

IOGP Europe position on the EU Industrial Carbon Management Strategy public consultation

Introduction

The International Association of Oil and Gas Producers Europe (IOGP Europe) supports the goals of the Paris Agreement and the EU's ambition to reach climate neutrality by 2050, while calling for an inclusive enabling policy framework.

We contribute constructively to the development and implementation of EU policies and regulations by providing input and expert advice to European policymakers and stakeholders.

This paper complements our input to the European Commission's public consultation on the Industrial Carbon Management Strategy.

Key messages

The Strategy should support deploying all carbon management solutions, leverage their full potential, and not stifle deployment by limiting their application to specific cases. We call for the Strategy to be adopted, without delays, by the end of 2023.

The main barrier to carbon capture and storage (CCS) development has been the lack of business case and not the lack of storage capacity, which is a consequence, not a cause, of its slow uptake.

To succeed, the Strategy should define paths, without imposing further targets on the industry, supported by strong incentives, an enabling regulatory framework, and targeted public funding. All of these are needed to de-risk the establishment of complex integrated carbon management technology value chains.

The key to climate neutrality

For Europe to meet its climate objectives, while preserving the competitiveness of its industry, a shift is needed towards technology inclusive, competitiveness-oriented, and less prescriptive policymaking.

As deployment and cost challenges of electrification become increasingly obvious, accelerating the implementation of carbon management solutions is urgently needed to avoid stalling the transition. We are therefore encouraged by the Commission's initiative in calling for a bold Strategy which does not hold back ambitious and supportive measures.

This is not a zero-sum game. Scaling up carbon management technology complements the much-needed deployment of renewables, offering large-scale solutions to reduce greenhouse gas (GHG) emissions where electrification is not possible, or simply too costly, including for power grid costs.

To maximise value, carbon management solutions must not be seen as a last resort to mitigate residual industrial emissions, but also to offset other sectoral emissions, decarbonise flexible power generation, and enable the substantial production of clean hydrogen to fuel the industries of tomorrow. They are the key for Europe to realise difficult emission reductions and achieve its climate target in an economical and less disruptive manner, while safeguarding industrial competitiveness.

Obstacles

The barriers to the development of carbon management solutions are varied but surmountable.

They include:

- The lack of a viable business model and CO₂ transport infrastructure
- Insufficient public funding
- Hurdles for potential storage operators to access geological pore space and the lack of transparency on geological storage data
- Slow permit approval
- Low public awareness and persistent misconceptions
- A conservative view of their application across sectors and uses

In addition, we draw attention to measures which may slow deployment:

- A 'stick-approach' to investments and focussing on obligations instead of simple, clear incentives for investors attracting global capital to Europe.
- Premature, one-size-fits-all (tariff) regulation of infrastructure
- Establishing standards too strictly and too early, before sufficient market development

Our recommendations

To maximise the Strategy's chance of success, we call on the Commission to include:

- Trajectories to give investors line of sight (without further mandates on the industry), informing policymaking, and allowing for calibration of supporting measures
- An enabling policy framework which clarifies liabilities, standards, CO₂ accounting rules, cross-border transport, and provides for frequent tender rounds for exploring geological pore space suitable for CO₂ storage
- Streamlining licensing and planning procedures to allow prompt development of storage capacity
- De-risking mechanisms such as carbon contracts for difference (to reduce uncertainty related to EU ETS price and regulatory evolution) and State-backed guarantees for investors in CO₂ transportation infrastructure
- Coherent support measures across the value chain, informed by best practices shared by the Commission
- The submission of plans for carbon management solutions such as CCS in Member State National Energy and Climate Plans (NECPs)
- Recognition of the full potential of these technologies across sectors and uses in the policy framework
- Clarity on the way negative emissions will be valued and paid for
- Measures for captured EU emissions to be recognised under the EU ETS system, even if stored in the UK.
- An enabling framework and action from Member States in areas which are beyond the control of project operators
- Encouraging Member States to ratify the 2009 amendment to the London Protocol

Conclusions

We commend the Commission for realising the need to scale-up carbon management solutions and spearheading the development of a dedicated strategy. The right measures, driven by political leadership and supported by an EU Carbon Management Alliance, can accelerate the EU's energy transition.

The Commission has the opportunity to lay down the appropriate mix of incentives to attract global investment. The European oil and gas industry stands ready to play its part in generating injection capacity if the enabling framework is established. No more time should be lost.