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Carbon accounting without life cycle analysis

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Life cycle analysis (LCA) is deeply embedded in carbon accounting. LCA is valuable for qualitatively understanding technologies' environmental footprints. However, ambiguities and insatiable data requirements make it ill-suited for quantitative analysis. Fortunately, accounting without LCA is possible, for example, by demanding that for every ton of carbon coming out of the ground, another ton must be sequestered. This "Carbon Takeback Obligation" (CTBO) policy would eliminate the need for tracking carbon through supply chains. With all supply chains already carbon balanced, it is sufficient to quantify the amount of carbon sequestered without subtracting upstream emissions. Our modeling shows that once full carbon neutrality is demanded, market forces alone will eliminate counterproductive sequestration technologies, approaches that release more CO₂ than they store. Complications arise during the transition where some carbon extraction is not yet balanced out by sequestration, as under some policies, counterproductive technologies could be introduced solely to game the system. We explore the economics of four transition pathways: a simple CTBO, a CTBO combined with permits required for all unbalanced carbon, a CTBO combined with a futures market, and permit-future hybrid schemes. A simple CTBO that does not add an economic burden on unmitigated carbon would incentivize low-cost, counterproductive technologies. Contrastingly, a CTBO policy that includes permits and/or futures will render such technologies uneconomical at any point in the transition. A policy with controlled futures would allow for rapid permit phaseout. Hybrid systems could lessen the initiation shock and bridge the transition time when market demand exceeds sequestration capacity.

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Broader context

Achieving net zero carbon dioxide emissions through carbon sequestration will require tracking carbon. Current carbon accounting practices use Life Cycle Analysis (LCA) to trace emissions through supply chains using the scope 1, 2, and 3 emission accounting framework. The need for LCA emerges because of the hidden decision that neither the fossil carbon producer nor the end consumer should be responsible for emissions. As a result, LCA tries to decide which businesses in the supply chains are responsible. However, LCA cannot make such attributions consistently and fairly because it is a qualitative tool used for quantitative purposes. Fortunately, carbon accounting without LCA is possible, for example, by only focusing on carbon and demanding that for every ton of carbon coming out of the ground (e.g., coal, oil, gas, calcinated limestone), another ton must be sequestered. Known as the "Carbon Takeback Obligation" (CTBO), such a policy eliminates the need for tracking carbon through supply chains. Market forces eliminate counterproductive sequestration technologies, approaches that release more CO₂ than they store, at full carbon neutrality. However, the transition can be gamed, so interim guardrails like permits or futures must be introduced. LCAs are insufficient; subsidies and tax credits distort the market.

Introduction

Achieving net-zero or net-negative carbon dioxide (CO₂) emissions will require keeping track of and accounting for carbon,

both in terms of carbon produced and carbon sequestered. This requires universal accounting standards for carbon extraction, CO₂ removal, and sequestration that must be quantified and certified. Current best accounting practices rooted in Life Cycle Analysis (LCA) have difficulties achieving the necessary accuracy. The reliance on LCA, or carbon footprinting (CFP), for CO₂ accounting introduces all the uncertainties and ambiguities inherent in complex intertwined global supply chains.

LCA is a tool that traces material flows, emissions, and environmental damages through supply chains. It requires detailed data on vast swaths of the economy to determine the

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environmental impact, including the CO₂, of an entity, product, or service.¹ CFP is a more limited form of LCA focused on determining greenhouse gas emissions, typically reported as CO₂ equivalent (CO₂-eq) emissions. LCAs and CFPs guide product, service, and process design. However, trying to quantitatively untangle the CO₂-eq emission contributions from all supply chains ending in a particular product is notoriously difficult. This raises the question of whether LCA or CFP techniques offer the best approach to carbon accounting. In 1993, Udo de Haes feared that “LCA may become too dominant, superseding other well-functioning policy”.² This fear may have been prescient, as today, LCA and CFP have surged in use as the “best practice” for carbon accounting, crowding out other approaches. LCA is used for greenhouse gas inventories and certifying carbon sequestration.

