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COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SEC (2022) 423 FINAL
Subject:	OPINION OF THE REGULATORY SCRUTINY BOARD accompanying the document Proposal for a Regulation of the European Parliament and of the Council establishing a Union certification framework for carbon removals

Delegations will find attached document SEC (2022) 423 FINAL.

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EUROPEAN COMMISSION

16.9.2022

SEC(2022) 423

REGULATORY SCRUTINY BOARD OPINION

Certification of carbon removals

{COM(2022) 672}

{SWD(2022) 377-378}

EUROPEAN COMMISSION
Regulatory Scrutiny Board

Brussels,
RSB/

Opinion

Title: Impact assessment / Certification of carbon removals

Overall opinion: POSITIVE

(A) Policy context

The European Union has an objective to become climate neutral by 2050. The European Climate Law (Regulation (EU) 2021/1119) requires the EU to achieve a balance between greenhouse gas emissions and removals at the latest by 2050, and to achieve negative emissions thereafter. This requires both the reduction of greenhouse gas emissions and the removal of increasing amounts of CO2 from the atmosphere to compensate for unavoidable emissions. Promoting the latter requires among other a reliable and commonly trusted standard for the transparent identification of activities that remove carbon from the atmosphere in a sustainable way. Existing public and private schemes that certify carbon removal apply a wide variety of approaches to quantify their climate benefits, which affects their comparability. This initiative aims to establish a robust and credible voluntary certification system for carbon removals.

(B) Summary of findings

The Board notes the additional information provided by the DG and commitments to make changes to the report.

The Board gives a positive opinion. The Board also considers that the report should further improve with respect to the following aspects:

(1) The report does not demonstrate clearly that the absence of a reliable framework for certification is the main obstacle to the development of carbon removal schemes.

(2) The report does not present transparently all policy choices. Other policy choices than those regarding methodology and governance have not been sufficiently explained.

This opinion concerns a draft impact assessment which may differ from the final version.

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(C) What to improve

(1) The report should provide the arguments and the evidence that the absence of a reliable framework for certification is the main obstacle to the investment into carbon removal projects. It should demonstrate that among companies and financiers there is demand for high-quality carbon removal certificates and that reputational risks prevent them from investing into possibly less expensive certificates of lower quality. It should also show how a certification framework could help to reduce "greenwashing" by companies that claim being climate-friendly based on less reliable certificates.

(2) The report should clarify the, already taken, decisions over other policy choices than the methodology and the governance. It should explain how the quality and transparency criteria were selected and by whom. It should also present and explain the decisions on the other policy choices, such as the treatment of temporary storage or the baseline and additionality for carbon removals. Moreover, the report should be more precise on the content of the policy options, in particular the role of the responsible authority in the policy options on governance.

(3) The report should better explain why only the policy option of a voluntary certification scheme is considered. It should clarify whether a mandatory scheme could be considered at a later point in time and whether the voluntary scheme is a first phase that aims to test and build up the new scheme. The report should also clarify how the voluntary scheme will contribute to harmonise rules and procedures of certification schemes.

(4) In the comparison of the policy options, the report should present the costs of the various policy options for the public administrations and for private companies (including administrative costs). When comparing costs and benefits, the report should pay attention to the uncertainty regarding some benefits. Costs and benefits, in particular those for the one-in-one-out approach, should be quantified to the extent possible.

The Board notes the estimated costs and benefits of the preferred option(s) in this initiative, as summarised in the attached quantification tables.

Some more technical comments have been sent directly to the author DG.

(D) Conclusion

The DG must take these recommendations into account before launching the interservice consultation.

If there are any changes in the choice or design of the preferred option in the final version of the report, the DG may need to further adjust the attached quantification tables to reflect this.

Full title	A European Union Regulatory Framework for the Certification of Carbon Removals
Reference number	PLAN/2021/11727
Submitted to RSB on	20/07/2022
Date of RSB meeting	Written procedure

ANNEX – Quantification tables extracted from the draft impact assessment report

The following tables contain information on the costs and benefits of the initiative on which the Board has given its opinion, as presented above.

If the draft report has been revised in line with the Board's recommendations, the content of these tables may be different from those in the final version of the impact assessment report, as published by the Commission.

