

## **ZEP Advisory Council 61**

**5<sup>th</sup> December 2019**

### ***Agenda Item 4: Overview of EU Related Activities and the EGD***

#### ***4.a. Overview of European Policy Developments***

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Appended to this paper is overview of European policy developments.

#### ***4.b. ZEP updated objectives and messages for approval***

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Appended to in this paper are the ZEP updated objectives and message for approval

## ZEP Advisory Council 61

### *Agenda Item 4.a: Overview of European Policy Developments*

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#### *Industrial Strategy*

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#### **28 November: Masterplan for Decarbonisation of Energy-Intensive Industries**

On 28 November 2019, the European Commission published the EU Energy-Intensive Industries' Masterplan: "[Masterplan for a Competitive Transformation of EU Energy-intensive Industries Enabling a Climate-neutral, Circular Economy by 2050](#)". The technology roadmaps produced by industry and referred to in the masterplan are available [here](#), under Additional information.

#### **5 November: Critical report for decarbonising Industry – “Strengthening Strategic Value Chains for a future-ready EU Industry”**

The EC has published the Strategic Forum on IPCEI's [report](#) and [recommendations](#). Input to the EU Industrial strategy together with the “Masterplan for a competitive transformation of EU Energy Intensive Industries enabling a climate-neutral, circular economy” (the ongoing work of the HGL on EII, currently being delayed. A new Sherpa meeting will be held on 4 December) and the previously published report “A Vision for the European Industry until 2030” (by the Industry 2030 group of experts and corporate leaders).

This report on the Strategic Forum on IPCEI's includes a range of references to the importance of CCS, CCU and hydrogen for the decarbonisation of steel, cement and chemicals production. It is focusing on the six identified key strategic value chains:

- Connected, clean and autonomous vehicles,
- Hydrogen technologies and systems,
- Smart health,
- Industrial Internet of Things,
- Low-CO2 emission industry, and
- Cybersecurity.

The report makes several references to CCS, CCU and hydrogen and recognises their role for the decarbonisation of industry and the great need for coordinated action around e.g. cross-border CO2 and H2 infrastructure.

There is a very extensive annexe II, with a section on “Low CO2 emissions Industry”, where among other things this can be found:

- A SWOT analysis that highlights as a key opportunity, shared H2 and CO2 T&S infrastructure for industry (and municipalities) and developing a common methodology to assess CO2 emissions reductions. It also recognises the lack of a consensus on and public support for CCS.

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- Recommendations on key technological pathways for GHG abatement in steel, chemicals and cement, including CO2 valorisation, H2 or electricity-based steel, chemical and cement production, as well as CCS and Permanent Capture Technologies. It identifies, as an area for coordinated investment via IPCEIs, CO2 valorisation combined with CCS.
- It furthermore recommends under the title “continue support and close the R&D gap” to adopt a new Mission under Horizon Europe, focused on realising a low CO2 emissions industry.
- The report suggests the action to facilitate cross-border CO2 transport while updating the permitting procedures. It also calls for the recognition in the ETS Monitoring and Reporting Regulation (MRR) of GHG abatement through CCS and CCU.
- In terms of its recommendations under the title “Plan and develop infrastructure for a Low-CO2 Industry”, the report suggests an action to develop an EU mapping of the necessary infrastructure for low-CO2 technologies, including for CCS and H2.
- The call for an EU-wide H2 vision and roadmap that can help realise a European hydrogen Economy, ensuring coordination on EU, national and regional levels.
- A key recommendation on hydrogen is to develop a harmonised EU framework for the certification of renewable and low carbon hydrogen, including the introduction of guarantees of origin.
- The report also calls for a temporary support mechanism to compensate for the lack of economic competitiveness of renewable and low carbon hydrogen compared to grey imported hydrogen. This should be done in the 2020 – 2025 timeframe by both the EU and Member States.

### ***EC review report on Implementation of the CCS Directive***

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#### **4 November: Commission presents the third CCS Directive Implementation report**

The EC has published its [third report on the Implementation of the CCS Directive](#), covering May 2016 to April 2019. 22 countries have given input: Bulgaria, Croatia, Czech Republic, Denmark, Estonia, France, Germany, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden.

