Shell response: Certification of carbon removals – EU rules

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Shell[i] welcomes the proposal for an EU Carbon Removals Certification Framework (CRCF), as an important first step to support the development of carbon removal projects in Europe.

Shell's target is to become a Net Zero Emissions (NZE) energy business by 2050, including the emissions from the energy products we sell (scope 3 emissions). Shell also has a target to halve scope 1 and 2 absolute emissions under our operational control by 2030 (compared to 2016 on a net basis). The biggest driver for reducing our net carbon intensity is increasing our sales of low-carbon products and services. We are scaling up investment in renewable power, hydrogen, sustainable aviation fuels (SAF), and carbon capture utilisation and storage (CCUS).

We firmly believe that greenhouse gas emissions avoidance and reductions through energy efficiency measures, the accelerated deployment of renewable and low carbon energies and enabling infrastructure will need to be the primary mechanisms for achieving NZE across all sectors in the EU. In addition, we think it is necessary to implement policies that direct investment into carbon removal solutions. The EU long-term scenarios that underpin the 2030 Climate Target Plan show the importance of carbon sinks in achieving the EU's climate targets. Investment in carbon removal pathways, such as biochar, removals-focused nature-based solutions (e.g., ecosystem restoration, afforestation) and direct air capture with carbon storage (DACCS), and their enabling value chains (e.g., renewable energy, CO_2 transport and storage infrastructure capacity, capture equipment manufacturing supply chains), is needed in this decade to reach the scale of carbon removals likely necessary to meet NZE.

We think scaling up carbon removals needs to be done without diverting efforts to achieve direct emission reductions in all sectors of the economy. In this context, we would recommend the EU CRCF adopts the definition of the Intergovernmental Panel on Climate Change (IPCC) for carbon dioxide removal[1] and keeps emission reductions separate from removals.

We strongly welcome the emphasis the Commission places in the proposed CRCF on the quality of certified carbon removals. By setting out what constitutes the minimum requirements for quality – and what is not acceptable - the EU CRCF will help drive quality assurance and standardisation. The four quality criteria the proposed CRCF outlines – quantification, additionality, long-term storage and sustainability – should be considered as interdependent. We suggest extending sustainability to also include the championing of local benefits and rights and emphasise the importance of removals being net-removals, i.e., when calculating the carbon value of a project, emissions generated during the process of the removal project activity should be deducted from the gross amount of carbon removed from the atmosphere. The accounting of net-removals should allow for market-based mechanisms where ownership of an environmental attribute takes precedence over the tracking of individual molecules or electrons. We also note that the estimated duration of carbon storage ranges significantly for different carbon removal solutions and that different carbon removal solutions have differing roles in the energy transition. It is therefore important for durability to be reflected through certification methodologies, validation and verification.

Quality and a commitment to continuous improvement need to guide the adoption of methodologies by the Commission for different carbon removal technologies under the CRCF. In a recent report by Shell and BCG on the Voluntary Carbon Market**,** 91% of buyers rank monitoring, reporting and

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[1] IPCC defines carbon dioxide removal as: Anthropogenic activities removing CO_2 from the atmosphere and durably storing it in geological, terrestrial, or ocean reservoirs, or in products. It includes existing and potential anthropogenic enhancement of biological or geochemical sinks and direct air capture and storage, but excludes natural CO_2 uptake not directly caused by human activities. IPCC Special Report: Global Warming of 1.5 degC. Summary for Policymakers.

verification (MRV) as one of their top criteria in credit purchase decisions. Buyers want to ensure that the credits they buy have a measurable benefit against a robust baseline.

To ensure certification methodologies and MRV continuously improve and reflect the latest developments in science, we think the Commission should consider operating its approval process for methodologies similar to CORSIA: methodologies are assessed and must prove they meet the Commission's requirements for each technology type. Regular review periods should be built in. This would allow the Commission to leverage the expertise of independent standards / schemes.

At the same, the CRCF could consider establishing a threshold standard per methodology that eligibility is assessed against. For example, already today if long-term carbon stored product is a building structural design, the Eurocode Standard EN 1990 (2002) requires minimum 50 years working life or 100 years if monumental, regardless of if the product remains in use afterwards or is recycled. This is very specific to the carbon removal type, so it is important that the Commission is clear on its threshold standard per methodology.

Demand certainty is a key catalyst for investment in high quality carbon removal projects. Providing at the earliest clarity on certification criteria and use of certificates in the EU will be an important enabler. We therefore support a timely adoption and implementation of the CRCF for the EU and the roll out of supporting certification methodologies.

Once a transparent and robust CRC framework is in place, the trading of carbon credits from endorsed projects should promote carbon removal development and deployment. Shell's preference is for a market-based mechanism for trading such credits that can encourage significant private investment for carbon removal projects.

For technical carbon removals involving direct air capture or bioenergy with CCS, the EU requires storage. This means the EU needs to increase its development and encourage the development of transport and storage infrastructure to accommodate growth of removals to accommodate future carbon removals. Greater clarity on treatment of cross-border carbon storage is necessary, in particular the treatment of storage outside the EU (e.g., UK).

Trading of carbon removal units under the auspices of the UN can lead to investment in large scale cross border investments. Use of Article 6 of the Paris Agreement can enable cost reductions for lowering emissions via carbon trading between nations. Similarly, the inclusion of carbon removals in the EU ETS will play an integral role in the transition from net zero to net negative.

The development and assessment of the EU's 2040 target, to be proposed in 2024, offers an important opportunity to quantify and agree on the role that carbon removals will need to play in the pathways to NZE and the overall EU carbon budget for 2030 to 2050. The EU should provide a policy framework with clear deployment timelines allowing predictable investment into carbon removals and clarity on the role of voluntary and regulatory markets. This should be seen as complementing the strong focus the EU must maintain on greenhouse gas emissions avoidance and reductions.

[i] **Cautionary note**

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Shell's net carbon intensity

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Shell's net-Zero Emissions Target

Shell's operating plan, outlook and budgets are forecasted for a ten-year period and are updated every year. They reflect the current economic environment and what we can reasonably expect to see over the next ten years. Accordingly, they reflect our Scope 1, Scope 2 and Net Carbon Intensity (NCI) targets over the next ten years. However, Shell's operating plans cannot reflect our 2050 net-zero emissions target and 2035 NCI target, as these targets are currently outside our planning period. In the future, as society moves towards net-zero emissions, we expect Shell's operating plans to reflect this movement. However, if society is not net zero in 2050, as of today, there would be significant risk that Shell may not meet this target.

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