While LCA and CFP are powerful methods to understand a system qualitatively,³ in this paper, we make the case that neither LCA nor CFP are adequate quantitative accounting tools for the foundation of a net-zero climate policy. Their well-known subjectivity, inaccuracy, incomparability, complexity, and incompleteness make it a challenge, if not impossible, to assign carbon liabilities accurately.^{2,4–8} We further make the case that given the right regulatory setting, LCA is not necessary for carbon accounting in the certification of carbon sequestration. We propose a more reliable approach that avoids incorporating LCA techniques into accounting tools.

The current uses of LCA

Reaching net-zero

The world committed under the Paris Agreement to hold the increase in the global average temperature to below 2 °C above pre-industrial levels.⁹ This commitment implies that the world has a finite carbon allowance, which the Intergovernmental Panel on Climate Change (IPCC) calls the remaining carbon budget.¹⁰ Although this budget has uncertainties,^{11,12} it has effectively drawn attention to new fossil fuel infrastructure and their financial investments.¹³ The IPCC and the commitments by most nations recognize carbon dioxide (CO₂) as the fundamental source of climate change, even if other greenhouse gases, like methane and nitrous oxide, also play a role.

Under a finite budget, the rate of all CO₂ emissions must go to zero or be canceled out by activities that sequester an equivalent amount of carbon. There are only three options: (1) eliminate fossil fuels through substitution, increased efficiency, and reduced consumption, (2) prevent CO₂ from being emitted at the source through point source capture and subsequent sequestration, and (3) remove unabated and legacy carbon from the environment through carbon dioxide removal (CDR).

It is unlikely that any one of these options will dominate climate stabilization. The last 30% of emissions avoidance or substitution will be challenging due to cost and technology availability.¹⁴ Point source capture is not an option for distributive uses of fossil carbon¹⁴ and is also not 100% efficient.¹⁵

Apart from entirely stopping activities that use fossil carbon or producing synthetic fuels from other carbon sources, the remaining option is neutralizing the emissions through CDR. In essence, CDR must be purchased for every emission that cannot be eliminated. This requires an inventory of the remaining CO₂ emissions and an accounting methodology that makes it possible to generate certificates of sequestration to represent the carbon sequestered.

When the amount of carbon recorded by a registry of sequestered carbon catches up with a registry of fossil fuels like the Global Registry of Fossil Fuels,¹⁶ the world has achieved a net-zero carbon economy. This situation requires careful tracking of carbon fluxes, either emissions and removals *via* CDR or carbon injection (*i.e.*, fossil fuel extraction) and sequestration from point sources and the environment. Current discussions suggest that LCA and CFP will be deeply involved in the associated accounting.

Inventories

Emissions are tracked through greenhouse gas inventories in the form of CFP that estimates total absolute emissions minus removals. How emissions are compiled differs based on the organizational level (nation, community, or corporation). At the national level, the IPCC accounting guidelines^{17,18} recommend compiling emissions based on stationary, mobile, and fugitive emissions in the energy sector; industrial processes and product use; agriculture, forestry, and other land use; and waste. At the community level, the ICLEI – Local Governments for Sustainability USA¹⁹ recommends compiling emissions based on sources (*e.g.*, industrial stationary combustion sources) and activities (*e.g.*, use of electricity by the community) to capture the total direct and indirect emissions, and the carbon efficiency of a community, respectively. At the corporate level, The Greenhouse Gas Protocol²⁰ advises compiling emissions based on scope 1, 2, and 3 emissions. Scope 1 emissions are direct emissions from sources controlled or owned by an organization. Scope 2 emissions are indirect emissions associated with purchasing electricity, steam, heat, or cooling. Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organization but that the organization indirectly impacts through its value chain.

The use of scopes for the compilation is a growing practice. On one level, it is growing as more and more corporations are pledging net-zero goals and using the standards devised by The Greenhouse Gas Protocol initiative.²⁰ According to the Climate Disclosure Project, the Greenhouse Gas Protocol is the most widely used accounting standard.† On another level, the scopes framework is increasingly recommended for community accounting. For example, The Greenhouse Gas Protocol initiative also produced the Global Protocol for Community Scale Emissions Inventories,²¹ defining scopes based on geography rather than based on control. In doing so, the geographical scopes can be aggregated nationally. Switching to geographical

† In 2016, 92% of Fortune 500 companies responding to the CDP used GHG Protocol directly or indirectly.



