



LIFE COASE

Workshop on the role of carbon markets in reaching carbon neutrality

17 - 21 June 2023

14:00-15:30 | Session 2: EU ETS Models

Presenter: Sebastian Osorio (Potsdam Institute of Climate Impact Research)

Title: Sequencing CDR into the EU ETS

Abstract: Novel Carbon Dioxide Removal (CDR) methods have undergone a first wave of investment from voluntary carbon markets and support policies. From now on, a credible long-term policy path is required to lead removal technologies through the valley of death, and to ramp-up sufficient capacities to limit global warming to well below 2°C. The integration of removals into carbon compliance markets has been widely discussed as a potential option. To date, however, it remains unclear when and how exactly such an integration can take place. We address this gap in three parts. We (1) characterise a first-best vision for removals in the form of an economically desirable, long-term regulatory framework to work towards to. We (2) then analyse the implications of a first-best - i.e. direct and unconstrained - integration of permanent removals into the EU's carbon compliance market using the numerical EU ETS-model LIMES-EU. In our base scenario, we find that a removals integration into the ETS I can mitigate the certificate squeeze post-2045. For an actual integration, however, risks of mitigation deterrence and excessive biomass use call for a second-best sequencing approach. We consequently (3) derive a three-stage path for removal integration into the EU ETS, including contingencies and preconditions that need to be fulfilled along the way.

Webpage and programme [here](#).



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