I. Overview of Benefits (total for all provisions) – Preferred Option		
Description	*Amount*	*Comments*
	Direct benefits	
Development of certification methodologies by EU	**Certification schemes:** Increase in issuance of carbon removal certificates and therefore in registry revenues (**very significant**) **Economic operators and certification schemes:** Avoid the cost of developing and approving carbon removal methodologies (**moderate**)	**Recognised certification schemes** would benefit from increased visibility and trust (from removals buyers and sellers), potential access to a larger pool of buyers and sellers, and resultant potential increases in supply, demand, and the overall volume and scale associated with their schemes. The net result for certification schemes will be increases in revenue arising from increased registry fees relative to the baseline. Registries typically charge a one-off fee for account per new account, plus ongoing fees at the time of issuance. **Economic operators** have clearly indicated in their reply to the public consultation their preference for public administrations to establish carbon removal methodologies.
Implementation of EU certification methodologies	**Economic operators:** Establish a level playing field in the EU and recognise the specificities of different types of carbon removal solutions for fair competition (**very significant**).	**Economic operators** will have their carbon removal solutions better recognised on the basis of their characteristics on long-term sequestration or co-benefit generated. It would ensure fair competition among carbon removal solutions and the use of carbon removal certificates in full consideration of specific carbon removal properties.
	Indirect benefits	
Development of certification methodologies by EU	**Financiers**: It reinforces the trust in the whole certification process and therefore the reputational benefits of investing in carbon removals (**significant**) **Economic operator**: Avoid that certification schemes pass-through the cost of developing and approving methodologies (**minimal**)	The main driver to establish trust in the system should be the recognition of certification schemes but this trust would be reinforced if the methodologies are developed by public administration in full consultation with stakeholders.
Implementation of EU certification methodology	**Economic operators** will benefit from increased visibility and trust in certification schemes that would generate a higher demand for carbon removals. Reputational benefits and potential to attract new investors. (**significant**)	Participation in a recognised certification scheme could have additional indirect benefits such as a better access to other types of finance.

	Validation and Verification Bodies: An increase in trust for certification scheme would increase the demand for certification and therefore the business of independent validation and verification bodies (**very significant**)	
Administrative cost savings related to the 'one in, one out' approach*		
Development and implementation of EU certification methodologies	**Economic operator.** Reduction of search costs between schemes thanks to harmonised methodologies. **Financiers**: reduction of search costs to finance high-quality carbon removals. **Certification schemes**: Reduction of costs related to developing and approving certification methodologies	EU certification will reduce the search costs for economic operator willing to engage in a certification process as well as for investor in carbon removal certificate.

*(1) Estimates are gross values relative to the baseline for the preferred option as a whole (i.e. the impact of individual actions/obligations of the preferred option are aggregated together); (2) Please indicate which stakeholder group is the main recipient of the benefit in the comment section;(3) For reductions in regulatory costs, please describe details as to how the saving arises (e.g. reductions in adjustment costs, administrative costs, regulatory charges, enforcement costs, etc.;); (4) Cost savings related to the 'one in, one out' approach are detailed in Tool #58 and #59 of the 'better regulation' toolbox. * if relevant*

The most relevant and quantifiable costs additional to baseline are indicated in Table II. The baseline assumes that in the absence of an EU regulatory framework. Carbon removal projects would get certified by large and existing private schemes that require comparable third-party verification as under the future EU certification scheme (which is the major cost part of certification).

On the costs related to the 'one in, one out' approach, overall the initiative should generate only minimal costs to businesses compared to baseline since the initiative does not introduce new significant administrative requirements and in any case is of voluntary nature. Economic operators developing carbon removal solutions are already facing similar administrative requirements when applying today to existing certification schemes. The adjustment costs to voluntarily comply with more stringent quality criteria for a robust certification will be largely offset by the opportunities generated by the future EU framework for the certification of carbon removals.

II. Overview of costs – Preferred option							
		Citizens/Consumers		**Businesses**		**Administrations**	
		One-off	**Recurrent**	**One-off**	**Recurrent**	**One-off**	**Recurrent**
Implementation of EU Certification Schemes	Direct adjustment costs						
	Direct administrative costs			+	+	+*	+*
	Direct regulatory fees and charges						

	Direct enforcement costs					+*	+*
	Indirect costs						
Development of Methodologies	Direct adjustment costs						
	Direct administrative costs			-			
	Direct regulatory fees and charges						
	Direct enforcement costs						
	Indirect costs						
Costs related to the 'one in, one out' approach							
Total	Direct adjustment costs			+/-	+/-		
	Indirect adjustment costs						
	Administrative costs (for offsetting)			+/-	+/-		

** only if a new competent authority is set up (optional)*

Electronically signed on 16/09/2022 14:21 (UTC+02) in accordance with Article 11 of Commission Decision (EU) 2021/2121