CONSULTATION RESPONSE

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CO2 transport, the way forward for the chemical industry

The chemical industry and many everyday products depend on carbon molecules. That carbon is and will remain at the very heart of our processes in the chemical sector. On the path towards climate neutrality, industrial carbon management and the EU CO2 market become ever more important to reduce and remove emissions.

As a follow, up to our response on the Industrial Carbon Management Strategy, Cefic outlines its view to build an effective EU-wide CO_2 market and infrastructure. As a starting point, we recommend applying a technology neutral approach while developing this policy framework. The CO2 market package should provide a regulatory framework for investors to facilitate the rapid development of a CO2 backbone in the EU. The chemical industry also supports a better integration of both carbon capture and utilisation and carbon removals into the existing policy framework for enabling emission reductions and improving CO2 circularity. The opening of this consultation is a step in the right direction.

CO2 Market foundation

A phased approach for CO2 transport rules

Carbon capture and storage (CCS) is a promising route for avoiding greenhouse gas emissions. It can also serve as a carbon sink when storing CO2 from biological origin. As it stands, a lack of a regulatory framework inhibits the development of large-scale CCS deployment and related transport and storage infrastructure. Additionally, the lack of a business and market demand for low-carbon products constraints market development.

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Learning from the experience of developing the gas and hydrogen regulatory framework, the CO2 transport development should follow a phased approach to market rule-setting. As indicated in Cefic's position on Industrial Carbon Management, in a first instance there should be sufficient flexibility from regulations to facilitate market development and allow for investors to recuperate their costs- but with clarity about the rules that would come into effect at the end of such a transitionary period.

In practice, coordinated EU level network planning, along with overarching guidelines to facilitate infrastructure development and permitting, should serve as the foundation for introducing market rules for CO_2. In contrast, the adoption of specific tariff structures should be deferred until regulatory bodies and market participants have a more comprehensive understanding of the technical and regulatory requirements that will emerge in this nascent market. Despite this, regulatory clarity is required to support the predictability of investment decisions.

On infrastructure, further effort should focus on establishing connection of storage sites offshore with the captured CO_2 from inland industrial sources. This infrastructure is often cross-border and hence requires an EU-level integrated approach. We further recommend that proposals on CO2 transport incorporate all relevant transport modes, including pipelines, barges, vehicles, and rail – the latter of which will be particularly important during the early market scale-up.

Develop a phased approach to the development of the CO2 transport through:

- The launch of **a unified approach for network planning and infrastructure development, including integrated planning with methane and hydrogen networks,** which provides sufficient flexibility to enter the market, and enables spatial and cost optimisation.
- Similar to the methane and hydrogen market rules, **allow for a sufficient maturing of the CO2 market prior to introducing more prescriptive market rules,** taking into account also the emerging technical needs of this new market.
- **Improve interoperability and cross-border operations** developing better structure connecting industry onshore CO2 capacity with offshore storage sites.

Harnessing CCU potential

As a general rule the legislative framework should clearly define when emissions are counted and allowances surrendered (manufacturing, use phase, or end-of-life) to avoid double counting and

double pricing. In its recent response to the ETS review, Cefic suggested how to further leverage the CCS into the existing legal framework ensuring sufficient distinction and proper accounting between CCU fuels and CCU materials[1].

Together with CCS, CCU constitutes the backbone for addressing emissions especially residual ones. However further effort is needed for the market uptake of CO2 based products, which at the moment lack of a business case. Taxation policy together with better transparency may help to keep CO2 in the circularity loop.

- The future CO2 market should **recognise CCU benefits, ensure fair emissions accounting, provide incentives for keeping CO_2 in the product loop, and encourage market uptake through** transparency and standards.
- **Delete the phase-out date for fossil CO2 emissions** for use in renewable fuels of non-biological origin.

Finally, a CO2 market should include carbon removal solutions. To drive industry investment is essential that removal credits are recognised in enabling policy frameworks like the EU ETS, and that timely mechanisms such as negative emission allowances are established to compensate for unavoidable emissions.

