

Policy recommendation

Using International Carbon Credits to
achieve a 90% emission reduction by 2040

EXECUTIVE SUMMARY

We, a coalition of organizations active in the carbon market, welcome the European Union's decision to allow the use of up to 5% international carbon credits toward the 2040 target of 90% net GHG emissions reduction. We urge the Commission to seize this moment to establish a clear role for high-integrity carbon removal credits within that framework.

High-integrity carbon removal credits offer a compelling opportunity to support European climate ambition. From an environmental standpoint, carbon removal credits offer measurable, verifiable outcomes based on observed physical flows of CO₂, supporting robust additionality and MRV. When thoughtfully regulated, they are unlikely to interfere with domestic climate action, since removals can be generated in surplus to host-country NDC commitments.

A well-designed EU demand signal from 2031 onward would also catalyse the scale-up of global CDR capacity, building a market in which European firms hold significant competitive advantages in technology, certification, and finance.



Our core recommendations

01

Prioritise high-integrity carbon removal credits within the overall mix of international credits used by the EU.

The share of such removals should increase over time, in line with science-based net-zero pathways.

02

If EU co-legislators decide to introduce a pilot phase for the use of international credits, this phase should explicitly include high-integrity carbon removal credits from the start.

A pilot beginning around 2031 would allow sufficient time for global CDR supply to scale and for verification infrastructure to mature.



There is no net-zero without carbon removal

While emission reductions must remain the EU's priority, science is unequivocal: carbon removals are necessary to address residual emissions and achieve net-zero by 2050. The IPCC's Sixth Assessment Report confirms that all 1.5°C-aligned pathways rely on carbon dioxide removal to counterbalance hard-to-abate sectors and to deliver net-negative emissions after mid-century¹.

(1) The European Commission's 2040 Climate Target impact assessment estimates that the EU will require 447 MtCO₂eq of removals per year by 2050. At the global level, the 2024 State of Carbon Dioxide Removal Report finds that 3.3–4.8 GtCO₂ per year of durable, novel removals will be needed to stay within 1.5°C, requiring a scale-up of more than 1,000-fold from current levels.

There is no net-zero without...

This scientific consensus is increasingly reflected in market guidance: the Oxford Principles for Net Zero Aligned Carbon Offsetting (revised 2024) call on organisations to transition toward carbon removal credits for residual emissions, and to prioritise removals with durable, low-reversal-risk storage by the net-zero target date. This reinforces the notion that demand for high-integrity removals is not a niche preference but an emerging baseline expectation. Ensuring that a meaningful share of any international credits used by the EU consists of high-integrity carbon dioxide removals would align EU climate policy with this trajectory, supporting a credible pathway to net-negativity while maintaining the primacy of rapid domestic emission reductions.



High integrity carbon removal credits offer structural advantages

Carbon removal projects generate directly measurable physical flows of CO₂ removed and stored. Removal credits can be verified against observed physical outcomes, supporting robust additionality assessments, straightforward MRV, and clear carbon accounting. This advantage is increasingly recognised by private-sector standard setters and is consistent with emerging guidance in the voluntary carbon market.

High integrity carbon removal...

As all countries approach their own net-zero targets and NDCs in host countries become increasingly ambitious, the pool of internationally transferable mitigation outcomes (ITMOs) available from avoided or reduced emissions will structurally tighten, since host countries will need to retain those reductions to meet their own commitments. Many of these lower-cost emission reduction opportunities will be used domestically first, further constraining the volume available for international transfer. Removals, however, can be generated in excess of a host country's NDC needs, particularly in countries with large natural endowments (biomass, geology, renewable energy) that enable removal at a scale beyond domestic requirements. High-integrity CDR credits from countries with structural surplus capacity therefore represent a hedge against supply-side risk in the second half of the 2030s, when EU compliance demand will be at its highest, and investing now is essential to build the capacity Europe will need to meet its 2040 climate target.

Beyond their climate function, high-integrity CDR pathways deployed through in the Global South also advance a range of EU external policy priorities, including sustainable economic development, food security, and deforestation-free supply chains – delivered through commercial carbon credit revenue.



European competitiveness and technological leadership

The global carbon removal market is projected to reach up to €940 billion annually by 2050². European and Swiss companies are already among the technology pioneers in engineered removals, and European actors play leading roles in MRV methodology, ecosystem modelling, certification, and climate finance, even though a significant part of today's carbon removal credit delivery is geographically concentrated outside the EU. The EU is the only jurisdiction with an operational CDR certification framework (the CRCF), giving it a quality-leadership position that no other major economy currently holds.

Building this market requires both strong demand signals from major economies and project delivery capacity in host countries. A well-designed EU demand signal for international carbon removal credits would do more than deliver cost-effective climate impact for member states. It would scale an industry where European companies and institutions are positioned to capture significant economic value across technology, finance, certification, and professional services, while anchoring global quality standards in a European regulatory framework and providing opportunities for green industrialization and sustainable economic development around the globe.

(2) See this McKinsey report: Carbon removals: How to scale a new gigaton industry.
<https://www.mckinsey.com/capabilities/sustainability/our-insights/carbon-removals-how-to-scale-a-new-gigaton-industry>

European competitiveness...

Hence:

01

We recommend that a share of any international credits used by the EU consist of high-integrity CDR credits from the outset, with this share increasing over time in line with scientific advice and external modelling work. This direction of travel should be reflected in implementing legislation to provide predictable demand and investment certainty for CDR project developers and financiers.



02

If a pilot phase for the use of international credits is established, it should be designed to initiate a high-integrity international credit market from 2031 onwards and must explicitly include carbon removal credits. In this context, CDR credits issued under established voluntary standards could already be eligible in the pilot phase to support early scaling and test accounting and tracking mechanisms. High-integrity carbon removal projects require long lead times: permitting, construction, and certification typically take three to five years for industrial pathways, and meaningful permanence demonstration takes additional time for land-based removals. A 2031 start provides the runway for supply to develop at the necessary scale, for verification methodologies to mature, and for Article 6 accounting infrastructure to be operational.