be held responsible for the carbon released. Consequently, responsibility must be put on businesses in the supply chains connecting fossil fuel production with end consumers. This naturally leads to a struggle to assign scope 1, 2, and 3 emissions to the various businesses that produce goods and services. With that approach, it is nearly unavoidable that LCA must become the ultimate arbiter of who is held responsible for the excess carbon flowing through the supply chains and the associated emissions of greenhouse gases. Unfortunately, LCA cannot make such attributions quantitatively, consistently, and equitably. According to Lackner and Wilson, it also leaves “undesirable room for special interests” to be included in control.⁶⁵

Moving responsibility all the way upstream has many advantages.^{65,66} It makes accounting much easier. Carbon coming out of the ground is mostly already well measured in national databases, as much of it is a commercial commodity subject to tax rules or other fees like royalties that necessitate quantification. It involves a much smaller number of entities than the alternative to put the responsibility on the physical emitter of greenhouse gases and could also be done without recourse to LCA. The sheer number of small emitters renders accounting at the emission point impractical. The current system, which pins the responsibility on the entities that largely pass the carbon through, poses the most accounting difficulties and requires LCA. The introduction of accounting scopes reflects these difficulties. Companies are supposed to keep track of scope 2 and 3 emissions which they have no control over. Scope 3 emissions can reach 6–90% of a sector’s emissions,^{67–71} which for the fossil fuel industry equals to more than 92% of the world’s CO₂ emissions.⁷² In our view, the simplification of upstream accounting justifies separating carbon accounting from greenhouse gas accounting.

Upstream accounting reduces the dependence on methods that are subjective, difficult to apply, costly, require vast amounts of data, and yet result in significant uncertainty. Such methods create risks for the storage operators, greenwashing from those not playing fair, and a deflection of responsibility from those who ought to be cleaning up the carbon mess. Unclear rules will make it easy for claims to be made without a straightforward way to stop fraud. These issues will limit our ability to reach net zero. Both from the perspective of the attribution of responsibility and the quantification of carbon sequestration for certification, which will then support net-zero claims. Those are some reasons for limiting LCA to qualitative planning and design roles and moving quantitative accounting upstream.

A simpler, more accurate, and more comprehensive approach

Description

A simpler approach to balancing the anthropogenic carbon budget starts by focusing on carbon, not other greenhouse gases, and demanding that for any carbon released, an equivalent

amount must be permanently sequestered.⁶⁶ By carbon release, we mean all carbon extracted from the fossil pool (*e.g.*, oil, coal, natural gas, calcination of limestone) and all carbon released from sequestration, not the CO₂ emissions by the end consumer. To balance the carbon budget, all fossil carbon brought to the surface must be matched by an equivalent amount of carbon collected from the surface environment and sequestered.⁶⁵ This carbon could be taken directly from the environment (*e.g.*, CDR) or fossil carbon intercepted at a point source of consumption (*e.g.*, power plant flue stack). This is an idea gaining traction under the name “Carbon Takeback Obligation (CTBO)”.^{73–75}

The collected carbon would have to be stored in a well-delineated reservoir. The carbon addition to this reservoir must be demonstrated, documented, and its persistence monitored. This would form the basis of methodologies that account for carbon sequestration.^{76,77} Ideally, sequestration would be effectively permanent; therefore, short-term sequestration would be required to be transferred to a subsequent more long-term reservoir.^{66,77} Verified sequestration would generate a certificate of sequestration that could be used to cancel out carbon extraction and carbon release from sequestration, including deliberate extraction, accidental extraction (*e.g.*, methane lost from a coal mine), byproduct extraction (*e.g.*, as in the case of calcination of limestone), and losses from sequestration.

A non-permanent sequestration site would have to be a monitored reservoir, for which the storage operator agrees that any loss of carbon from the reservoir is treated like any other carbon release and thus must be matched by a new certificate of sequestration.^{66,77} In a scenario that relies on short-term sequestration, carbon removal would remain an ongoing operation even after all fossil fuel extraction ceased. Certification would be an ongoing effort with checks and guarantees.