Member States have to report to the Commission on the implementation of the Directive every four years. The Commission then reports to the European Parliament and the Council on its implementation across the EU. This is the third such report since the Directive entered into force.

The report highlights that assessments of the technical and economic feasibility of CCS were undertaken in Estonia (one), France (one), Germany (six), Romania (six) and Poland (eight) and that all concluded that CCS is not economically feasible. Aside from Norway and the Czech Republic, few countries have determined new areas where storage sites may be selected. As a positive point, the report highlights that most power plants (e.g. in Poland, Estonia, Germany) are setting aside land for the installation of CO2 capture equipment.

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The report ends on a high, concluding that a considerable number of MS and Norway continue to support or plan to support R&D activities on CCS and that many countries are involved in a number of European research and collaborative projects.

### ***New European Commission college – update on latest developments and hearings with Commissioner-Designates***

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President Ursula von der Leyen promised an ambitious agenda both in energy and climate policies, as outlined in the European Green Deal. She tasked the Executive Vice-President designate Frans Timmermans with delivering on this legislative package and indicated that he will be supported by Commissioners for Energy (Kadri Simson), Transport (Adina Vălean), and Internal Market (Thierry Breton).

The new European Commission has been approved by the European Parliament and by the European Council. It will consequently take office on 1 December 2019. A communication on the European Green Deal has been announced for the 11 December, just a day ahead of the European Council (12-13 December 2019).

In the meantime, the work has already started on preparations for the European Green Deal. The DG CLIMA plans a two-stage process:

- (1) First package (Q1-Q2 2020) will include: the 2050 Climate Law, Just Transition Fund, Sustainable Investment Plan, and increasing 2030 ambition through additional measures.
- (2) Second package (Q4 2020 or 2021) will include: the review of the ETS and ESR, (Gas) Decarbonisation package, Carbon Border Tax, and incentives for CO<sub>2</sub> removals that could benefit CCS/U.

### **Hearing of Executive Vice President (EVP) for the Green Deal, Frans Timmermans**

In addition to overseeing the implementation of the European Green Deal, Frans Timmermans (NED) will also be taking up the role of the Commissioner for Climate Action. He will oversee the work of other Commissioners, such as the Commissioners for Energy, Transport, Environment, Oceans and Fisheries or Agriculture, in mainstreaming climate action across all policies and sectors.

One of the key messages during his hearing in front of the Committees for Transport (TRAN), Industry, Research and Energy (ITRE) and Environment, Public Health and Food Safety (ENVI) was that tackling climate change should be seen as an opportunity rather than a challenge for European industry (competitive sustainability). He called for a phase-out of fossil fuel subsidies and ultimately of fossil fuels, for a carbon border tax and measures against “*environmental dumping*”.

Timmermans also outlined policy priorities for his first 100 days in office, namely putting forward an EU Climate Law to enshrine the 2050 target of climate neutrality into law and doing preparatory work for reviewing and updating the existing climate and energy legislation. With regards to raising targets



for 2030, he noted that he will put forward a legislative proposal as soon as the Commission services finalize the impact assessment of the current legislation, delivering the 40% GHG emission reduction target. While he strongly believes that the results of the Commission's assessment will support the need for more ambitious targets, he is not willing to put forward any proposal until there is scientific evidence to support this claim.

A question was raised whether the EU would be preparing an EU Hydrogen Strategy. While Timmermans noted that the Commission will work on this, he provided no details on the timeline. However, he did point out that he sees hydrogen as the future of energy, and that the EU should work on exploiting its possibilities.

### **Hearing of Commissioner-Designate for Energy, Kadri Simson**

Kadri Simson (EST) had her hearing in front of the ITRE and ENVI Committees. Simson noted that new legislation is needed if an assessment of today's legislation shows we cannot reach 50-55% GHG emissions reduction by 2030. On the other hand, she rejected the notion of re-opening the Clean Energy Package. She also added that the EU ETS extension to transport and buildings will be assessed by Timmermans.

