst bringing clear economic and strategic benefits.

Reinforced CO₂ storage target and increased transparency

MEPs confirmed the proposed EU annual CO₂ injection capacity target of at least 50 million tonnes to be reached by 2030. Introducing such a target in EU legislation is key to addressing the current lack of CO₂ storage sites across the Union, which represents a major bottleneck to scaling carbon management technologies.

In addition, the report requires the Commission to set the EU annual CO₂ capacity to be provided by 2035, 2040, and 2050. This requirement will help provide clarity and potentially set a pathway to progressively increase the EU storage capacity over the next decades.

MEPs improved the overall transparency on potential and available CO₂ storage by requiring the Commission to provide data on the progress achieved towards the injection capacity target, including an overview of the geographical spread of storage sites. The report also mandates member states to make publicly available their data on CO₂ capture projects in progress, national support measures, as well as their national strategy and targets for carbon capture by 2030 and following milestones.

Finally, the ITRE report adds several references to CO₂ usage – for instance through carbon capture and utilisation (CCU) – as a solution to contribute to reducing the need for storage. Carbon Gap warns against the risk of lock-in that could stem from an overreliance on CCU and stresses that storing carbon in products creates a clear risk of carbon reversal.

Welcome strengthening of responsibility of oil and gas entities raises the question of who should foot the bill

When it comes to the obligation of oil and gas producers to contribute to the CO₂ injection capacity target (Article 18), ITRE expanded its scope to all entities “selling crude oil, petroleum products or natural gas in the Union”. Their contribution will be calculated pro-rata according to their share in fossil products sold in the EU from 2020 to 2023.

We welcome this amendment, which strengthens the extended producer responsibility ethos of the obligation by applying to all fossil fuel suppliers, beyond the limited number of EU producers. Importantly, MEPs also called on the Commission to clarify the dissuasive sanctions and penalties to be applied to the entities that fail to comply with the obligation.

At the same time, the new provisions calling on member states to support the development of CO₂ storage, up to “directly fund” CO₂ storage projects are problematic as they leave an open question on who will ultimately foot the bill of this obligation, with the risk of indirectly passing it to European taxpayers. In this sense, Carbon Gap [has called](#) for a clear allocation of financial responsibilities on the oil and gas industry, as the first responsible for producing emissions.

“Carbon Gap strongly calls for the adoption of the report as endorsed by the ITRE Committee. It is crucial that the European Parliament adopts an ambitious and robust position on NZIA to ensure that CDR is given the attention it deserves, whilst strengthening the storage obligation of oil and gas companies in line with producer responsibility principles” said Matteo Guidi, Senior Policy Analyst at Carbon Gap. *“We call on the Council to follow suit and adopt an effective Net-Zero Industry Act which delivers on the ‘net’ in net zero”.*

Next steps

The European Parliament is expected to vote on the adoption of the report during the 20 November plenary. Once adopted, the report will form the Parliament’s position for the triilogue negotiations with the Council and the Commission. The representatives of EU member states are still discussing their position on the NZIA and aim to adopt their position (general approach) by early December.

NOTES FOR EDITORS

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[Carbon Gap](#) is a European environmental NGO focused on responsibly scaling up carbon dioxide removal, as an important complement to emission reductions.