

## ZEP response – DG CLIMA’s consultation on the market needs in relation to the EU ETS Innovation Fund

The Zero Emissions Platform (ZEP) welcomes the opportunity to provide input to the European Commission’s Directorate-General for Climate Action on the future operation of the Innovation Fund.

The achievement of the European Union (EU) ‘s net-zero and net-negative targets will require a portfolio of technologies, including Carbon Capture and Storage (CCS), Carbon Capture and Utilisation (CCU) and low-carbon hydrogen, along with the supporting transport and storage infrastructure. The timely and at-scale deployment of these technologies is essential for the decarbonisation of the EU industrial and power sectors and to deliver negative emissions. They will support the EU in maintaining and strengthening its green competitiveness in hard-to-abate sectors, supporting the delivery of low-carbon products and greening supply chains.

ZEP welcomes the EU’s commitment to support industries to prepare and be fit for net-zero, as underlined in the Green Deal Industrial Plan for the Net-Zero Age. To support these ambitions, a favourable investment framework is necessary to speed up the commercial deployment of zero and low-carbon solutions such as CCS and CCU. Together with other EU funding programmes, the Innovation Fund has been and will be instrumental in driving CCS and CCU forward. However, the need for a rapid transformation of the EU industrial sector while maintaining and growing competitiveness calls for a commensurate revision of funding tools, focusing on:

- Simplifying application and evaluation processes, along with frontloading of funding for successful projects. This is essential to avoid unnecessary delays in implementation and to facilitate investment decisions. Notably, the inclusion of competitive bidding mechanisms in future rounds should not add unnecessary complexities to the application process.
- Project de-risking, notably, addressing cross-chain risks (counterparty risk) between the different parts of the project chain (capture, transport, and storage), technology and CO<sub>2</sub> storage costs. Capture and storage projects are inter-dependent – and lack of storage capacity will deter capture projects. It is important that this is recognised in the design of the Innovation Fund by allowing storage projects to apply independently for funding.
- Technology neutrality. As highlighted in previous ZEP responses, it is important that the foreseen competitive bidding schemes is consistent with the objective of accelerating the hydrogen economy, without being prescriptive as to what production/technology routes can be supported, as long as they are consistent with a path to net zero.
- Exploring synergies with EU Research and Innovation (R&I) funding programmes (e.g., Horizon) so that priority areas for R&I can be better tailored to commercial large-scale applications.