The EU ETS is Europe's chance to lead the world in permanent carbon removal as part of its industrial transition

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The integration of permanent carbon removal into the EU Emissions Trading System (ETS) could be a game changer for Europe's industries, and its emerging carbon removal industry.

At a time when Europe's industrial transition is at risk, permanent carbon removals are both a climate necessity for reaching net zero, and an opportunity to generate new growth and jobs. The proposed link between permanent CDR and the EU ETS could provide the long-term certainty businesses and investors need to invest, innovate and scale in Europe. A **strong demand signal from the ETS would unlock billions in private investment, create new industries and jobs, and establish Europe as a global leader in permanent carbon removal**.

The carbon removal industry could generate up to 405,000 jobs in Europe and €100 billion in economic potential by 2040[1]. Europe is already at the forefront of this emerging sector, hosting almost half of the world's carbon removal projects[2]. The EU now has an opportunity to turn that potential into industrial leadership.

The European carbon removal trade associations, representing over 170 carbon removal companies across Europe and internationally, welcome the European Commission's proposal to integrate permanent carbon removal into the EU ETS. **But the success of this proposal will depend on whether Europe follows through on its ambition.**

We stand united behind four concrete asks to make the EU ETS a success for European industries, and for carbon removal.

1) Make the 250Mt of permanent carbon removal a binding target

The European Commission has proposed to increase the ETS by 250 million allowances between 2031-2040. To create that true policy certainty, EU policymakers need to make it explicit that this is to purchase 250 million tonnes of permanent carbon removal. A clear long-term commitment would give companies

[1] BCG & DVNE Report (2024), 'Europe and Germany's role in catalyzing a Trillion-Euro Industry'
[2] Oliver Geden et al. (2026), 'The State of CDR report, 3rd edition'

the confidence to build projects today that will deliver removals for decades to come.

2) Close the price gap to ensure CDR can play its role in the ETS

To secure the volume of 250 Mt of permanent carbon removals by 2040, EU policy makers need to ensure that there is enough funding available to pay for the removals. There is currently a price gap between permanent carbon removals and EU allowances that must be covered. Initial estimates from the Negative Emissions Platform identify an additional **€16–20 billion funding gap**, beyond the **10 million allowances** proposed by the European Commission to help cover the cost gap.
To avoid setting the ETS up for failure, EU policymakers should:

- **Increase the allowances** allocated from within the cap to address the price gap
- Ensure permanent carbon removal is eligible under **Carbon Contracts for Difference** in the Industrial Decarbonisation Bank
- Clearly include carbon removals in the investments eligible under earmarked Member State funding for industrial decarbonisation.

3) Kickstart CDR supply through early offtake agreements

Carbon removal projects cannot be built overnight. Developing, financing and constructing large-scale facilities can take years. Europe should therefore move quickly to provide long-term purchase commitments, with agreements signed **as soon as possible and no later than 2029**. Early commitments would send a powerful signal to investors and help European companies move projects from the drawing board to construction.

4) Open the door to direct purchases of carbon removal by ETS operators

ETS operators should also be able to purchase permanent carbon removal directly, creating an additional source of demand and further incentivising investment in the sector.
Allowing ETS operators to buy permanent removals directly from other operators or the voluntary carbon market under certain circumstances would diversify the buyer base, create new revenue opportunities for companies developing permanent carbon removal, and give ETS operators another route to contribute to climate action.

Europe should therefore build a system that crowds in private investment into carbon removal from the start as part of a viable business case for CDR.

Europe has already shown that it can lead in carbon removal. Now it needs to show that it can scale its nascent industry.

A strong and credible ETS framework can give European carbon removal companies the confidence to invest, build and grow – while creating a new industrial opportunity for Europe.

The choice is clear: **Europe can create the conditions for a globally competitive carbon removal industry, or risk seeing that industry and its investment move elsewhere.**

The EU should seize this opportunity and deliver on its ambition.

NEGATIVE EMISSIONS PLATFORM

Nordic Carbon Removal Association

DVNE
Deutscher Verband für negative Emissionen

AFEN

RETE ITALIANA RIMOZIONE CARBONIO

About the signatories

Negative Emissions Platform

The Negative Emissions Platform (NEP) is a Brussels-based international coalition of more than 60 companies and organisations working across Europe and globally to advance permanent carbon removals. Its members include technology companies, project developers, suppliers, investors, carbon marketplaces and corporate buyers. NEP works to establish permanent carbon removals as a strategic pillar of EU climate policy by supporting the scale-up of both emerging and advanced removal technologies and creating clear, stable demand through carbon markets.

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Nordic Carbon Removal Association

The Nordic Carbon Removal Association (NCRA) is the voice of the Nordic carbon dioxide removal (CDR) sector, representing six permanent CDR methods across the five Nordic countries and beyond. Our mission is to drive strong and sustained demand for, and supply of, high-quality carbon removal in the Nordics, while fostering a globally competitive Nordic CDR industry.

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Deutscher Verband für Negative Emissionen

The Deutscher Verband für Negative Emissionen (DVNE) is the German industry association for carbon dioxide removal, representing 65+ member organisations across the full CDR-value chain. DVNE works for a regulatory framework in which permanent carbon removal can scale to the volumes required by Germany's 2045 target and the Union's 2050 objective. CDR complements, and does not substitute for, deep emissions reductions.

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Association Française pour les Émissions Négatives

AFEN (Association Française pour les Émissions Négatives) is the platform uniting France's carbon dioxide removal ecosystem. Bringing together more than 50 organisations – from suppliers and buyers to investors and researchers – AFEN works to build a durable and responsible CDR market in France.

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Rete Italiana Rimozione Carbonio

RIRC (Rete Italiana Rimozione Carbonio) is a non-profit platform working to advance carbon dioxide removal in Italy, bringing together companies, researchers, financial institutions and policymakers. RIRC works to build a credible, high-integrity CDR market in Italy and to represent the sector in national and European policy discussions.

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