The EU Emissions Trading System (ETS) Review Proposal

Position Paper on the European Commission's Proposal, Published 17 July 2026

Bioenergy Europe welcomes the European Commission's revision of the EU Emissions Trading System (Directive 2003/87/EC). **We are convinced that the ETS should remain a central instrument for driving emissions reductions and investment in decarbonisation, and that its revision should preserve a strong, predictable carbon-price signal while supporting the deployment of a broad range of low-carbon solutions.**

The proposed integration of permanent carbon removals is an important step in the ETS's evolution. Including Bioenergy with Carbon Capture and Storage (BioCCS) sends a strong demand signal to the permanent carbon removals market and opens a clearer pathway to scale high-integrity removals in Europe. Integrating permanent carbon removals should complement, rather than weaken, incentives to reduce emissions.

Permanent carbon dioxide removals are recognised as an essential tool for achieving net zero by the Intergovernmental Panel on Climate Change (IPCC). Furthermore, they also represent a significant industrial opportunity for Europe in the context of the Union's 2040 climate target under the European Climate Law (Regulation (EU) 2021/1119). **Biogenic carbon removals can help the European Union and its Member States address genuinely unavoidable residual emissions after deep emissions reductions, while mobilising investment, strengthening European value chains, and supporting Europe's industrial leadership.**

Nevertheless, the proposal requires further improvements to ensure a credible, coherent and investable framework that continues to drive emissions reductions and investment in decarbonisation, while enabling the effective integration of permanent carbon removals. **Therefore, Bioenergy Europe calls on the European Parliament and the Council to incorporate the following recommendations:**

1. **Preserve a strong and predictable carbon-price signal to maintain incentives for emissions reductions and investment in decarbonisation.**
2. **Ensure the delivery of 250 Mt of domestic permanent removals** with the allowances used to finance their purchase drawn from within the existing EU ETS cap, and with a contingency mechanism sufficient to address the potential funding gap.
3. **Enable early, bankable purchasing commitments**, including long-term offtake and forward contracts, **to be concluded before 2029, to provide investment certainty for permanent removal projects.**
4. **Include Biochar Carbon Removal alongside BioCCS and DACCS in the EU ETS purchasing mechanism** from its initial phase, while **ensuring that procurement supports a balanced portfolio** of permanent removal pathways.
5. **Establish a complementary voluntary direct-compliance pathway**, allowing ETS-obligated companies to acquire eligible permanent removals beyond those generated from their own biogenic emissions, with robust safeguards for environmental integrity and double counting.

01 Preserve a strong and predictable carbon price signal

The EU ETS should continue to provide a strong and predictable carbon-price signal that drives emissions reductions and investment in decarbonisation. Integrating permanent carbon removals should complement, rather than weaken, incentives to reduce fossil emissions.

The addition of permanent carbon removals to the ETS should therefore be designed so that it does not create unnecessary additional emissions space or undermine the scarcity of allowances. The final design should ensure that the financing architecture associated with Article 9c preserves the ETS's overall environmental integrity and maintains incentives for emissions reductions at source.

The ETS should continue to prioritise reducing fossil emissions, while permanent carbon removals provide a complementary tool for addressing genuinely unavoidable residual emissions. The availability of permanent removals should not reduce the incentive for regulated entities to invest in emissions reductions and decarbonisation.

Bioenergy Europe calls on the co-legislators to preserve a strong and predictable carbon-price signal that maintains incentives for emissions reductions and investment in decarbonisation, while ensuring that the integration of permanent carbon removals does not weaken the overall environmental integrity of the ETS.

02 Ensure the delivery of 250 Mt of permanent removals within the ETS cap

The Commission-managed mechanism proposed under Article 9c can provide a predictable demand signal for domestic permanent carbon removals. However, **auctioning 250 million allowances does not in itself guarantee the delivery of 250 Mt of removals**, as the cost of permanent carbon removals may remain above the average EUA price, particularly during the early years of deployment. Bioenergy Europe therefore supports integrating the 250 Mt objective within the existing ETS cap, while ensuring that sufficient financing is available to deliver the full removal volume.

Ensuring the delivery of 250 Mt of permanent removals

The final legislation should explicitly enshrine the delivery of 250 Mt of permanent carbon removals and ensure the Commission has sufficient resources to purchase the full volume. The allowances used to finance these purchases should be drawn from within the Union-wide quantity of allowances referred to in Article 9. Transparent reporting should cover allowances made available and auctioned, revenues generated, removal contracts concluded and certified units delivered and cancelled.

