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German Federal Government Lays Foundation for Carbon Capture and Storage in Germany

Alexander “Stefan” Rieger, John-Patrick Sweny, Jean-Philippe Brisson, and Joachim Grittmann*

In this article, the authors explain that the key principles for a Carbon Management Strategy in Germany and a draft act on the revision of the Carbon Storage Act create new opportunities for investors and project developers.

The German federal government’s Carbon Management Strategy and the revision of the Carbon Storage Act (Kohlendioxid-Speicherungsgesetz, KSpG) aim to remove current obstacles to (1) carbon capture and storage (CCS), and (2) carbon capture and utilisation (CCU) in Germany and to set guardrails for using these technologies. The current version of the Carbon Storage Act, which was introduced in 2012, authorized only the research, testing, and demonstration of carbon storage to a limited extent. Consequently, CCS was not permissible in Germany under the existing KSpG, and is the reason there are still no CO₂ storage facilities in Germany.

Key Points of the Strategy

The German federal government’s Carbon Management Strategy aims to contribute to the goal of achieving greenhouse gas neutrality by 2045 under the German Climate Protection Act (Bundes-Klimaschutzgesetz). The strategy is a response to the challenges of decarbonizing industries with hard-to-abate emissions and is aligned with the expansion of renewable energy and the phase-out of fossil fuels. The adopted key principles of the strategy and draft legislation are the product of extensive stakeholder dialogue with environmental groups, businesses, and academia. The strategy sets clear policy principles for handling CCS and CCU,

while the draft law aims to establish clear rules for CO₂ pipeline infrastructure and permit offshore CO₂ storage.

Key points of the strategy:

- *Adoption of CCS/CCU Technologies.* The government recognizes that current technology means certain sectors like cement, lime, and waste incineration cannot fully eliminate emissions, therefore, it plans to implement CCS and CCU as essential components of its climate strategy.
- *Legislative Changes.* The government will remove existing barriers to CCS/CCU, update the Carbon Storage Act, and ratify amendments to international protocols to facilitate CO₂ exports for offshore storage.
- *Infrastructure Development.* The strategy includes plans for developing CO₂ transport infrastructure, such as pipelines, and ensuring connection to European storage projects. Offshore storage will be enabled, but onshore storage remains prohibited unless requested by individual federal states (Bundesländer) (“opt-in” approach). Regardless, onshore storage for research purposes will be made possible nationwide.
- *Public Funding.* Public funding will be directed toward hard-to-abate sectors, excluding fossil fuel power stations, and, according to the Ministry of Economic Affairs and Climate Protection, will consist of two instruments for funding. (1) On the one hand, funding is possible via the Federal Funding Guideline for Industry and Climate Protection (FRL BIK), Modul 2, which came into force end of August 2024.¹ Investment projects in Module 2 are eligible for funding of up to €30 million and industrial research projects up to €35 million. There is a two-phase application process: First, a project outline must be submitted until November 30, 2024. Information about the selection will be provided by end of February 2025, after which funding applications can be submitted until May 31, 2025. (2) Further, funding should be possible under certain conditions via a second funding guideline (funding guideline for climate protection contracts).
- *Climate Neutrality by 2045.* The strategy emphasizes the need for CCS/CCU to be in harmony with greenhouse gas reduction targets. It also addresses the need for

reducing methane emissions associated with natural gas consumption.

- *International and European Alignment.* Germany is ramping up CCS/CCU technologies in order to align with other European countries and the broader international community.

This strategy will have significant implications for industries with hard-to-abate emissions, offering them a pathway to climate-neutral operations and aligning with Germany's ambitious climate goals.

Draft Revision of the Carbon Storage Act (KSpG)

Offshore Storage

The draft KSpG amendment aims to enable the permanent storage of carbon dioxide on an industrial scale and to create a standardized authorization regime for all carbon dioxide pipelines. The exploration of offshore storage sites in the German exclusive economic zone or the continental shelf would be made possible by law. If the site is proven to be suitable, taking into account safety standards and ecological criteria as well as regional planning regulations, the corresponding storage facilities can be developed for industrial use. Notably, the storage of CO₂ in marine-protected areas, eight kilometers around marine-protected areas, and below marine-protected areas is excluded.

