International Association of Oil & Gas Producers

POSITION STATEMENT | NOVEMBER 2026

IOGP Europe's views on funding-related issues in the EU ETS review proposal

IOGP Europe welcomes the Commission proposal to establish the Industrial Decarbonisation Bank (IDB) and continue the Innovation Fund and Modernisation Fund beyond 2030. The European Commission's proposal for the revision of the EU Emission Trading System (EU ETS) creates a **clearer division of labour between support for first-of-a-kind technologies, commercial-scale deployment and the modernisation** of lower-income Member States, while directing a larger share of ETS revenues back towards the sectors bearing the carbon cost.

However, the proposal does not yet fully reflect some key principles needed to ensure a comprehensive de-risking framework for industrial decarbonisation needed to achieve EU climate targets, such as technology neutrality, full-value chain eligibility for funding, eligibility to all ETS industrial sectors including energy-intensive industries (EII), administrative simplification and flexible project implementation. These principles should be embedded in the ETS Directive itself and subsequently reflected in the delegated acts, Terms and Conditions and funding calls to ensure a coherent and predictable EU funding environment.

1. Industrial Decarbonisation Bank

The creation of the IDB broadly responds to IOGP Europe's call for a centralised mechanism bridging the gap between innovation and the commercial deployment of proven decarbonisation technologies. IOGP Europe has consistently advocated clear funding responsibilities, stronger blending opportunities and support for CCS, low-carbon hydrogen and their enabling infrastructure.

For Phase 1, the ETS Investment Booster, the co-legislators should:

- Explicitly extend eligibility beyond costs incurred within individual industrial installations (including any energy-intensive industries) to shared CO_2 and hydrogen transport and storage infrastructure, industrial clusters and integrated value-chain projects. The establishment of an early application window for industrial clusters and consortium-led projects could help further unlocking interdependent value chains. Any dedicated funding envelope reserved for Member States with GDP per capita below 75% of the EU average should remain ring-fenced in order to preserve the solidarity and convergence objectives of the mechanism.
- Explicitly permit the cumulation of Investment Booster fixed carbon premia with proportionate upfront CAPEX support from EU, national or regional instruments where post-operational payments alone are insufficient to unlock Final Investment Decision. Establish clear cumulation rules before applications open, accounting for existing support in the residual funding-gap assessment rather than excluding supported projects, and preventing overcompensation or double funding.
- Introduce explicit force-majeure, permitting-delay, grid-connection and supply-chain provisions. Bid and completion bonds should be proportionate, released against clear milestones and should not penalise developers for delays outside their control. IOGP Europe has previously called for such safeguards for milestone-linked support.

For Phase 2 of the IDB, we call on the co-legislators to:

- Guarantee technology neutrality when establishing competitive bidding mechanisms, based primarily on verified net GHG reductions and the level of support required, while ensuring that projects across all ETS sectors and all Member States can effectively participate and compete.

- Establish dedicated competitive windows for strategic value chains, including a CCS auction based on IOGP Europe's European CCS Bank concept, with payments linked to independently verified tonnes of CO_2 permanently stored.
- Allow CCfDs and carbon premia to cover both CAPEX- and OPEX-related funding gaps, include appropriate carbon-price and inflation indexation and provide revenue certainty over a timeframe reflecting the investment horizon of large industrial projects.
- Enable full blending and cumulation with the Innovation Fund, ECF, CEF, IPCEIs, national funding and State-aid schemes, supported by mutual recognition of assessments and aligned reporting obligations.

2. Innovation Fund

IOGP Europe supports maintaining the Innovation Fund's focus on innovative and first-of-a-kind technologies that are approaching market deployment but are not yet commercially viable. The proposed distinction between the Innovation Fund and the IDB should avoid duplication and provide project developers with a clear pathway from demonstration to commercial scale, including for project development assistance programs.

Nevertheless, the proposal could lack ambition in terms of additional revenue sources and therefore risks not guaranteeing the significant and scalable increase in resources needed to address persistent oversubscription. To bridge this gap, IOGP Europe has called for a higher share of ETS revenues and possible complementary funding from residual CBAM revenues and other EU resources, thereby enabling a broader deployment of industrial decarbonisation projects across the Union.

The revised Article 10cb should therefore:

- Expand EU ETS revenue allocation to the EU Innovation Fund, in order to expand its support effectiveness across all ETS sectors.
- Preserve enhanced grants and auction-based instruments for high-risk first-of-a-kind projects.
- Codify and expand Auctions-as-a-Service and Grants-as-a-Service, building on the proposal's possibility for Member States to finance projects meeting EU selection criteria but not receiving funding because of limited call budgets, strengthening the overall pipeline of industrial decarbonisation projects.
- Establish a single digital application and reporting interface, standard documentation, and early publication of Model Grant Agreements (also to be used in case of AaaS and GaaS).

3. Modernisation Fund

IOGP Europe welcomes the continuation of the Modernisation Fund beyond 2030 and the explicit inclusion of industrial decarbonisation, CCS, CCU, electrification and CO_2 and hydrogen infrastructure among its priority investments.