The full 250 Mt can be delivered through a combination of:

- permanent removal units purchased and cancelled by the Commission; and
- eligible removals used by operators, aircraft operators and shipping companies under Article 14(1a), with a corresponding quantity of allowances cancelled in accordance with Article 9c(5).

The mechanism should preserve a clear relationship between permanent removals and allowances, while ensuring that the financing of the 250 Mt objective remains within the Union-wide quantity of allowances.

This approach should also preserve the **like-for-like principle**, ensuring that long-lived fossil emissions are balanced only by carbon removals offering a comparable level of permanence.

The number of allowances made available to finance the purchasing mechanism should not be fixed at 250 million, as the cost of permanent carbon removals may remain above the EUA price, particularly during the early years of deployment. The legislation should instead ensure that the necessary number of allowances can be made available from within the Union-wide quantity referred to in Article 9 to generate sufficient resources to purchase the full 250 Mt.

Bioenergy Europe calls on the co-legislators to make the delivery of 250 Mt of domestic permanent removals legally binding and ensure that the allowances used to finance their purchase are drawn from within the Union-wide quantity of allowances referred to in Article 9.

03 Purchasing future certified removals with sufficient guarantees

Article 9c(1) and Article 9c(4) prioritise payment upon delivery of certified permanent removal units. While this approach protects public resources against projects that fail to deliver, payment upon delivery alone does not provide the long-term revenue certainty required to finance CDR projects.

Project developers must make investment decisions, secure financing and build facilities several years before they can generate certified removal units. This is particularly important for BioCCS projects, which require substantial upfront investment and depend on developing CO_2 transport and permanent storage infrastructure.

The Commission should therefore treat contracting and payment as separate steps: long-term purchasing commitments should be concluded early enough to provide the revenue certainty needed for investment, while final payment should remain conditional on the verified delivery of certified removal units.

Payment upon delivery should therefore be complemented by bankable commitments concluded sufficiently in advance, including:

- long-term offtake agreements;
- forward purchase contracts;
- advance purchasing commitments; and
- milestone-based support accompanied by safeguards against non-delivery.

These instruments would allow the Commission to commit to purchasing future certified removals while retaining the option to make final payments conditional on verified delivery.

The delegated acts foreseen under Article 9c should be adopted as early as possible to enable early contracting and establish clear rules on purchasing volumes, contract duration, pricing, selection procedures, interaction with other funding instruments and responsibility in cases of non-delivery.

The Commission should enable the first long-term offtake agreements and forward purchasing commitments to be concluded before 2029. This would give projects sufficient time to reach a final investment decision and complete project development.

Complementing ETS revenues with additional EU financing instruments

Complementary EU financing instruments can help accelerate the development of permanent carbon

removal capacity and support the deployment of first commercial-scale projects. Permanent removal projects may require significant upfront investment, particularly in the early years of deployment, and complementary support can help address these investment challenges.

Additional public risk-sharing instruments can therefore help reduce investment risks, support project development and accelerate the deployment of permanent removal capacity. The Commission should ensure the role of:

- dedicated permanent carbon removal support under the Innovation Fund;
- Carbon Contracts for Difference under the Industrial Decarbonisation Bank;
- the ETS Investment Booster; and
- EU guarantees and blended-finance instruments.

Carbon Contracts for Difference could be particularly useful for capital-intensive projects by providing predictable support for the difference between the cost of delivering permanent removals and the relevant carbon price.

Complementary financing should support the Article 9c purchasing mechanism and help ensure that sufficient permanent removal capacity is developed in time to deliver the 250 Mt objective. It should complement, rather than replace, the Article 9c mechanism and the binding commitment to deliver 250 Mt through the ETS framework.

Bioenergy Europe calls on co-legislators to enable early, bankable purchasing commitments, including long-term offtake and forward contracts, to be concluded before 2029.

04 Include biochar carbon removal alongside BioCCS and DACCS

The introduction, through Article 9c, of a Commission-managed mechanism for purchasing domestic permanent carbon removal units generated through BioCCS and DACCS certified under the *Carbon Removal and Carbon Farming Regulation* (Regulation (EU) 2024/3012) is a significant step in the right direction. **We regret, however, that the technology scope of the proposed Article 9c remains incomplete.**

Bioenergy Europe calls for *Biochar Carbon Removal* (BCR) to be included in the EU ETS from its initial phase, alongside BioCCS and DACCS. A diversified portfolio of permanent removal pathways, with safeguards to ensure a level playing field between methodologies, can strengthen the resilience of the emerging European CDR market, increase available removal capacity, and support the development of different European carbon removal value chains.

