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Brussels, 28th March 2024

Subject: Open letter of the EU industry calling for the recognition of unavoidable industrial CO2 use after 2041 in the context of the release of the EU Industrial Carbon Management Strategy and 2040 climate targets

The signatories of this letter are fully committed to achieving the EU's decarbonization and climate goals. The recent publication of the Communication on the Industrial Carbon Management Strategy as well as the 2040 climate targets continues to pave the way for the reinforcement of a green industry by recognizing the role of unavoidable CO2 as a key resource for the transition. **We notably welcome the awareness of the Commission concerning the importance of circularity, resource efficiency, alternative processes, and material substitution with the re-use of carbon.**

To be in line with this vision, **we therefore call on the Commission to revise the provision about the use of unavoidable industrial CO2** to produce RFNBOs (e-fuels) according to the review clause provided for in the RFNBO delegated act. To enact this revision, we suggest **the following steps:**

1. **Affirmation of Unavoidable CO2 Usage Beyond 2040:** The current Commission should begin by officially affirming the notion of unavoidable CO2 use beyond 2040 prior to the upcoming elections.
2. **Establishment of Expert Panel:** Concurrently, the Commission should establish an expert panel tasked with delineating the parameters of what constitutes unavoidable CO2 use. This panel should conclude its findings by the end of 2024.
3. **Reassessment and Adaptation of Regulations:** Early 2025 should mark a reassessment of the expert panel's findings, facilitating the adaptation of regulations governing post-2040 CO2 usage. This process ensures regulatory alignment with emerging insights and technological advancements.
4. **Conditional Use and Stakeholder Deliberation:** The use of unavoidable CO2 post-2040 may be contingent upon the establishment of Carbon Capture and Utilization (CCU) facilities. Deliberations with stakeholders will be conducted to determine a mutually agreed-upon timeline for the establishment of such facilities, ensuring inclusive decision-making.

As mentioned in the EU Industrial Carbon Management Strategy, many industries have CCU projects in the pipeline across the EU, soon ready to support the creation of new decarbonized competitive

industrial value chain. **In the long term, sustainable biomass, direct air capture and natural geothermal sources will be the dominant CO2 sources for RFNBOs. Yet, given the scarcity of that resource to produce advanced synthetic fuels in the transition period, we need to rely on existing and forthcoming diverse sources of CO2.** Especially since a part of this new value chain is also expected to meet the growing demand and the binding e-fuels and GHG emissions targets enshrined in the FuelEU Maritime and ReFuelEU Aviation regulations.

Also, in the recent publication of the EU climate target 2040, industrial CO2 sources play an important role – even after 2040. By 2040, two out of three scenarios (S1 and S2) outlined in the impact assessment indicate a higher demand for CO2 in e-fuels (ranging between 43 and 75Mt/year) than the available supply from biogenic CO2 and DAC (ranging between 23 and 58Mt/year). It is almost certain that this deficit will continue to materialize into the 2040s before reaching the projected figures for 2050. So, given the CO2 demand emphasized in the publication, the initial phase of e-fuels initiatives should prioritize both biogenic and unavoidable industrial CO2 sources. These CCU projects are also a way to better considering the geographical localization of a large part of these installations with no access to permanent CO2 storage or transport infrastructure. For these reasons, it is necessary to amend the delegated act that currently prevents the implementation of these projects. **We urgently require a clear signal to restore the confidence of the investors on these relevant CCU projects that are necessary for the achievement of our climate targets.**

This announcement will provide the needed predictability to investors for the upcoming years. **It will allow addressing the challenge of infrastructure deficit for carbon sequestration while encouraging actors to accelerate their investments in e-fuel production activities and the subsequent ramp-up of the whole EU hydrogen value chain.**

The achievement of the Commission's future industrial mandate mentioned by President Von der Leyen in her state of the Union Address requires the creation of a framework conducive to the development of basic industries. **A strategic approach to industrial carbon management serves as one of the keystones of this commitment, with the reassessment of unavoidable industrial CO2 as a feedstock for sustainable fuels representing a vital brick in this foundation. Let's make this vision a reality with a clear signal on RFNBO production rules!**

Signatories:

