

Brussels, 3 June 2025
(OR. en)

9670/25

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COVER NOTE

From: Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director

date of receipt: 21 May 2025

To: Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

No. Cion doc.: C(2025) 3218 final

Subject: COMMISSION DELEGATED REGULATION (EU) .../...
of 21.5.2025
supplementing Regulation (EU) 2024/1735 of the European Parliament and of the Council by specifying the rules on the identification of authorised oil and gas producers who are required to contribute to the objective of reaching the Union-target for available CO2 injection capacity by 2030, on the calculation of their respective contributions, and on their reporting obligations

Delegations will find attached document C(2025) 3218 final.

Encl.: C(2025) 3218 final



Brussels, 21.5.2025
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EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

On 29 June 2024, the Regulation (EU) 2024/1735 on establishing a framework of measures for strengthening Europe’s net-zero technology manufacturing ecosystem and amending Regulation (EU) 2018/1724 (the “Net-Zero Industry Act”) entered into force¹. Inter alia, the Net-Zero Industry Act aims to contribute to the creation of a Union market for CO₂ storage services.

The Net-Zero Industry Act sets the Union level objective of reaching an injection capacity of 50 million tonnes of CO₂ per year. All storage sites shall be designed to operate for a minimum of five years, comply with the principles of fair and open access, and not be combined with Enhanced Hydrocarbon Recovery.

To achieve this 2030 objective, the Net-Zero Industry Act requires the EU-based oil and gas producers to contribute to the development of operational geological CO₂ storage sites in the EU in proportion to the volumes they produced during the period 2020-2023.

By 30 September 2024, Member States had to notify to the Commission the entities that held an authorisation within the meaning of Article 1, point 3, of Directive 94/22/EC, and the volumes of oil and gas that have been produced under these authorisations between 1 January 2020 and 31 December 2023.

After consulting Member States and interested parties, the Commission will specify each obligated entities’ contribution to the 2030 Union CO₂ injection capacity objective.

This Delegated Regulation defines the rules for the identification of entities subject to a contribution obligation, including the production threshold below which entities are excluded from contributing.

By 30 June 2025, the obligated entities shall submit to the Commission a plan specifying in detail how they intend to meet their contribution to Union CO₂ injection capacity objective by 2030 in terms of targeted volume of new CO₂ storage and injection capacity commissioned by 2030, specifying the means and the milestones for reaching the targeted volume.

The Commission Communication of 6 February 2024 ‘*Towards an ambitious Industrial Carbon Management for the EU*’² states that, based on the modelling of the impact assessment for the 2040 climate target, an increase in the annual CO₂ injection capacity for geological storage to at least 250 million tonnes of CO₂ per year in 2040 in the European Economic Area is needed. This projection underlines the urgency to enable in the Union by 2030 the injection capacity to annually store 50 million tonnes of CO₂ permanently underground to support decarbonising industries in reducing hard-to-abate emissions.

¹ Regulation (EU) 2024/1735 of the European Parliament and of the Council of 13 June 2024 on establishing a framework of measures for strengthening Europe’s net-zero technology manufacturing ecosystem and amending Regulation (EU) 2018/1724.

² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Towards an ambitious Industrial Carbon Management for the EU, COM(2024)62 final.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

The Commission relied on the assistance of the Expert Group on the Geological Storage of Carbon Dioxide (the ‘CCSEG’) for the preparation of this draft Delegated Regulation.

In September 2024, the Commission discussed with Member States in the CCSEG the envisaged approach for the methodology and the next steps for the notification of production data.

In November 2024, the Commission presented the Member States with the results of the production data notifications and the approach for identifying obligated entities in the CCSEG and invited written feedback in view of the drafting of the Delegated Regulation. The Commission then processed and integrated the feedback received.

The Commission also sought the views of stakeholders, including interested parties, on a proposal for a Delegated Regulation in a public consultation open from 19 March to 16 April 2025. The Commission has received 37 individual submissions, 60% of which stem from companies and business associations with direct interests in the activities covered under the draft Delegated Regulation, as well as 10% from non-governmental organisations. Most submissions suggested clarifications and wording changes of the draft text, which were taken into account.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

The objective of the delegated act is to define the minimum threshold, clarify the pro-rata calculation of the individual injection capacity contribution to the entities and define the content of the annual reports from the obligated entities.

Commission Delegated Regulation (EU) .../...