To achieve this goal, the current limitation of the scope of application of the KSpG to research, testing, and demonstration of technologies for the permanent storage of carbon dioxide in underground rock strata and the previous deadline for applying for storage projects will be cancelled.

Onshore Storage

Onshore storage would still be not permitted nationwide, with the exception of research storage facilities. However, the draft law creates an option to authorize permanent storage for commercial use on an industrial scale on the respective state territory by means of federal state legislation (opt-in clause).

CO₂ Pipelines

The draft law proposes a uniform approval system for CO₂ pipelines and measures to expedite approval processes. The construction, operation, and significant modification of carbon dioxide pipelines require planning approval by the competent authority. The draft act emphasizes that these pipelines are in the public interest and should be given priority in processing. While pipeline-based transportation was previously limited to pipelines to carbon dioxide storage facilities for the purpose of permanent storage in the geological underground, the present amendment is also intended to enable pipeline-based transportation for other purposes.

Harmonization

In addition, the planning approval procedure for carbon dioxide pipelines will be harmonized with the procedure for pipeline projects under the German Energy Industry Act (*Energiewirtschaftsgesetz*, EnWG). The references in the EnWG relate to the consultation procedure, changes to plans prior to completion of a project and changes to the notification procedure, in addition to suitable provisions for accelerating the planning process. New references are included to facilitate the rededication of natural gas pipelines for carbon dioxide transport, to allow construction to begin early in limited cases and to allow expropriation for carbon dioxide pipelines that do not lead to a carbon dioxide storage facility. In addition, in the planning and approval of carbon dioxide pipelines, a shortening of the legal process (as regulated in Section 43e(4) EnWG), is now also provided for.

No Conflicts with Other Climate Protection Steps

Achieving the climate targets under the German Climate Protection Act and the expansion of renewable energies and the ramp-up of the hydrogen economy takes precedence, therefore, the draft stipulates that there must be no significant impairment of the construction and operation of hydrogen pipelines, offshore wind turbines, and offshore connection lines or the preliminary investigation of areas for the generation of electricity from offshore wind turbines.

Coal-Fired Power and Heating Plants

Furthermore, a ban on the use of carbon dioxide pipelines and carbon dioxide networks to transport carbon dioxide from the combustion of coal would effectively rule out the use of CCS and CCU in connection with coal-fired power and heating plants. The aim of the regulation is to ensure that the objective of the Coal-Fired Power Generation Termination Act (*Kohleverstromungsbeendigungsgesetz*) is not undermined by the use of CCS and CCU. The generation of electrical energy through the use of coal is to be gradually and steadily reduced in Germany.

Next Steps

The draft act was forwarded to the Bundesrat, marked as particularly urgent within the meaning of Article 76(2) sentence 4 of the German Constitution, and will now be discussed in the parliamentary procedure. The legislative process will take several months and the act may still be subject to material amendments, however, the draft is intended to enter into force this year. The draft act was classified as urgent in order to give the economy a basis for its investment decisions.

Finally, it is not yet clear when the final Carbon Management Strategy will be published.

Notes

* The authors, attorneys with Latham & Watkins LLP, may be contacted at alexander.rieger@lw.com, john-patrick.sweny@lw.com, jp.brisson@lw.com, and joachim.grittmann@lw.com, respectively.

1. See the FRL BIK at <https://www.bmwk.de/Redaktion/DE/Downloads/B/bundesfoerderung-industrie-klimaschutz-foerderrichtlinie.html>; FAQs at <https://www.bmwk.de/Redaktion/DE/Downloads/B/bundesfoerderung-industrie-klimaschutz-modul-2-faq.html>; and further details as regards the process at https://www.ptj.de/foerdermoeglichkeiten/klimaschutz/bundesfoerderung_industrie_und_klimaschutz_foerderung_von_ccu_und_ccs—only available in the German language.

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