However, the continued blanket exclusion of facilities generating or transporting fossil fuels would prevent support for credible coal-to-gas transition projects, including investments explicitly designed to integrate CCS or switch to low-carbon hydrogen. The ETS Directive should therefore introduce a strictly conditional derogation for natural-gas-based installations and infrastructure where the investment:

- demonstrably replaces more carbon-intensive coal or lignite capacity;
- delivers substantial and independently verified net GHG reductions;
- is accompanied by a binding and time-limited plan for CCS, low-carbon hydrogen or another climate-neutral configuration;
- is designed to avoid long-term fossil-fuel lock-in.

The Modernisation Fund's operating framework should also allow financing of eligible projects started up to two years before application, reimbursement of eligible bridge financing, larger grant allocations for strategic projects and dedicated priority treatment for cross-border, cross-sectoral and partnership-based investments.

1. Industrial Decarbonisation Bank phase I – ETS Investment Booster

Policy ask

Explicitly extend eligibility beyond costs incurred within individual industrial installations (including any energy-intensive industries) to shared CO_2 and hydrogen transport and storage infrastructure, industrial clusters and integrated value-chain projects. The establishment of an early application window for industrial clusters and consortium-led projects could help further unlocking interdependent value chains. Any dedicated funding envelope reserved for Member States with GDP per capita below 75% of the EU average should remain ring-fenced in order to preserve the solidarity and convergence objectives of the mechanism.

Rationale

Although IDB funding focuses mainly on decarbonising industrial installations, CCS projects depend on the whole value chain developing together. When capture plants, pipelines, shipping routes, hubs, terminals and storage facilities reach investment decisions at roughly the same time, progress in each part strengthens the business case for the others. The same applies to hydrogen projects, where production, networks and customers must develop in step.

The provisions appear to cover carbon capture investments, but do not provide equally clear eligibility for standalone CO_2 transport and geological storage infrastructure. Their focus on emissions reductions at stationary installations covered by Annex I risks overlooking infrastructure that enables several industrial projects to proceed. Nevertheless, shared infrastructure is often necessary to enable CO_2 capture and storage investments to progress.

Support for shared infrastructure may therefore depend on other EU programmes, such as TEN-E and CEF, or national schemes. This creates a challenge: an individual plant may depend on infrastructure that becomes viable only when it serves several projects, with some capacity built ahead of demand. Assessing plants separately can miss how that infrastructure strengthens their business cases, improves capacity use over time and lowers the overall cost of decarbonising a cluster.

Assessment of integrated projects should recognise these dependencies through credible commercial arrangements, infrastructure agreements and development plans. Infrastructure financed separately should not disadvantage an industrial project where its timely availability can be demonstrated. At the same time, support for integrated value-chain and cross-border projects should be implemented in a manner that preserves the solidarity and convergence objectives of any dedicated funding envelope reserved for Member States with GDP per capita below 75% of the EU average.

Establish an early, dedicated application window for projects involving at least two interdependent investment decisions by separate operators, including cross-border projects connected through shared hydrogen, CO_2 transport and storage, or other strategic infrastructure. Priority should be determined by: (i) additional industrial investments reaching FID that depend on the value chain (i.e. CAPEX unlocked); (ii) incremental, verifiable emissions reductions enabled across ETS installations (i.e. tCO_2/year and cumulative 10-year reductions); and (iii) funding efficiency (additional tCO_2 avoided per EUA committed). Require documented investment dependencies and prevent double counting of emissions reductions.

Policy ask

Explicitly permit the cumulation of Investment Booster fixed carbon premia with proportionate upfront CAPEX support from EU, national or regional instruments where post-operational payments alone are insufficient to unlock Final Investment Decision. Establish clear cumulation rules before applications open, accounting for existing support in the residual funding-gap assessment.

Rationale

Article 10cc(1) covers both capital and operational expenditure, and the Investment Booster's fixed carbon premium is based on a funding-gap analysis reflecting the technologies supported and their costs. However, payments begin only after operations start and independently verified emission avoidances are certified: they do not provide coverage for construction-stage CAPEX reimbursement. Expected operational support can improve project returns but may not resolve upfront financing needs and construction risks. Therefore, complementary CAPEX grants, guarantees or blended financing may still be necessary to reach FID.

Projects should therefore be able to combine Investment Booster support with complementary EU, national or regional funding, including CAPEX grants and blended or structured financing. Existing public support should be accounted for when calculating the residual funding gap and cumulation rules for the Investment Booster should be clarified.

Policy ask

Introduce explicit force-majeure, permitting-delay, grid-connection and supply-chain provisions. Bid and completion bonds should be proportionate, released against clear milestones and should not penalise developers for delays outside their control. IOGP Europe has previously called for such safeguards for milestone-linked support.

Rationale

Under the Investment Booster, support is provided periodically only after operations begin and against independently verified emissions avoidance, for a maximum period of 10 years. Large industrial projects depend on permitting timelines, grid operators, equipment suppliers and infrastructure providers. Developers should remain responsible for obligations within their control, but external delays should not automatically trigger bond calls or the loss of support. Completion bonds can protect public resources against non-delivery.