Simson further announced a forthcoming initiative and strategy to address methane emissions yet chose not to disclose any details. Simson acknowledged the role of gas in the transition, stressing the need to make the regulatory framework and infrastructure fit for the future, especially for the increasing uptake of low carbon gases, hydrogen and renewables. She confirmed that the overall share of gas will not decrease over the transition period towards a climate-neutral economy.

Simson did not mention CCS and CCU in her opening statement, however, during the Q&A session she called CCS and CCU essential for future decarbonisation. She primarily identified the lack of public awareness and some doubts around storage as the main obstacles for the further deployment of CCS/CCU technologies at the EU level.

### **Hearing of Commissioner-designate for Transport, Adina Valean**

Adina Valean (ROM) is a long-time supporter of CCS/U technologies and was nominated by the new Romanian Government. This was preceded by the fall of the previous S&D Romanian Government in October and the Parliament's rejection of the first candidate Rovana Plumb for an alleged conflict of interest. In her opening statement, she pointed out that reaching a climate-neutral economy by 2050 will require a reduction of transport emissions by 90%, while the EU's current ambitions will only reach 20% reductions by 2050. She argued that the 2050 goal can be reached by incentivising greener consumer choices, improving the efficiency of modes of transport, and increasing the uptake of clean vehicles and alternative fuels.

Furthermore, Valean agreed with Simson about avoiding the re-opening of the recently finalised Clean Energy Package and instead argued that increasing EU ambitions can be done by adding further measures, for instance including aviation and maritime sectors in the ETS, implementing CORSIA, the review of AFID and roll-out of alternative infrastructure. Valean plans to work with Member States and private investors to roll out a wide network of charging stations and alternative refuelling points, avoiding clear preference for purely battery electric vehicles.

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### **Hearing of Commissioner-designate for Internal Market, Thierry Breton**

The hearing of Thierry Breton took place on 14 November in front of the ITRE, Internal Market and Consumer Protection (IMCO), Culture and Education (CULT) Committees. He stated that the different economic and industrial challenges will be addressed through holistic and cross-sectoral strategies. He added that the green economy will be at the centre of industrial policy, involving massive investment in transition technologies.

According to Mr Breton, Important Projects of Common European Interest (IPCEI) are a good example of how to support value chains in key industries where Europe has a chance to lead, and consequently hinder competition from US and China. Furthermore, he added that EU needs to put in place a strong Industrial Strategy which is not “naïve” with regard to international competitors, and to develop sectorial and value-chains strategies in all the sectors.

### **Hearing of Commissioner-designate for Innovation and Youth, Mariya Gabriel**

During her hearing in front of the CULT and ITRE Committees, Mariya Gabriel reiterated that she supports expanding the budget for Horizon Europe and will side with the Parliament in any debate on the matter, including the crucial role of the programme in pursuing European autonomy in the domains of R&I, new technologies and industrial supply chains.

Gabriel stressed that she wants to see investments in those industries “*where we can see real European added value*”. She also stressed that she will be working closely with the Internal Market Commissioner and the EVP for digital to ensure that the “*transnational integration of industrial assets can be put at best use to achieve our priorities*”.

## **Long-Term Climate and Energy Strategy**

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### **24<sup>th</sup> September: EU Energy Ministers debate the energy sectors beyond 2030**

On 24 September, the Energy Council took place in Brussels under the leadership of the Finnish Presidency (the outcomes are available at [this link](#)).

The main items on the agenda were:

- Debate on the energy sector beyond 2030 and the pathways towards climate neutrality
- Debate on the draft National Energy and Climate Plans (NECPs)
- Discussion on the Hydrogen Initiative

### **Energy sector beyond 2030**

Poland, Czech Republic, Hungary and Estonia are still sceptical about carbon neutrality by 2050, though Estonia has since committed to the target and Hungary indicated a willingness to change position. The countries’ reluctance comes from their concerns over the social and economic cost of the transition, and they call for more financial support to be set up at EU level. This means that their

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position may be swayed if proper funding channels would be unlocked, for instance as part of the Just Transition Fund.

