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Fit for 55…or 57?

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Creative carbon accounting and techno-optimism

On the 25th of April, the European **Council** adopted key pieces of legislation delivering on 2030 climate targets, following up on the legislative procedure to which the European Parliament had on the previous week inputted with the approval of the deals reached with European Union (EU) countries in late 2022 on several key pieces of legislation that are part of the **"Fit for 55 in 2030 package**". This is the EU's plan containing the reform of the EU's Emissions Trading System, the Carbon Border Adjustment Mechanism and a new Social Climate fund and aimed to reduce **greenhouse gas (GHG) emissions** by *at least 55%* by 2030 compared to 1990 levels in line with the European Climate Law. Additionally, the European Parliament and EU countries also agreed to increase the EU carbon sinks target for the land use, land use change and forestry sector (LULUCF). Member states can purchase or sell removal credits between LULUCF and the Effort Sharing Regulation to reach their GHG reduction targets. Once this reduction is included the EU's 2030 GHG reduction target increases to 57%.

The new **EU 2030 target** for net GHG removals in the land, land use change and forestry sector will be set at 310 million tonnes CO_2 equivalent, which is around 15% more than previously. The new EU target will de facto raise the EU's 2030 GHG reduction target to 57% from 55%, as the contribution of net removals to the 2030 55% GHG reduction target was limited to 225 million tonnes of **carbon dioxide** (CO_2) equivalent in the EU Climate Law as proposed by the European Parliament. The inclusion of removals, and consequent focus on net GHG emissions, is a deviation from the previous system, which defined the absolute reduction in GHG emissions, and might weaken the 2030 target. Though, restoring nature is essential, it must be additional to efforts to cut emissions in the most polluting sectors. The inclusion of **carbon sinks** provided by trees and soils in the emissions reduction goal might be considered an 'accounting trick' that makes the proposed 2030 target look higher than it really is.

This move is in line with another trend, namely the techno-optimism that endorses the acceptance of CO_2 **capture and storage (CCS)** as an option in the portfolio of mitigation actions for

stabilization of atmospheric GHG concentrations. This process consists of the separation of CO_2 from industrial and energy-related sources, transport to a storage location and long-term isolation from the atmosphere. Given the strength of the fossil fuel lobby, the resistance of many to endorse behavioural changes and paths of degrowth, and the slow move towards green growth, solutions of the kind named above, i.e., that rely on **creative carbon accounting** (carbon capture, removals, and storage, rather than abatement based on clean forms of power and energy efficiency) and **false carbon economy** (realities that only exist in models and spreadsheets), are gaining increasing public space. But they are also raising an increasing set of far-reaching issues.

An increasingly popular panacea

The 2005 Special Report of Working Group III of the United Nations' Intergovernmental Panel on Climate Change (IPCC) already addressed the use of CO_2 CCS in the portfolio of mitigation actions. In 2021, the IPCC released another report promoting the scale up of carbon removal technologies as the only way to stave off the worst warming. And in its 2022 report the IPCC identified large-scale deployment of carbon dioxide removal as "unavoidable", acknowledging carbon removal as an important part of a comprehensive strategy to combat climate change.

This increased focus on the use of CCS and carbon dioxide removal (CDR) methods is also observed at **national level**. Germany, for example, is developing a Carbon Management Strategy for CO_2 storage and utilisation, with a focus on industrial processes and waste. With some projections revealing that around 30m tons of CO_2 will have to be captured, transported, reused, or disposed of by 2045, otherwise the country *cannot become carbon neutral by then*. Also the United Kingdom presents CCS as a key part of Britain's new industrial strategy and a successor to the dwindling North Sea oil and gas sector. In the United States (US), the Inflation Reduction and CHIPS Acts bet on massive new carbon removal programs. Other stakeholders, such as for example the US National Academies of Sciences, Engineering and Medicine follow-up on this message.

An early stage of technological development

CCS has the potential to reduce overall mitigation costs and increase flexibility in achieving GHG emission reductions. However, its widespread application depends on technical maturity, costs, overall potential, regulatory aspects, environmental issues and public perception, as well as the diffusion and transfer of the technology to developing countries and their capacity to apply the technology. Presently, this technology is yet untested at scale, and some refer to dodgy carbon removals and greenwashing that might undermine the integrity of the **Paris Agreement**.

The currently available 'carbon removal' techniques, which include natural and high-tech measures and are defined as forms of **geoengineering**, are very diverse, ranging from growing carbon sinks (like for example trees on land and algae in the sea) to capturing and burying CO_2 taken from the atmosphere, or developing engineered solutions that 'scrub' CO_2 directly from the air, using chemical absorbents, and then recover, purify, compress and liquefy it, so that it can be buried deep underground. But they all have one thing in common, they are expensive, and therefore the carbon removal at a massive scale that is required to avoid dangerous levels of climate change and biodiversity loss is a deeply uncertain prospect, with some even questioning whether it will ever be feasible or effective in deterring climate change.

A controversial trend

The increased focus on the use of CCS raises two main sets of issues. First, relying on CCS might push into the background other more effective and efficient options to reduce the fossilization of the economy, and divert important financial and human resources away from renewable energy production and storage, i.e., it could be "a handy excuse to delay reform and protect the profitability of powerful sectors of the economy". Those **other mitigation options** include energy efficiency improvements, the switch to less carbon-intensive fuels, renewable energy sources, enhancement of biological sinks, and reduction of non-CO_2 greenhouse gas emissions, as well as the more controversial nuclear power. Second, the increasing reliance governments are putting on CCS processes to achieve their climate targets raises important ethical and political questions, such as social justice and environmental integrity, which should be decided by democratic institutions rather than by markets or private capital, due to the whole set of concerns within **fiscal and monetary policy** such reliance involves.

Despite most CCS technologies and procedures being at an early stage of development, governments seem to be eager to bet public money on them (let us mention here for instance the case of the United Kingdom where the talk is of billions of pounds of public subsidies). This public subsidisation of CCS technologies is a controversial trend that needs to be assessed vis-à-vis the main current expectations and concerns of the citizens. Threats to social justice are no longer only identified regarding indigenous communities that due to conservation strategies lose control of their home land, but rather become an important aspect to be assessed where governments in developed countries advocate the use of CCS.

Considering more technically sound options and the economical, rapidly improving and deflationary nature of renewable and battery storage alternatives, government subsidies to CCS contradict the need to use public funds in a responsible and efficient manner. Furthermore, given the low efficiency associated with CCS, it is expected that their use in the power sector will introduce further inflationary pressures in the economy. Additionally, the use of CCS might generate a **regressive welfare impact** on households. This might happen following the extra financial burden associated with the investment in CCS being directly passed on to energy consumers through higher prices, in which case it operates in a way like the 2022 energy price shocks. But even where public money is used to subsidise CCS the households are the ones expected to end up paying the bill. This distribution of the costs occurs following the public subsidisation of the CCS technology and processes, since any significant government spending or subsidization of CCS will ultimately be borne by the public through, increased taxes, most probably through higher VAT and income taxes, which are already perceived as having a regressive impact.

Under these circumstances, issues of **public mistrust** and protests might build-up, since the public may be unwilling to accept subsidizing unproven CCS technologies. The risk of such a **public backlash** is especially worth consideration when it becomes evident this public subsidization threatens to operate a transference of income from taxpayers to big business. Current environmental problems are already a consequence of bad political decisions in the past. By choosing the wrong solutions we will be adding insult to injury.

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