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supplementing Regulation (EU) 2024/1735 of the European Parliament and of the Council by specifying the rules on the identification of authorised oil and gas producers who are required to contribute to the objective of reaching the Union-target for available CO₂ injection capacity by 2030, on the calculation of their respective contributions, and on their reporting obligations

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2024/1735 of the European Parliament and of the Council of 13 June 2024 on establishing a framework of measures for strengthening Europe's net-zero technology manufacturing ecosystem and amending Regulation (EU) 2018/1724³, and in particular Article 23(12) points (a) and (c), thereof,

Whereas:

- (1) Article 23(1) of Regulation (EU) 2024/1735 provides that entities holding an authorisation as defined in Article 1, point 3, of Directive 94/22/EC of the European Parliament and of the Council⁴ are to contribute to the Union-wide target for available CO₂ injection capacity by 2030 in proportion to the volumes of natural gas and crude oil they produced in the Union between 1 January 2020 and 31 December 2023.
- (2) In accordance with Article 23(3) of Regulation (EU) 2024/1735, based on the information communicated by the Member States to the Commission under Article 23(2) of that Regulation by 30 September 2024, the Commission is to specify the individual contributions to the Union CO₂ injection capacity objective by 2030 from entities holding an authorisation.
- (3) To this end, it is first necessary to supplement the rules on the basis of which the authorisation holders subject to the contribution obligation should be identified, and their individual contributions calculated.
- (4) In accordance with Article 23(1) of Regulation (EU) 2024/1735, the Commission is to specify a production threshold below which an authorisation holder is excluded from the contribution obligation. The purpose of that threshold is to concentrate the administrative effort for the national authorities and for the obligated entities on those entities which, due to their significant activities in the production of hydrocarbons, have the financial and technical means to invest in the deployment of CO₂ geological storage sites. In accordance with Article 23(5), in order to meet their targeted volumes of available injection capacity, the obligated entities may invest in, or develop CO₂ storage projects alone or in cooperation, may enter into agreements with other

³ OJ L, 2024/1735, 28.6.2024, ELI: <http://data.europa.eu/eli/reg/2024/1735/oj>.

⁴ Directive 94/22/EC of the European Parliament and of the Council of 30 May 1994 on the conditions for granting and using authorizations for the prospection, exploration and production of hydrocarbons (OJ L 164, 30.6.1994, p. 3, ELI: <http://data.europa.eu/eli/dir/1994/22/oj>).

obligated entities and may enter into agreements with third-party storage project developers or investors to fulfil their contribution.

- (5) It is also necessary, when specifying the production threshold, to pay particular attention to SMEs and to ensure fairness in the distribution of the excluded injection capacity amongst obligated entities.
- (6) It is therefore appropriate to exclude authorisation holders that produced less than 610 thousand tonnes of oil equivalent of natural gas and crude oil from 1 January 2020 to 31 December 2023 and which represent a total production of natural gas and crude oil accounting for less than 5% of total Union natural gas and crude oil production over the period concerned.
- (7) The amount of each contribution should be calculated pro-rata by dividing the volumes produced by each obligated entity by the sum of the production of all obligated entities. This ratio should then be multiplied by the Union-wide target for CO₂ injection capacity by 2030, that is 50 million tonnes per year.
- (8) Some Member States allow more than one entity to hold the same authorisation. In such cases, the Member State concerned should indicate the production volumes of each joint authorisation holder so that the Commission can identify whether they are subject to the contribution obligation, and specify the amount of their contribution, or if they are to be excluded.
- (9) Authorisations may have been transferred from one legal entity to another between 1 January 2020 and 31 December 2023. To accurately divide the production volumes between the transferor entity and the transferee entity, it is appropriate to determine the relevant point in time for the division of the production and the corresponding contribution obligation between the holders of the authorisation.
- (10) In order that all production on Union territory between 1 January 2020 and 31 December 2023 is translated into an obligation to contribute to the development of CO₂ injection capacity, provision should be made with regard to authorisation holders who have ceased to legally exist during that period as well as by 31 December 2030.
- (11) To monitor the progress towards reaching the Union-wide target for CO₂ injection capacity, in accordance with Article 42(7) of Regulation (EU) 2024/1735, it is necessary to provide for a standard set of information required for the reports referred to in Article 23(6) of Regulation (EU) 2024/1735 based on information provided by the obligated entities alone or in cooperation, if they cooperate in accordance with Article 23(5) of Regulation (EU) 2024/1735.
- (12) In accordance with Article 23(4) of Regulation (EU) 2024/1735, by 30 June 2025, the authorisation holders are to submit to the Commission a plan specifying in detail how they intend to meet their contribution to the Union CO₂ injection capacity objective by 2030. In order to allow authorisation holders time to prepare and submit that plan by 30 June 2025, this Regulation should enter into force as a matter of urgency,

HAS ADOPTED THIS REGULATION:

Article 1

Definitions

For the purposes of this Regulation, the following definitions apply:

- (1) ‘authorisation holder’ means a legal entity, notified by Member States to the Commission in accordance with Article 23(2) of Regulation (EU) 2024/1735 as the holder of an authorisation as defined in Article 1, point 3, of Directive 94/22/EC, that held the relevant authorisation during the period from 1 January 2020 to 31 December 2023, or the current holder, should they differ;
- (2) ‘obligated entity’ means an authorisation holder that is subject to an individual contribution to the Union-wide target for available CO₂ injection capacity set in Article 20(1) of Regulation (EU) 2024/1735;
- (3) ‘excluded entity’ means an authorisation holder that is not subject to an individual contribution to the Union-wide target for available CO₂ injection capacity set in Article 20(1) of Regulation (EU) 2024/1735.