Overall, the discussion on the future of the energy sector allowed Member States to point out where they see the greatest national potentials for the energy sector past 2030. Most Member States emphasised that the “one size fits all” energy transition will not allow them to maximise national specifics and are in favour of a more cost-effective and technology-neutral energy transition.

There is a strong support for hydrogen, and its role in diversification of energy and transport sectors along the entire value chain. The Netherlands and Germany called for the CCU/S technologies to be used in the future, especially to help decarbonize the industry. Moreover, several Member States have called on the Commission to replicate the success of the Battery Alliance by supporting a clean hydrogen industry, with the Netherlands, in particular, calling on the Commission to develop an ambitious Hydrogen Action Plan.

With regards to the Gas Market, Germany views renewable gases as playing a very important role in the energy transition and it is already involved in a national consultation “Gas 2030” with gas market stakeholders along the entire value chain. The Netherlands considers green hydrogen to be the best avenue for decarbonisation out of all other green gases, especially the flexibility that provides. Other countries also pointed out that power-to-gas (P2G) solutions will be of particular importance post-2030.

#### Hydrogen Initiative

The Austrian delegation summarised the state of play on the ‘Hydrogen Initiative’, having been one of the architects of this initiative during their Council Presidency last year. The Commission confirmed that hydrogen will play a key role in the energy transition, and to this end, it has set up an informal network of experts from Ministries.

The Netherlands and Italy have pointed out that further cooperation will be needed, especially in the area of R&D, with the Dutch also calling on the Commission to present an Action Plan on Hydrogen. Germany stressed that sector coupling will be one of the key channels of the energy transition and that an international hydrogen market ought to be created to capitalise on this technology; this will require the EU to pursue greater international involvement and partnerships.

#### National Energy and Climate Plans (NECPs)

The deadline for Member States to submit their NECPs is the end of the year (31 December 2019). According to the Commission's evaluation of the draft NECPs that the Member States submitted in December 2018, climate plans were 1.6% short of the 32% renewable energy target and 6% short of the 32.5% energy efficiency target. Several Member States, namely Latvia, Slovakia, Romania, Greece, Bulgaria and France announced that they will boost their contributions in renewables and energy savings in the final version of their NECPs.

In their closing remarks, the Finish Presidency stated that the Council will assume an active role in the energy governance and will assess, at least once per year, the progress of Member States towards achieving EU targets.

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#### 4th October: Environment Council discusses climate action and circular economy

On 4 October, the Environment Council took place in Brussels. Of particular relevance, Environment Ministers adopted conclusions on the EU preparations for COP25, the 8<sup>th</sup> Environment Action Programme (EAP) and the Circular Economy (press release and results [here](#)). There was also a discussion on the Long-Term Strategy (LTS).

Main elements under discussion:

- LTS debate: The discussion was to advance work on the conditions, incentives and enabling framework to implement the strategy. Aside from Poland, Hungary and the Czech Republic, all other ministers supported climate neutrality by 2050 at this point and hope for an agreement before the end of the year. Ministers agreed that the transition requires a holistic approach that involves a wide range of EU financing instruments, maintains industrial competitiveness, protects European industry from carbon leakage and preserves natural carbon sinks.
- Conclusions on COP25: Ministers agreed by unanimity on the EU position for COP25 (see [here](#)). The Conclusions outline the EU priorities for the negotiations, which focus on completing the implementation guidelines for the voluntary cooperation mechanism of the Paris Agreement (Article 6), completing the second review of the Warsaw International Mechanism for loss and damages, and advancing technical work on the arrangements under the Enhanced Transparency Framework.
- Conclusions on the Circular Economy: The Council adopted conclusions on “*More circularity: Transition to a sustainable society*” (see [here](#)). The Conclusions call on the Commission to present a long-term strategic framework, together with a common vision for a circular economy and adopt a new circular economy action plan with targeted actions.
- Conclusions on the 8<sup>th</sup> Environment Action Programme (EAP): These conclusions are aimed to provide political guidance for the EU’s environment and climate change policies for the period 2021-2030 (see full document [here](#)), as the Council calls on the Commission to present by early 2020 a proposal for the 8<sup>th</sup> EAP.