CO2 Market in practice

Overcome barriers for cross-border transportation of CO2:

- Regulatory approaches to CO_2 transport should reflect the **multi-modal** nature of future CO_2 value chains, i.e. include all eligible CO_2 transport modalities such us pipeline, ship, rail, vehicle and include intermodal nodes such as terminals and hubs.
- Create a new category of "CO_2 Corridors" **under TEN-E, establishing a dedicated pillar for CO_2 infrastructure,** analogous to the existing "Hydrogen Corridors" category.

[1] Cefic position on the future of ETS July 2025 makes a distinction between the CCU fuels and CCU materials. Where fossil CO2 is used to produce synthetic fuels, it should keep an upstream accounting. For CCU materials, where fossil CO2 is transformed into new materials, revising the concept of "permanently chemically bound" and at the "end-of-life "as in the ETS directive, including the waste sector into the ETS, and addressing hurdles in the Renewable Energy Directive (RED) Delegated Act on RFNBO should be performed.

- Advance **national CO_2 infrastructure development** plans by EU Member States.
- **Integrated planning with methane and hydrogen networks**, through mandatory coordination of CO_2 infrastructure development plans to ensure spatial and cost optimisation.
- Once market players have visibility on their needs, **advance standardisation and harmonisation of CO_2 infrastructure regulations**.
    - Unified technical (e.g. purity and quality requirements) and environmental standards would facilitate infrastructure development, interoperability and compatibility. Naturally, these standards should be developed in close consultation with industry and regulators.
- The European Union should take the lead in **removing barriers and legislative uncertainty related to CO_2 transport and storage** arising from international agreements (such as the London Protocol, Helsinki Convention and Trade and Cooperation Agreement with the UK).
- Develop **administrative and environmental simplification of permitting** through fast-tracking mechanisms and one-stop-shops.

Advance the emergence of a competitive, cost-effective CO2 value chain:

- **Non-discriminatory third-party access** should be the basis of a competitive CO2 market. The introduction of third-party access rules may possibly require a transitionary period that allows for temporary derogations to allow the market to mature.
    - Infrastructure access should be similarly non-discriminatory for all types of CO2.
- In the near term, a few major storage hubs and trunklines are likely to dominate the route to storage for most emitters in Europe. Throughout the market-scale up and even when allowing for phased approach to CO2 regulation, **avoid that prohibitive tariffs stifle market development.**
    - **Protect first-movers**: applying a phased approach to market regulation may mean that first movers sign long-term contracts under a tariff regime that is subject to change as the market regulation matures. Ensure that these changes do not punish first movers.
- In the early market stages, vertical integration may have a role to mobilise investments and accelerate project deployment. While these may have utility during the market scale-up, the CO2 market package should **provide clarity on the unbundling rules applying at the end of a**

transitionary period to foster a competitive CO2 market that addresses the risk of natural monopolies and resulting price distortion.

- Facilitate infrastructure repurposing, and ensure independent regulatory oversight.
- Develop a system of certificates of origin for CO2 that facilitates cost-efficient market development and avoids double-counting through credible traceability, monitoring and verification.
- Develop guarantee instruments for high-risk CO_2 infrastructure investments, especially long-term investments with uncertain return rates, such as Carbon Contracts for Difference (CCfDs), Public-private partnerships (PPPs).
- The regulatory framework should consider geographically-confined CO2 networks which may be exempted from third-party access and CO2 purity standardisation rules, as the utilisation of carbon can have end-user specific purity requirements.

Develop EU-wide planning and de-risking instruments to support early-stage investments:

- A dedicated match-making platform that would aim to address coordination issues in the value chain and strengthen the bargaining power of smaller emitters may prove beneficial to market and infrastructure development.
    - A European CO_2 Infrastructure Platform, modelled on the European Hydrogen Backbone could serve as a first iteration of a TYNDP for CO_2 should be prepared to serve as a joint planning platform involving Member States, regulators, industry stakeholders.

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About Cefic

Cefic, the European Chemical Industry Council, is the forum of large, medium and small chemical companies across Europe, accounting for 1.2 million jobs and 13% of world chemicals production.

On behalf of its members, Cefic's experts share industry insights and trends, and offer views and input to the EU agenda. Cefic also provides members with services, like guidance and trainings on regulatory and technical matters,