

Policy Brief

CDR INTEGRATION INTO THE EU ETS

RATIONALE

The EU ETS review comes at a critical moment to Europe's core carbon market. It is a key opportunity to strengthen the system for industry while unlocking the scale-up of high-quality carbon dioxide removals (CDR) in Europe.

As decarbonisation becomes more challenging in hard-to-abate sectors, high-integrity permanent removals can provide breathing space for ETS participants without weakening climate ambition. At the same time, CDR needs a reliable demand signal to scale into a competitive European carbon removal sector. The European Commission must establish clear rules for certified carbon removal units and a reliable compliance framework that gives investors the certainty needed to support industrial deployment.

DVNE strongly supports the timely integration of CDR into the EU ETS.

KEY ASKS

- More ETS flexibility through high-integrity carbon removals while maintaining market integrity
- Intermediary-led market build-up
- Eligibility based on CRCF-certified permanent carbon removals and clear liability provisions
- Technology-open integration across durable carbon removal pathways
- Mechanisms to address price gap as well as promote other carbon removal pathways

MARKET EVOLUTION

High-integrity carbon removals can provide additional flexibility for compliance above the ETS cap. However, as the EU moves toward climate neutrality, the role of permanent removals will need to mature beyond this function.

In the longer term, this implies a transition of the EU ETS toward a net-negative framework, where a carefully governed adjustment of the cap allows for verified permanent removals to increasingly address remaining emissions without undermining overall climate ambition.

GOVERNANCE MODEL

In the early stages of ETS integration, an intermediary-led approach can provide the coordination and market support needed to facilitate the uptake of carbon removals. By managing integration volumes, it can help maintain system stability, reduce market fragmentation, and lower transaction costs in a carefully controlled manner. It can also help ensure that different eligible carbon removal pathways are supported while the market continues to mature.

Over time however, the system should transition toward more direct market participation, to promote price discovery and efficient capital allocation through clearer market signals.

ELIGIBILITY CRITERIA

All permanent carbon removals certified under the EU Carbon Removal and Carbon Farming Certification Framework (CRCF) should ultimately be eligible for ETS integration.

This ensures EU-wide consistency and high environmental integrity based on durability, additionality. In addition, a robust liability framework should establish clear rules for managing delivery and reversal risks across all eligible CDR pathways.

TECHNOLOGY OPENNESS

The ETS should support a technology-neutral portfolio of eligible carbon removal pathways. No single pathway can deliver the scale of removals required, making a diverse portfolio essential to achieve the EU's climate objectives while reducing risks and driving innovation.

In addition, complementary policy instruments are needed to scale other carbon removal pathways. For example, carbon storage in long-lived products, permanent geological storage of stabilised, fixed carbon and carbon farming could be recognised as eligible measures for fulfilling facility-level obligations linked to indirect ETS cost compensation schemes. This would broaden the set of compliant actions available to companies while maintaining clear environmental integrity standards.

CLOSING THE FUNDING GAP

ETS integration is key to the CDR ramp-up. However, as EUA prices will initially cover only part of CDR costs, targeted public funding will be needed to bridge the gap, mobilise private investment, and accelerate market scale-up.

A gradually increasing share of ETS revenues must be directed towards carbon removals, complemented by an investable policy framework through state aid and permitting reforms.

DOMESTIC FOCUS

The ETS should remain focused on delivering emissions reductions and carbon removals within the EU and strengthening domestic climate action. DVNE does therefore not support the inclusion of international carbon credits in the initial phase of ETS-linked CDR integration.

Any future consideration should be subject to strict equivalence in integrity, MRV, durability, and governance standards.