#### 18th October: European Council sets December for agreement on 2050 target

The European Council on 18 October did not discuss the Long-Term Strategy (LTS), although it did discuss climate change related issues, as seen in its Conclusions (see [here](#)). EU leaders underscored that they will aim to finalise the EU’s LTS at the 12-13 December Summit, so that it can be submitted to the UNFCCC Secretariat in early 2020. They emphasised “*the existential threat posed by climate change requires enhanced ambition and increased climate action by the EU and at global level*”. This call for higher international and EU ambition was made despite resistance from some Central European leaders.

Poland, Hungary and the Czech Republic continue to oppose the target of carbon neutrality by 2050, unless sufficient financial means are provided. Poland laid out its views in a ‘*Non-paper on financing climate neutrality*’ (see [here](#)), stating that it “*expect[s] that the Commission will present concrete*





*figures broken down by Member States representing the necessary investments across the EU and in particular in the regions facing the biggest challenges”.*

These calls come as the Commission’s President-elect Ursula von der Leyen promised a Just Transition Fund intended to help coal and carbon-intensive regions decarbonize, though the details for now remain unclear. One option considered by the Commission is to divert planned expenditure under the bloc’s future budget to this fund. Under this option, the total financing available could be up to €35 billion between 2021 and 2027 — but this would not entail changes to the overall EU budget.

However, the Polish Paper argues that the Just Transition Fund *“needs to be significantly larger, adequate to the scale of the challenges... and go well beyond the 2021-2027 financial perspective”*. A Polish government think tank proposed the fund should have a minimum of €20 billion a year, out of which Poland would get an estimated €2.1 billion annually.

## **28 November: European Parliament adopts Resolution on COP25 with CCS endorsement**

On 28 November, the ENVI Committee adopted its Resolution on the COP25, taking place in Madrid from 2 to 13 December. The European Parliament adopted the resolution on COP25 (430+, 190-, 34 abstaining), which acknowledges the role of CCS in fighting climate change.

Of particular relevance to ZEP, these two paragraphs are included in the resolution. The amendments were originally approved by the ENVI Committee.

83. Acknowledges the role attributed to carbon capture and storage (CCS) in most 1,5 °C scenarios in the IPCC 1.5 °C special report and the Commission’s communication on a clean planet for all;

84. Supports greater action to deliver the targets set by the Member States under the Strategic Energy Technology Plan with a view to implementing commercial-scale CCS in EU energy and industrial sectors and developing a robust regulatory framework to aid the direct removal of CO<sub>2</sub> from the atmosphere for safe storage by 2022;

In addition to that, the text adopted by the European Parliament:

- adopted the original ENVI level of ambition of 55% GHG reductions, rejecting increases advocated by the Greens/EFA and GUE/NGL Groups.
- adopted the Greens/EFA amendment endorsing the change of EIB lending strategy, however in a split vote rejected Greens’ dissatisfaction with the EIB’s continued investment in infrastructure for so-called ‘low-carbon gases’.
- includes EPP amendment which *“urges an increase into funding of research and market deployment of alternative fuels”*, however in a split vote they rejected second part that *“the market access and use of alternative fuels should always enjoy primacy over further fuel taxation”*.

Overall, the Resolution calls on the Commission to use the COP25 to increase the EU’s GHG emissions reduction ambition for 2030 to 55% It calls on Member States to agree on the target of net-zero by 2050, at the latest at the European Council Summit on 12-13 December. It stresses that

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the EIB should end fossil fuel projects lending, except for gas *“when used, in combination with renewables, as a bridging technology replacing coal, where no other alternatives exist”*.

Noteworthy is that the adopted text does not appear to speak about negative emissions, hydrogen or CCU. Furthermore, MEPs rejected a key EPP amendment that called on the Commission to establish a specific Directorate for climate neutrality in industry.