Article 2

Additional rules for the identification of obligated entities

1. Where an authorisation is held jointly by more than one entity, the relevant Member State shall indicate to the Commission the production volumes of each joint authorisation holder.
2. Where, during the relevant production period, an authorisation has been transferred between obligated entities, the date of the transfer shall be the relevant point in time for the division of the production and the corresponding contribution obligation between the authorisation holders.
3. Where an authorisation holder has ceased to legally exist by 31 December 2030 or if the relevant authorisation is transferred to a new legal entity, the contribution obligation corresponding to the relevant crude oil and natural gas production activities between 1 January 2020 and 31 December 2023 falls to the subsequent authorisation holder.

Article 3

Identification of excluded entities

1. Authorisation holders that produced less than 610 thousand tonnes of oil equivalent of natural gas and crude oil in the Union from 1 January 2020 to 31 December 2023 and which represent a total production of natural gas and crude oil, accounting for less than 5% of the total Union production of natural gas and crude oil over the period concerned, shall be considered excluded entities.
2. For the purpose of Article 23(5) of Regulation (EU) 2024/1735, excluded entities that operate CO₂ storage sites shall be considered as third-party storage project

developers or investors in accordance with Article 23(5), point (c), of that Regulation.

Article 4

Calculation methodology of the individual pro-rata contribution of obligated entities

1. In accordance with Article 23(1) of Regulation (EU) 2024/1735 and for the purpose of the pro-rata calculation, the production of crude oil and natural gas is normalised in kilo-tonne oil equivalent.
2. The share of the individual pro-rata contribution of each obligated entity is calculated on the basis of the following formula in kilo-tonne oil equivalent:

$$\frac{\text{(Total production 1 January 2020 - 31 December 2023 of the obligated entity)}}{\text{(total production 1 January 2020 - 31 December 2023 of all obligated entities)}} \times 100 = \% \text{ of 50 million tonnes of annual CO}_2 \text{ injection capacity.}$$

Article 5

Annual progress reporting by obligated entities

1. The reports referred to in Article 23(6) of Regulation (EU) 2024/1735 shall contain at least the following set of information on the CO₂ storage projects under development by the entities in as much detail as possible at the state of development:
 - (a) the relevant injection capacity contribution obligation(s) and the location of the relevant CO₂ storage site(s) with coordinates in a commonly used GIS file format;
 - (b) the identity of the responsible deployment manager and corporate contact information, in particular for potential storage customers;
 - (c) the targeted geological formation and the expected total storage capacity (in million tonnes of CO₂) per storage site;
 - (d) the expected annual injection capacity (in million tonnes of CO₂ per year) per storage site as specified in the relevant storage permit, as well as the expected end date of injection, and the potential expansion after 2030, if any;
 - (e) the planned mode(s) of CO₂ transportation and related transportation infrastructure that will be needed from the point of hand-over⁵ to the injection site;
 - (f) the planned CO₂ transportation infrastructures that will be needed to transport CO₂ to the hand-over point, including the expected start date of operation thereof, as well as the applicable CO₂ quality requirements;

⁵ Defined as the boundary of the ETS installation in accordance with Directive 2003/87/EC.

- (g) the planned sources of CO₂ that are to be stored, including the providers of captured CO₂ with whom commercial agreements have been reached for the use of the relevant injection capacity during the first 5 years of operation;
 - (h) the expected Final Investment Decision (FID) dates, and the expected injection capacity that will be made operationally available by the end of 2030 or earlier;
 - (i) a detailed report on their stakeholder engagement activities, including specifically on the involvement of local communities and other relevant stakeholders in the CO₂ storage project development process;
 - (j) a dedicated section outlining the anticipated economic, social, and climate benefits resulting from carbon capture and storage activities in the country or region where the CO₂ storage site will be developed.
2. The information provided in the annual progress report referred to in paragraph 1 shall be kept updated between the annual reports, regarding material changes that affect either the operational storage capacities or the timeline of the relevant projects. The annual progress report shall also include a detailed description of the storage site, as necessary for the application for a storage permit in accordance with Article 7 of Directive 2009/31/EC of the European Parliament and of the Council⁶ and the timelines and conditions under which the injection capacity of the storage site will be placed on the market to comply with the contribution obligation. That information shall include a detailed roadmap of the key technical and commercial readiness milestones and decision points, as well as risks, uncertainties and mitigation strategies, which potential commercial customers would need to know to advance their own investment decisions.
3. In line with Article 47 of Regulation (EU) 2024/1735, trade and business secrets and other sensitive confidential and classified information relevant for the reporting under paragraph 1 of this Article shall be excluded from the published version of the annual progress report.

Article 6

Entry into force

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

⁶ Directive 2009/31/EC of the European Parliament and of the Council of 23 April 2009 on the geological storage of carbon dioxide and amending Council Directive 85/337/EEC, European Parliament and Council Directives 2000/60/EC, 2001/80/EC, 2004/35/EC, 2006/12/EC, 2008/1/EC and Regulation (EC) No 1013/2006 (OJ L 140, 5.6.2009, p. 114, ELI: <http://data.europa.eu/eli/dir/2009/31/oj>).

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 21.5.2025

For the Commission
The President
Ursula VON DER LEYEN