

Certification of Carbon Removals

The German Chemical Industry Association (VCI) welcomes the efforts of the European Commission to create a market for certificates for carbon removal. German chemical industry supports the European target to become climate neutral in 2050. Straightaway we contribute to reducing our own carbon footprint by switching to renewable energy sources, maintaining high levels of resource efficiency, expanding circularity by different measures including e.g. carbon farming. However, the chemical sector has an uncontested specificity: Carbon is and will remain an essential element of many chemicals and products thereof. Having access to alternative sources of carbon, notably from CO₂/CO captured from industrial processes, waste, and biobased sources is an absolute necessity. As residual emissions become economically hard to abate, balancing options will be needed to reach our climate-neutrality objective. Therefore, the upcoming regulation on carbon removal certification sends an important signal to industrial investors.

● **Linking the Framework on Carbon Removals with the EU-ETS is key to bring this missing link for a European circular economy to success**

Avoiding emissions at scale is the highest priority. However, once emissions released, these can be subsequently removed from the atmosphere by means of direct air capture (DAC) methods, and biological methods. While DAC is highly energy-intensive and less plausible in the interests of sustainability, the main goal should be emission capture from point sources, *i.e.*, within the chimney and prior to entering the atmosphere. However, the present proposal does not consider point sources withdrawing incentivization mechanism of carbon capture of emissions from point sources.

- *Emissions captured within the boundaries of the ETS-installation, and which have undergone the verification process in a recognized certification scheme (Article 1, 1(b), and Article 13) should be eligible for deduction from the compliance of EUAs of the respective ETS-installation.*

To achieve Net Zero, carbon removal certificates will be required in the EU-ETS market. While details on intended carbon removal certificates are unknown, we appeal to the Commission to

- *allow the usage of carbon removal certificates for compliance in EU-ETS, and*
- *to precise what requirements removal certificates need to meet and in what amount they would be eligible.*
- *Further incentives beyond EU-ETS should be considered to develop the market for carbon removals.*

● **Non-fossil carbon sources and carbon circularity are mandatory for achievement of climate neutrality**

Chemical products are a major reservoir of carbon. Achievement of climate neutrality by the chemical industry means reducing our dependence on fossil carbon and keeping captured carbon in a loop. Therefore, feedstocks providing recycled as well as sustainably sourced biomass as carbon sources should be incentivized. This is true for all types of recycling. In integrated and highly efficient chemical production, mass balance schemes can provide the necessary transparency about the amount of substituted fossil feedstock and should therefore be recognized and incentivized.

- *Chemical recycling, aside from mechanical recycling, should be officially recognized as an additional feedstock of non-fossil carbon. Mass balance chain of custody approaches allow to provide the necessary transparency about the value of circular feedstocks.*

As long as carbon remains bound, it does not impact the climate. Hence, Carbon Capture at municipal waste incineration is a prerequisite as it enables to keep the carbon fixed in products in the loop of a circular economy.

- *Inclusion of municipal waste incineration into EU-ETS would support the climate neutrality target and the circularity of carbon, as a CO₂ price on these emissions would incentivise carbon capture.*

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The VCI represents the interests of around 1,900 companies from the chemical-pharmaceutical industry and related sectors vis-à-vis politicians, public authorities, other industries, science and media. In 2021, the VCI member companies realized sales of ca. 220 billion euros and employed more than 530,000 staff.