Broadening the supply of removals while supporting a balanced portfolio

Including BCR would **broaden the supply of permanent removals and help deliver the planned removal volume.** Its comparatively lower costs can also reduce pressure on the mechanism's financing requirements. However, **procurement should not be based on cost alone. The Article 9c mechanism should support a balanced portfolio of permanent removal pathways, considering differences in costs, infrastructure needs, deployment timelines and scale-up potential. This should ensure that including BCR complements, rather than crowds out, the development and scale-up of BioCCS and DACCS.**

Recognition of biochar's permanent and scalable contribution

The Commission **Staff Working Document** accompanying the current proposal **recognises several important characteristics of BCR:**

- biochar stores carbon in a stable and inert solid form for centuries or millennia;
- the risk of reversal for its stable carbon fraction is very low;
- BCR can contribute to permanent carbon removal capacity in the near term;
- a significant proportion of the permanent removals currently delivered through voluntary carbon markets comes from biochar activities;
- European BCR capacity could reach between 5 and 7 $MtCO_2$ annually by 2035.

These findings support recognising BCR as a high-integrity permanent carbon removal pathway with significant potential to contribute to Europe's removal capacity.

BCR should therefore not be treated as a less credible permanent removal simply because its storage mechanism differs from geological storage. Its inclusion could complement – and not replace – strong, and predictable support for BioCCS.

Bioenergy Europe calls on the European Parliament and the Council to include BCR explicitly in the EU ETS purchasing mechanism from its initial phase, alongside BioCCS and DACCS, while ensuring clear criteria for BCR eligibility and a balanced portfolio of permanent removal pathways.

05 Enable a complementary voluntary direct compliance pathway

Bioenergy Europe welcomes the Commission's proposed amendment in Article 14(1a), which would allow operators, aircraft operators and shipping companies to compensate their fossil emissions with domestic permanent carbon removal units generated from the storage of their own biogenic emissions, under the scope of this Directive.

However, this possibility should not be limited **to removals generated from an operator's own biogenic emissions.**

ETS-obligated companies should have the right, on a voluntary basis, to acquire permanent removal units directly from third-party projects, subject to the same eligibility and environmental-integrity requirements applicable to removals under the Commission-managed purchasing mechanism and use them towards their compliance obligations. The **Commission should remain the primary purchaser during the initial phase,** while this complementary pathway would mobilise private finance, broaden demand for permanent removals and help reduce the funding gap identified under Article 9c.

A voluntary direct-compliance pathway would provide an additional route for companies to support permanent removal projects beyond the Commission-managed purchasing mechanism. It could also allow companies with suitable biogenic CO_2 streams to develop their own removal projects, while giving other ETS operators flexibility to purchase eligible units from projects elsewhere.

Safeguards for environmental integrity

Any direct-compliance pathway should be subject to clear rules on eligibility, ownership, cancellation and the prevention of double counting. Permanent removal units used for compliance should be certified under the applicable EU framework and permanently cancelled once used against an ETS obligation.

The rules should also clearly distinguish between removals generated from an operator's own biogenic

emissions and removals purchased from third-party projects. Companies should not be able to claim the same removal both towards their ETS compliance obligations and for another purpose.

The voluntary pathway should complement, rather than replace, the Commission-managed purchasing mechanism under Article 9c. The Commission should remain the primary purchaser during the initial phase, while direct purchases provide additional demand and private financing for permanent removal projects.

Integrating permanent removals into the ETS should also ensure consistent accounting of emissions arising along the removal supply chain. Emissions associated with CO_2 transport should be accounted for in a way that avoids double-counting, including where they are reflected in the calculation of a certified removal unit while also giving rise to a separate ETS compliance obligation. Any remaining MRV uncertainties should also be addressed to ensure consistent and transparent accounting.

Bioenergy Europe calls on the co-legislators to establish a complementary voluntary direct-compliance pathway that allows all ETS-obligated companies to acquire eligible permanent removal units and use them towards their compliance obligations, with clear safeguards for environmental integrity, ownership, and double counting.