It is difficult to envision a scenario in which transfers from short-term sequestration are guaranteed for the millennia required to balance the carbon budget.⁷⁸ Therefore, all carbon should eventually transfer to permanent sequestration to avoid the cost of continuous monitoring and re-sequestration and prevent a termination shock. Such sequestration must be declared permanent immediately or after some trial period based on scientific principles, which is the only assurance one can give on timescales exceeding human civilization.⁷⁹ The advantage of allowing non-permanent monitored sequestration with an associated guarantee of re-sequestration is that it allows a more rapid approach to carbon neutrality and net negative carbon economies. The advantage of permanent sequestration is that it stops the long-term liabilities of storage operators. This move to permanent sequestration is nearly unavoidable. The practical requirement of sequestration duration, which is to be guaranteed by a certificate of sequestration, is tens of thousands of years and thus well beyond the lifetime of human institutions.

Rationale

Balancing carbon as it comes out of the ground is inherently simple. Specifically, we show later in this paper that, once fully implemented, such a system does not require LCA in its



support higher prices and subsidies for technology development without distorting incentives in the regulatory market. Such a market is beginning, as evidenced by advance purchases made by Frontier Climate and Microsoft.

The economics during the transition

If the cost of carbon sequestration or the equal cost of a permit for carbon extraction is added to the cost of fossil carbon, there is a direct link between the sequestration requirement and the cost trickling through the economy. For the transition, we consider $\alpha < 1$ and try to avoid economic incentives for counterproductive technologies. We have already concluded that such technologies are not viable for $\alpha \geq 1$. At $\alpha < 1$, counterproductive sequestration technology can remain cost-effective.

This then raises the question of how a system can be stabilized in the early days against such developments when $\alpha \ll 1$. Will it require a life cycle approach, or can it move through the early stage without encouraging counterproductive technologies? The following simple model aims to shed light on this question.

Let C be the rate at which carbon is extracted, and S the rate at which it is stored. A policy results in sequestration balancing out a fraction α of all carbon extracted. Hence

$$S = \alpha C \quad (1)$$

The amount of carbon extracted includes the amount necessary to run capture and sequestration operations. We therefore introduce the concept of a baseline and refer to C_0 as the rate of carbon extraction that would be present absent of the sequestration effort. We then note that to sequester a unit of carbon, it is necessary to consume additional carbon. Therefore, we have

$$C - C_0 = \varepsilon S \quad (2)$$

The multiplier ε which we refer to as carbon intensity is hopefully small and it may change over time. Clearly, $\varepsilon < 1$ is a requirement for the system to close.

We find

$$C = C_0 + \varepsilon S = C_0 + \alpha \varepsilon C \quad (3)$$

or

$$C = \frac{C_0}{1 - \alpha \varepsilon} \quad (4)$$

Eqn (4) shows that for fixed ε the total carbon consumption goes up as the required collection fraction α increases. For the system to be stable and not hit a singularity, it is important that the $\alpha \varepsilon < 1$. Since one aims to reach $\alpha \gtrsim 1$, it is important that ε is small or drops in time fast enough to assure that the product remains small.

Based on this analysis, we can compute the net emission E , which has a baseline value E_0 . Staying with the same carbon units as before, we find that

$$E_0 = C_0 \quad (5)$$

And

$$E = C - S = C(1 - \alpha) = E_0 \frac{1 - \alpha}{1 - \alpha \varepsilon} \quad (6)$$

For $\alpha > 0$, $0 < \varepsilon < 1$ and $\alpha \varepsilon < 1$, the emissions are indeed reduced from those of the baseline. They can be negative, if $\alpha > 1$.

Cost of carbon sequestration under a simple carbon takeback scenario

We now proceed to estimate the cost of carbon sequestration. To simplify the discussion, we set $\alpha_t = \alpha$. In other words, no other efforts are made to sequester. Furthermore, the only cost in carbon management is the sequestration of carbon. There are no additional carbon taxes, subsidies, or carbon fees to consider.