### **Next steps**

- 2-13 December: COP25 Conference in Madrid.
- 4 December: Energy Council.
- 11 December: Communication on European Green Deal
- 12-13 December: European Council to finalise guidance on LTS.
- 19 December: Environment Council.
- 31 December: Deadline for national submission of final NECPs.
- 1 January 2020: Deadline for submission of national LTS's.
- Early 2020: EU to submit LTS to the UNFCCC Secretariat.

### **Funding – EIB lending policy**

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#### **14 November: EIB changes its lending policy to end lending to fossil fuel projects**

On 14 November, the Board of the European Investment Bank (EIB) agreed a new energy lending policy and confirmed the EIB's increased ambition in climate action and environmental sustainability. Following the most comprehensive public consultation ever held by the EIB, with more than 149 written submissions from concerned organisations and individuals, and a petition signed by more than 30,000 people, the bank decided to cease lending to fossil fuel projects, including gas, after 2021. The original proposal suggested halting such lending after 2020.

In addition, the EIB sets a new Emissions Performance Standard of 250g of CO<sub>2</sub> per Kilowatt/hour (kWh). This will replace the current 550gCO<sub>2</sub>/kWh standard and will exclude unabated fossil fuel plants. However, the new energy lending policy includes concessions to the gas sector such as allowing funding for a last wave of EU-backed infrastructure projects. The bank will also support investments to help switch pipelines from natural gas to low-carbon gases such as hydrogen.

Furthermore, in line with the incoming new Commission President Ursula von der Leyen's commitments, the EIB Group said it will aim to support EUR 1 trillion of investments in climate action and environmental sustainability in the critical decade from 2021 to 2030. It will gradually increase the share of its financing dedicated to climate action and environmental sustainability to reach 50% of its operations in 2025 and onwards and will align all its financing activities with the principles and goals of the Paris agreement by the end of 2020. This will be complemented by measures to ensure EIB financing contributes to a just transition for those regions or countries more affected so that no one is left behind.

The first draft proposal, published in July, had caused a deep split between countries eager to combat climate change and those wanting to continue investing in natural gas infrastructure. France and the Netherlands were among the countries in favour of the bank's proposed new strategic direction, while Germany's Finance Ministry stated earlier this year that "*further investments in gas projects are fundamentally required*" and that the EIB should remain involved in financing these efforts. But at a board meeting in Luxembourg, 20 countries voted in favour, six abstained and three — Poland, Hungary and Romania — voted against the new rules.

On 26 November 2019, the EIB released their [Investment Report](#), a yearly publication that provides an overview and analysis of investment and the financing of investment in the European Union. The EIB Investment Report shows that, although substantial progress has been made, climate action investment in the EU is not yet on track. "To achieve a net zero-carbon economy by 2050, the EU must raise total investment in its energy system and related infrastructure from 2% to 3% of GDP on average. The European Union invested EUR 158 billion in climate change mitigation in 2018. [...] Europe's weak performance in climate-related R&D is a threat to its competitiveness, given the importance that still-immature technologies will have in the transition".

### ***Sustainable Finance – Green Taxonomy***

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#### **October-November: EU institutions proceed with negotiations on Sustainable Taxonomy**

The Finnish Presidency has set the Taxonomy Regulation among its main priorities and aims to close the file before the Croatian Presidency takes office in January 2020. With this in mind, it has managed to exert pressure on various Members of the Council to agree on a common position.

On 27 September, the Council agreed on a common position on the Taxonomy Regulation. The majority of EU ambassadors gave a green light to start interinstitutional negotiations with the European Commission and the Parliament, which had adopted its respective position in March. Almost a month later, on 23 October, representatives from the three institutions began the trilogues. From the early discussions, two key negotiation points emerged: (1) who has the final saying on the taxonomies (one for each of the six environmental objectives; (2) the scope of the regulation and which financial actors should use it.

The second trilogue, on 6 November, again highlighted very noticeable differences between the institutions' positions. On the issue of the proposed timeline for the Taxonomy Proposal, the Council seemed unwilling to cut short its proposed timeline, which delays the implementation date to 2023. The Commission had originally proposed to phase in binding criteria as of July 2020, but Member States agree that this might lead to compliance challenges and liability risks for market players, as well as general confusion for investors. Unsurprisingly, this position is strongly supported by the industry.