However, guarantees calculated against the maximum support award can create substantial financial exposure before any payments are received. Their amount, release conditions and enforcement should therefore reflect the beneficiary's responsibilities and the project's progress.

CCS illustrates this risk particularly clearly. Capture, transport and storage may be operated by different companies. A capture plant that meets its own obligations may nevertheless be unable to start operations or demonstrate emissions avoidance because third-party transport or storage is unavailable. While the disruption may be temporary, it could permanently reduce the total value of the award if the affected volumes cannot be recovered within the support period.

The framework should provide clear milestone definitions, reasonable cure periods and proportionate support extensions for delays incurred outside of the operator's control.

A separate risk arises where third-party transport or storage unavailability prevents the capture project from starting operations. Under Article 10cd(5), where a project has begun physical construction but fails to start operations, the outstanding half of the completion bond is called and the support is revoked. The proposal links payments to independently verified avoidance and uses completion bonds to protect project delivery.

Industry stakeholders are separately advocating a CCS value-chain guarantee mechanism to address defined costs and ETS exposure resulting from qualifying transport or storage disruptions outside the capture operator's control.

This responds to the wider risk that a capture project may continue to incur CCS-related costs while also facing ETS exposure during a value-chain disruption. The IDB treatment should complement, rather than duplicate, such a mechanism.

2. Innovation Fund

Policy ask

Increase the allocation of ETS revenues to the Innovation Fund, complemented where appropriate by residual CBAM revenues and other EU resources, to support industrial decarbonisation across the Union.

Rationale

Persistent oversubscription indicates that eligible projects exceed the available funding. Continuing the Fund beyond 2030 is welcome, but continuation alone does not guarantee the significant and scalable increase in resources needed. A stronger revenue base would allow more promising projects to proceed and strengthen the pipeline for subsequent commercial deployment.

Policy ask

Preserve enhanced grants and auction-based instruments for high-risk first-of-a-kind projects.

Rationale

First-of-a-kind projects face technology, construction and commercial risks that operational support alone may not resolve. The Fund should retain instruments suited to different project needs, including grants addressing upfront costs and auctions where output-based support is appropriate. Instrument choice should reflect the risks preventing deployment.

Policy ask

Codify and expand Auctions-as-a-Service and Grants-as-a-Service for projects meeting EU selection criteria but remaining unfunded because of limited call budgets.

Rationale

These mechanisms allow Member States to build on EU selection procedures and support qualifying projects without repeating the full assessment. Expanding them would mobilise complementary national resources, reduce duplication and prevent limited EU call budgets from becoming the sole obstacle to deployment.

Policy ask

Establish a single digital application and reporting interface, standard documentation and early publication of Model Grant Agreements, including for Auctions-as-a-Service and Grants-as-a-Service.

Rationale

Developers need early visibility over eligibility, contractual obligations and assessment timelines. Standard documentation and common interfaces would reduce preparation costs and inconsistent reporting. Equivalent assessments should be reused wherever possible, allowing projects to combine support without repeating due diligence.

3. Modernisation Fund

Policy ask

Introduce a targeted transitional support mechanism under the Modernisation Fund for natural-gas-based industrial installations and infrastructure that support coal phase-out and/or the integration of CCS, low-carbon or renewable hydrogen. Eligibility should be based on demonstrable emissions reductions and a credible, verifiable and time-bound decarbonisation pathway, while avoiding long-term carbon-intensive lock-in.

Rationale

IOGP Europe's position on the Modernisation Fund calls for greater flexibility to support cost-effective industrial transformation in lower-income Member States. Natural gas can help replace coal while enabling the subsequent integration of CCS and low-carbon hydrogen. Therefore, a blanket exclusion of natural gas investments risks preventing projects that deliver meaningful emissions reductions, strengthen energy security and preserve industrial competitiveness.

As emphasised in IOGP Europe's response to the Commission's DNSH questionnaire, industrial decarbonisation often requires phased investments. Technology maturity, investment cycles, permitting and the availability of hydrogen, CO_2 and electricity infrastructure can determine how quickly an installation can transform or modernise. Funding eligibility should therefore recognise intermediate steps within credible and time-bound decarbonisation pathways, taking account of measurable environmental improvements and previous emissions-reduction efforts without technological prescriptions.

This approach should also recognise transition and multi-purpose infrastructure, including pipelines, terminals and storage facilities that support a gradual shift towards renewable and low-carbon energy carriers. Upgrading or repurposing existing assets for CO_2, hydrogen-natural gas blends and other low-carbon gases can reduce material use, land take and environmental impacts while accelerating deployment. Eligibility should allow the proportionate adaptation works needed to make this possible.

Environmental assessment should remain proportionate to the project's actual risks. Consistent with our DNSH response, compliance with relevant EU Taxonomy criteria, ETS requirements, the Industrial Emissions Directive, best available techniques and environmental permits should support a presumption of compliance or a simplified assessment path, avoiding duplicate documentation. Energy security and critical infrastructure resilience should also inform the treatment of strategic investments.