We assume that we can break the carbon cost into an intrinsic cost of the unit process plus the implicit costs arising from the supply chain, which we can estimate because we know how much CO₂ we will have to sequester in total.

$$k = k_0 + \alpha \varepsilon k \quad (7)$$

Here k_0 is the total direct cost, and $\alpha \varepsilon k$ breaks out the incremental cost of all other certificates that happened elsewhere in the supply chain. We also know that for any $\alpha > 0$, k_0 and ε are conceptual quantities that can be estimated but cannot be easily measured. The challenge to LCA is that it actually needs to know these numbers. Of course, in the limit that $\alpha = 0$, $k = k_0$. In terms of the direct cost, the total cost can be estimated as

$$k = \frac{k_0}{1 - \alpha \varepsilon} \quad (8)$$

The cost becomes singular as $\alpha \varepsilon$ approaches 1. Initially, when $\alpha \ll 1$, a counterproductive technology could turn out to be the most competitive. However, the cost of a technology explodes as ε approaches

$$\varepsilon_{\max} = \frac{1}{\alpha} \quad (9)$$

This assures that technologies which are highly counterproductive are ruled out, but until α reaches one, one cannot suppress counterproductive technologies based on cost alone.

Can counterproductive sequestration technologies enter the carbon market?

The above analysis considers one technology that is characterized by k and ε . In general, many different sequestration technologies may compete. A new technology that enters the market initially does not imprint its own characteristics on its supply chain. Here we show that nevertheless the range of allowable values of ε is the same as for the baseline technology.

There is another heuristic to explain the formula for the cost that becomes visible after expanding out the geometric sequence implied by eqn (8),

$$k = k_0 + k_0(\alpha \varepsilon) + k_0(\alpha \varepsilon)^2 + k_0(\alpha \varepsilon)^3 + \dots \quad (10)$$



Each successive term stores the carbon released in the previous term.

With this form, we can now study what happens if someone is trying to introduce a new technology to solve the problem. The new technology differs from the old, in that it has a different value for $k_0 \rightarrow k'_0$ and for $\varepsilon \rightarrow \varepsilon'$. However, this will not affect all terms in the series, because the new technology has not yet permeated through the entire supply chain but is limited to the direct effort at the end of the chain. Therefore, we can estimate the new cost of the newly introduced technology as

$$k' = k'_0 + k_0\alpha\varepsilon' + k_0\alpha\varepsilon'(\alpha\varepsilon) + k_0\alpha\varepsilon'(\alpha\varepsilon)^2 + k_0\alpha\varepsilon'(\alpha\varepsilon)^3 + \dots \quad (11)$$

Collecting our terms back into a geometric series we note that this can be written as

$$k' = k'_0 + k_0\alpha\varepsilon' \frac{1}{1 - \alpha\varepsilon} = k'_0 + \alpha\varepsilon'k \quad (12)$$

Thus, we can express the new costs in terms of the old cost, and the new parameters. In the limit that the prime variable equals the unprimed, we recover the old formula. If the world managed to move the system to some level of α , it could still revert to a different cheaper counterproductive technology.

Starting from the observation:

$$k' = k'_0 + \alpha\varepsilon'k \quad (13)$$

$$k = k_0 + \alpha\varepsilon k \quad (14)$$

We conclude

$$k' - k = (k'_0 - k_0) + \alpha k(\varepsilon' - \varepsilon) \quad (15)$$

This we can rewrite by dividing by k and introducing differences of the form

$$\Delta x = x' - x. \quad (16)$$

We find

$$\frac{\Delta k}{k} = \frac{\Delta k_0}{k_0}(1 - \alpha\varepsilon) + \alpha(\varepsilon' - \varepsilon) \quad (17)$$

As a shorthand we introduce $r = \frac{\Delta k_0}{k_0}$

$$\frac{\Delta k}{k} = r(1 - \alpha\varepsilon) + \alpha(\varepsilon' - \varepsilon) = r - \alpha(r + 1)\varepsilon + \alpha\varepsilon' \quad (18)$$

To be an improvement, at least one of r and $(\varepsilon' - \varepsilon)$ must be negative. However, costs can come down, even for positive values of $(\varepsilon' - \varepsilon)$. The maximum value ε' can take on without raising cost for a given choice of r is given by

$$\varepsilon'_{\max} = -\frac{r}{\alpha} + (1 + r)\varepsilon \quad (19)$$

The largest value is obtained if r is as small as possible. The most extreme outcome is that the new cost is zero, in which

case $r = -1$. In other words,

$$\varepsilon'_{\max} < \frac{1}{\alpha} \quad (20)$$

Therefore, an existing carbon negative sequestration technology that dominates the market cannot prevent a new technology from entering the market even if it is counterproductive. Even though the economics of a system that does not include the entire supply chain is different from one which does, the same barriers to entry remain. As long as $\alpha\varepsilon < 1$, one can introduce a new, but counterproductive sequestration technology. Specifically, this means that a system with very low direct cost, could operate at

$$\varepsilon \lesssim \frac{1}{\alpha}$$

Cost of carbon sequestration under a permit scheme

Again, we assume that $\alpha_t = \alpha$ and that no other efforts are made to enhance carbon sequestration and no further costs are added by taxes or subtracted by subsidies.