On 28 November 2019, the third Taxonomy trilogue meeting took place. The main controversial points include the regulation's scope and who should set the thresholds to determine if an investment qualifies as "green". In an attempt to find common ground, the Finnish Presidency circulated a note asking EU Member States for guidance. The note proposed a compromise to broaden the scope to a larger number of financial products, but not as many as the Parliament would like.

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The Commission tried to bridge the differences between Parliament and Council by presenting an “Option 3” paper. The paper says the taxonomy should apply to all financial products except for “mainstream” ones that do not have environmental and social objectives. The latter would have to bear a statement recalling that they are neither compliant with the taxonomy criteria nor pursue sustainable investment objectives or environmental and social characteristics. The Parliament supports this option, but the Council does not.

With regards to thresholds, the Council is determined to retain control through secondary legislation. However, the Commission rejected the Council’s request by stating it would not be legal. Parliament is of the same view, as it fears Member States would seek to relax standards and allow for greenwashing.

Looking forward, the next trilogue will be on 3 December, though negotiators are now discussing the possibility to continue talks in 2020. This is considered highly likely given the remaining disagreements.

#### Next steps

- Q3-Q4/2019 (tbc): Trilogue negotiations on Taxonomy Regulation
- Early-2020: European Commission to launch Public consultations

### ***EP ITRE own-initiative reports, important to feed in to***

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**Own-initiative reports** – The EP Conference of Presidents has allocated the ITRE Own-Initiatives Reports on “*A new long-term strategy for Europe’s industrial future*” and on “*A comprehensive European approach to energy storage*”. The new Industrial Strategy report has been assigned to S&D, while the Energy Storage report has been assigned to Renew Europe. The two political groups are expected to choose the Rapporteurs in the upcoming weeks and their decisions are likely to take place at the next ITRE Committee meeting, on 4-5 December in Brussels.

*Studies and workshops, briefings from 2019 budget* – The Coordinators have decided to request a study on “Energy intensive industries: Challenges and opportunities in energy transition” and a briefing on “industrial policy”, which would be available for the own-initiative report on a new long-term strategy for Europe’s industrial future.

### ***Energy Council***

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The next [Energy Council](#) will take place on Wednesday 4 December in Brussels. Of particular relevance, the Ministers will discuss the energy policy priorities of the incoming Commission and NEPCs.

- Energy policy priorities: Ministers will hold an exchange of views with the incoming Commissioner for Energy Kadri Simson on the nine priorities for the energy sector outlined in her Mission Letter: (1) energy efficiency and energy efficiency first principle, (2) renewable

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energy, (3) deployment of clean energy, (4) scaling up investments in clean energy, (5) regional cooperation, (6) LNG, (7) energy taxation, (8) the just transition fund and (9) energy poverty.

- NEPCs: The Ministers will follow-up to the Commission's communication on the draft NEPCs and its recommendations. The Finnish Presidency has prepared a [background paper](#) that invites the Ministers to inform the Council and the Commission of further progress in addressing the identified ambition gaps.

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### Agenda Item 4.b: Updated ZEP Objectives and Core Messages for Approval

#### **Changed landscape – tougher climate ambitions – a new situation**

The landscape has changed dramatically – there is a new momentum on climate mitigation in the European Union. The EC president, Ursula Von Der Leyen, has made a number of commitments on more ambitious climate targets and pointed out a clear direction towards net-zero by 2050. The new European Commission college, planned to take office on 1 December, are preparing for a Communication on the European Green Deal (EGD) on 11 December.

The EGD will include numerous regulatory processes and also strongly influence the SET-plan work, the funding programs and all the already-known packages and revisions – the industrial strategy, the upcoming gas decarbonisation package, the sustainable taxonomy, the continued work on clean hydrogen etc. This will set the framework for the path towards net-zero, and thus be the guide for the deployment of CCS and CCU.

