

## Accompanying document: Eurogas reaction to the open public consultation on the 2040 Climate Targets

This document provides further qualifications to certain answers given by Eurogas to the public consultation questionnaire.

### 1) Scope and role of EU-wide carbon pricing instruments

Eurogas believes that the evolution of the **EU Emissions Trading System (EU ETS)** should be done with a comprehensive and forward-thinking policy framework. By expanding coverage to all fossil fuel uses, exploring cross-border linkages and compliance with other carbon markets (e.g. UK, Japan, US), including non-CO<sub>2</sub> GHG emissions, and tailoring approaches for sectors with residual emissions, the EU can drive deep carbon cuts, foster carbon circularity, and advance the global fight against climate change.

On top of that, if an extension of the **Carbon Border Adjustment Mechanism (CBAM)** is considered, Eurogas would recommend to a progressive extension, prioritising sectors with highest carbon leakage risk. It is notably the case of hydrogen derivatives, due to potential significant indirect emissions associated with e-fuels production, e.g. depending on the carbon intensity of the producing country's electricity network. Indeed, given that e-fuels are likely to be imported in the short term and while direct hydrogen imports are limited, addressing emissions from hydrogen derivatives is crucial. Furthermore, refining and chemicals – following a proper impact assessment and methodologies development – could be also considered as part of such extension considering their potential exposure to carbon leakages.

Finally, Eurogas believes that the **Effort Sharing Regulation (ESR)** and associated national targets should as a complement covering only GHG emissions that are not subject to the EU ETS. National targets should be kept to ensure Member States put enough efforts in reducing emissions.

### 2) The role of carbon removals

Eurogas believes that carbon removals will play a crucial role in offsetting unabated GHG emissions in several sectors such as industrial processes or agriculture.

**Industrial vs. nature-based removals:** While nature-based removals (Land Use, Land-Use Change, and Forestry - LULUCF) also have a role to play in offsetting unabated GHG emissions, Eurogas advocates for a greater role to be foreseen for industrial removal technologies, since the evolution of the LULUCF sink is uncertain.

**Obstacles for Carbon Capture and Storage (CCS) Deployment:** The deployment of CCS technologies still faces several hurdles, which differ from one country to another:

- **Public acceptance:** Remains a major obstacle to the deployment of CCS and in particular when it comes to onshore storage.
- **Regulatory framework:** While there is a strong willingness at EU level to develop CCS regulatory framework, there are persisting discrepancies between different Member States with some not allowing CCS on their territory or not implementing the London Protocol (e.g. DE, ES).

- **Technology maturity:** While carbon capture technologies have reached an advanced level of maturity, storage technology requires further development and deployment of large-scale projects.
- **CO<sub>2</sub> storage availability:** Availability of CO<sub>2</sub> storage is mostly hampered by the fact that it is still not allowed in some Member States to store CO<sub>2</sub>.
- **Economic signals:** Carbon price are not yet at a level where they establish a business case. Therefore, dedicated funds and incentives need to be provided to private investors to enable the rapid scaling of the technology.

**Deployment of CCUS technologies:** Eurogas believes that no CCUS technology should be ignored: while CCUS require regulatory support the ultimate choice between different technologies should remain market-driven. Hence, from a regulatory standpoint, it is critical to establish a level playing field for all technologies capturing, storing and using CO<sub>2</sub> or solid carbon.