Indirect costs in the permit scheme are different from those in the simple carbon takeback obligation because the indirect carbon sequestration costs include the costs of the necessary permits which are by definition equal to the cost of a certificate of sequestration, *i.e.*, the indirect cost of permits is k as well.

Therefore,

$$k = k_0 + \alpha\varepsilon k + (1 - \alpha)\varepsilon k \quad (21)$$

The last term captures the cost of the permits associated with the indirect emissions. The permits eliminate α from eqn (21) resulting in

$$k = k_0 + \varepsilon k \quad (22)$$

Or

$$k = \frac{k_0}{1 - \varepsilon} \quad (23)$$

This cost remains finite as long as $\varepsilon < 1$. This suggests that from the start only technologies can be introduced that are truly carbon negative.

Again we can expand k into a geometric series

$$k = k_0 + k_0\varepsilon + k_0\varepsilon^2 + k_0\varepsilon^3 + \dots \quad (24)$$

And introducing a new technology with k'_0 and ε' , will incur an initial cost of

$$k' = k'_0 + k_0\varepsilon' + k_0\varepsilon'\varepsilon + k_0\varepsilon'\varepsilon^2 + k_0\varepsilon'\varepsilon^3 + \dots \quad (25)$$

Or

$$k' = k'_0 + \frac{k_0\varepsilon'}{1 - \varepsilon} = k'_0 + k\varepsilon' \quad (26)$$

The analogous transformations to that above leads to

$$\frac{\Delta k}{k} = \frac{\Delta k_0}{k_0}(1 - \varepsilon) + (\varepsilon' - \varepsilon) \quad (27)$$

Or using the same notation as before, we have the requirement that

$$0 > r(1 - \varepsilon) + (\varepsilon' - \varepsilon) \quad (28)$$



$$\varepsilon'_{\max} = -r + (1+r)\varepsilon \quad (29)$$

For a fixed value of $0 < \varepsilon < 1$, ε'_{\max} is maximized by the smallest possible value of r , *i.e.*, $r = -1$. In this limit

$$\varepsilon'_{\max} = 1 \quad (30)$$

In other words, counterproductive technologies cannot enter the market under a permit scheme.

The consequences of subsidies

If carbon sequestration used in satisfying takeback obligations is paid for externally through subsidies, including tax break credits, it would eliminate price signals and thus, economics would not stop a bad technological choice. A fixed reduction in cost would dampen the price signal but not eliminate it. Indeed, one can look at the above cost analysis and show that the cost will look the same as before, except that the subsidy has been deleted from the cost. In the first case, the cost is

$$k = k_0 + \alpha\varepsilon(k - s) \quad (31)$$

where s is the subsidy. By subtracting s from both k and k_0 , the equation goes back to its original form. The only change is that the cost has been replaced by the cost minus the subsidy.

In the case of the permit scheme, the same argument can be made because the cost of the permit and that of the subsidized sequestration still must match. Again, the analysis can treat the subsidized cost, as if it were a real cost.

There are more complicated cases. For example, one could demand that a fraction α of the extracted carbon is matched by subsidized sequestration and that any further sequestration is not subsidized. In that case, the cost structure of the permit scheme would change and does not follow a simple geometric series anymore. A weird situation arises when the effective cost of sequestration after subsidy turns out to be negative, in that case one would in effect encourage fossil fuel extraction for the purpose of generating profits on carbon sequestration.

In the presence of subsidies, the lowest cost of a new competitor is not limited to zero anymore, it could be as low as $-s$. This means r is not bound from below at -1 , it could now drop well below that, especially if k_0 is small but still positive. This in turn means that counterproductive technologies can no longer be suppressed by economic incentives alone.

