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IOGP Europe views and proposals regarding EU Industrial Carbon Management Strategy

Dear Ditte, dear Kurt,

In view of the forthcoming adoption of the EU Industrial Carbon Management Strategy (ICMS), I am writing to share IOGP Europe views and proposals regarding the needed supportive legislative framework for investors into carbon capture, transport, and storage (CCS) solutions and related long-term commercial arrangements. We believe that the ICMS should include:

- a. measures providing for sufficient EU and/or Member State level funding and de-risking mechanisms which establish **a clear and sustainable business case for CCS** in its early development phase, like it has been the case for renewables in the past and renewable hydrogen today,
- b. a fit for purpose **regulatory framework for access to and tariffs for (certain) CO₂ pipeline transportation infrastructure**, which does not prevent or delay but incentivizes and supports such investments while allowing CO₂ storages to compete in their offering of services, and
- c. measures which **enable and facilitate cross-border CO₂ transport**.

I would like to highlight **the measures establishing a business case for investments by entities along the full CCS value chains**. While uncertain in the future, the current costs of EU ETS allowances are largely insufficient to underpin the investments needed to establish integrated CCS value chains and de-risk the related long-term contractual commitments between entities along such value chains.

Our recently published paper on '[Creating a sustainable business case for CCS value chains](#)' describes in detail the complexities of CCS value chains, their costs, needed commercial arrangements and funding/derisking mechanisms, and describes project barriers for eight CO₂ storage projects in Europe. In addition to the incentives created by the EU ETS and by some direct EU level or Member State funding, other mechanisms which can de-risk investment decisions include:

- derisking the uncertainty of future EU ETS allowance cost, e.g. through capital grants and the tendering of Carbon Contracts for Differences (CCfDs) to those who invest into CO₂ capture,
- derisking investments into pipeline transportation infrastructure through public-private partnerships or government backed guarantees (addressing the 'early missing money' issue),
- establishing CO₂ aggregators which can enter into CO₂ off-take agreements with emitters, into long-term transportation capacity bookings, and can book CO₂ storage capacities, thereby facilitating and derisking such investments.

Providers of CO₂ storage should generally be allowed to compete against each other driving cost-efficient, market-based solutions, as such storages will not be, in principle, an 'essential service' for any given customer looking to store their CO₂.

Care should be taken when setting out measures for the development of a regulatory framework for the access to and tariffs for CO₂ (pipeline) transportation infrastructure. It must be fit for purpose, aiming at supporting the swift establishment of the CO₂ transportation infrastructure needed to connect emitter sites with storage sites, as follows:

- The scope of a possible regulation should be limited to the transportation of CO₂ by pipe, while it seems that there is no need to regulate CO₂ transportation by barges, ships or rail.
- Different to the regulation of the natural gas and electricity infrastructure (which largely existed when it was regulated), there is a risk that the time it takes to develop and effectively implement EU regulation of a yet to be established CO₂ infrastructure, can delay or even deter the needed investments into CO₂ transportation infrastructure rather than supporting them.
- CCS value chains are complex and involve many entities, including emitters who capture the CO₂, multiple transportation companies, temporary storage service providers, shipping companies, CO₂ processing companies, and storage service providers. Regulating parts of such value chains requires complex delineation. In a nascent market, such as for CCS, negotiated tailor-made commercial solutions between parties along the value chain may balance risks/uncertainties and rewards more effectively than regulation may be able to.
- A one-size-fits-all regulatory approach would be inappropriate: any regulatory framework of CO₂ transportation pipelines would need to distinguish *inter alia* between: CO₂ gathering pipelines (which collect CO₂ from individual emitters), (private) point-to-point pipelines from single emitters to CO₂ networks or directly to storage sites, CO₂ networks in industrial clusters, multi-shipper/multi-modal transmission pipelines/grids, and 'last mile' onshore or offshore pipelines (which can be an integral part of a CO₂ storage). Where the regulation of access to transportation infrastructure is contemplated, in many cases, it can be 'light-touch', i.e. based on transparency and non-discriminatory principles as already established in EU Directive 2009/31 (Article 21). In any case, regulation should provide certainty for investors into CO₂ infrastructure, and future regulatory changes must not retroactively impact their investment decisions (possibly through grandfathering rights, exemption, or opt-in rights for investors).
- Given the nature of CO₂, foreclosure effects (denying competitors access to infrastructure) seem unlikely and therefore unbundling concepts seem not relevant. Indeed, the companies owning CO₂ transport and storage infrastructure will not be the industrial emitters seeking to capture and store CO₂. However, a regulatory framework should establish assessment criteria for what transportation assets may be considered as an 'essential facility'. Depending on such assessments, access terms to transportation assets may be regulated, negotiated, or assets may be exempt from regulation - again a 'one size fits all' approach does not reflect the reality of an emerging (CO₂) infrastructure. Exemption procedures would need to be clear and transparent, while swiftly providing certainty to investors.
- Where standards are contemplated, those established and under development by ISO and CEN as well as corresponding industry best practices, should be carefully evaluated. While standards have a value to foster industry development, they can equally create unnecessary costs (e.g. for CO₂ purity which is neither required by the transportation operator nor the storage operator).

Last but not least, the ICMS should set-out the development of legislative measures which create certainty and further facilitate cross-border CO₂ transport and related agreements not only between EU Member States but also to/with the EEA and third countries.

We remain available to discuss the above in more detail with you and your services.

With my best regards,