The key challenges for CCS and CCU are no longer in the technical field. Instead, it is in the fields of early deployment and commercialisation – regulatory, legal, policy and finance – where the barriers can be found. Political economy will take centre stage and ZEP has great possibilities to draw on its knowledge, stakeholders and the many ongoing projects to channel fact-based advice and propose solutions also on regulatory challenges, risks, finance and business models.

Being a long-standing supporter of climate neutrality and an adviser to the EU, ZEP has a unique position and will need to engage full-heartedly, guiding the CCS/CCU community.

The ZEP Advisory Council 60 highlighted that EGD as a key objective and that ZEP should engage in the political economy:

- Keep the strong focus on technology and facts as the basis for input
- Commit to and support the transition towards net-zero
- Engage with the EU institutions and other relevant stakeholders
- Take an active role in the shaping of this overarching framework that will bring us to net-zero by 2050.

The AC asked for an update and review of the ZEP work and messages adjusted for this new situation.

#### **Updating objectives and core messages**

With the above-mentioned changes of the landscape, the existing ZEP objectives and messages are outdated, focusing very much on the 2020 targets, thus calling for a revision in order to adjust the narrative to fit the new climate ambitions. Led by the ERG, the ACEC held a workshop in Brussels on 12 November, focused on updating the objectives and the core messages.

*Action: The Advisory Council is invited to discuss and approve these objectives that were proposed by the ACEC:*





- To determine and create in the political economy the conditions necessary to reach net-zero GHG emissions in Europe by 2050 with a focus on energy and industrial sectors;
- To demonstrate that the implementation of CCS and CCU technologies at scale now is essential to achieve this goal;
- To accelerate the deployment of large-scale CO2 transport and storage networks, which enable clean, competitive energy and industrial sectors, including early large-scale clean hydrogen and climate positive solutions (negative emissions)

From these objectives, the ZEP draft messaging model was created, including

- A clear communication goal that reflects the objectives,
- Five supporting messages that can be used for different occasions/with different audiences, and
- An overarching umbrella message.

Linked to each of the supporting messages the ZEP secretariat will draft proof points to further explain and give evidence to the messages. The template below provides a visualisation of the ZEP messaging model.



The messages are supposed to be used separately for different occasions and audiences, while the messaging model is an internal ZEP document, not to be circulated or communicated as such.

Before presenting the draft messages, we would like to highlight that there are two unresolved issues; comments after the workshop that were not able to be satisfactorily incorporated:

- The first comment would like to – where it is referenced as essential to achieving net-zero by 2050 in the communication goal, umbrella message and supporting message 1 – delete the reference to CCU and only highlight CCS (marked in red below).
- The second comment would like to see the proposed supporting message 1 replaced with “CCS and CCU is an essential technology to enable Europe to reach net-zero” (marked in red below).

*Action: The Advisory Council is therefore invited to discuss the messaging model (including how to resolve the two outstanding unresolved comments) and approve the final version.*



Proposed messages:

Communication goal: **To demonstrate to policymakers, legislators and other stakeholders that the implementation of CCS and CCU technologies at scale now, is essential to achieve net-zero GHG emissions in Europe by 2050**

Umbrella message: **The urgent deployment of CCS and CCU is essential to achieve net-zero GHG emissions by 2050 and to produce large-scale clean hydrogen, whilst making Europe an attractive region for clean investment**

Supporting message 1: **Europe cannot reach net-zero emissions without CCS and CCU (CCS and CCU is an essential technology to enable Europe to reach net-zero)**

Supporting message 2: **The urgent development of CO2 transport and storage infrastructure is vital to unlocking the benefits of CCS and CCU across industry, heat and power, and to enable climate positive solutions (negative emissions)**

Supporting message 3: **CCS and CCU enable a Just Transition for Europe's citizens and industries, making EU regions attractive for clean investment**

Supporting message 4: **Incentive mechanisms are needed to ensure the urgent roll-out of CCS to achieve EU climate goals**

Supporting message 5: **CCS enables production of large-scale clean hydrogen, which is critical for the transition to low carbon industrial, transport and heating sectors**