We understand that subsidies can help a nascent industry to grow. However, we propose that certificates of sequestration for canceling out fossil carbon should not be subsidized because subsidies open the door to counterproductive sequestration technologies, as shown. However, introducing a subsidized industry for NETs might be of practical interest as it would allow subsidies for advancing new technologies, without biasing the carbon takeback market.

Finally, we note that in analyzing economic incentives, it does not matter whether the carbon is sequestered immediately, or whether the sequestration service that has been purchased is a promise for sequestration at a future date. The indirect costs would still accrue in a similar manner.

Reflections

Policy choices and approaches to transitioning to a net zero carbon economy depend on political will. While there are various options available, all of them require accurate carbon accounting. LCA is a useful qualitative tool, but for quantitative purposes it is well-known to be expensive, inaccurate, and open to interpretation. Therefore, LCA in the accounting process should be avoided. We showed that LCA for accounting can be avoided during and after the transition to a net zero carbon economy.

For any policy that completely balances carbon either at the point of extraction or at the point of emission, LCA accounting is unnecessary. The purpose of LCA accounting is to keep track of carbon in the supply chains between the points of extraction and emissions. If the problem is taken care of on either end, this tracking is unnecessary. We made the point that upstream balancing at the point of extraction involves a far smaller number of stakeholders and most of the accounting necessary is already performed for other purposes like calculating royalties and taxes. We therefore suggest upstream balancing at the point of extraction.

Once all of the carbon extraction must be balanced, counterproductive sequestration technologies, *i.e.*, technologies that release more carbon in the supply chains than they sequester, are economically unviable. However, during the transition some policies inadvertently could encourage counterproductive sequestration. Others would prevent it. One simple scheme that prevents counterproductive sequestration demands certificates of sequestration or permits for all carbon extracted and released from storage. By charging equally (either through a certificate or a permit), the cost of carbon sequestration must pay for all the carbon released in its supply chain and therefore counterproductive sequestration is economically unviable.

By introducing permits, the system avoids the need for LCA and is safe from being gamed by counterproductive technologies. Adding controlled futures, *i.e.*, a firm promise of future sequestration, introduces a hybrid scheme that separates the time constant for phasing in the accounting from the time constant for developing the new sequestration infrastructure. The goal of the permits is to ameliorate the initiation shock, the controlled futures are designed to bridge the transition time in which the sequestration capacity falls short of market demand. Softening the initiation shock will take a few years, building the necessary infrastructure will take decades.

Subsidies or tax credits can help in the early development of a technology. Unfortunately, they tend to distort the market and open the door to counterproductive sequestration technologies. However, they are unnecessary. The large and currently unmet demand for negative emissions, *i.e.*, the sequestration of legacy carbon, has reached a level that this becomes the natural place for governments to support new technologies and help them drive their costs down. It is likely that driving down the CO₂ concentration in the atmosphere will be paid for by public funds. If this effort starts now and is distinct from balancing the carbon for current fossil fuel consumption, it will not only



jumpstart the reduction of CO₂ into the atmosphere, but it will also incubate new technologies that need help in moving from early stages to commercially viable approaches without unnecessarily creating incentives for counterproductive sequestration.

The approach outlined in this paper presents a different perspective of climate mitigation and carbon management. It focuses on inputs and outputs rather than the convoluted pathways through the economy. It is inherently simpler. To implement such a system requires regulatory frameworks. These frameworks must address the issuance of permits for fossil carbon extracted and lacking a certificate of sequestration; standards to certify sequestration and provide guarantees for its permanence; and standards for controlled sequestration futures. Testing this approach with storage operators and jurisdictions would be the next step, which would yield data for a quantitative comparison to the current approach.

Author contributions

K. Lackner and H. Azarabadi conceived of the idea and developed the model. S. Arcusa and V. Sriramprasad reviewed LCA literature. R. Page developed the idea of immediate liability. S. Arcusa and K. Lackner wrote the first draft and all authors edited the manuscript.

Conflicts of interest

K. Lackner is a co-inventor of IP owned by Arizona State University (ASU) that relates to certain implementations of direct air capture. K. Lackner also consults for companies that work on direct air capture. ASU has licensed part of its IP to Carbon Collect and owns a stake in the new company. As an employee of the University, K. Lackner is a technical advisor to the company and in recognition also received shares from the company. Carbon Collect also supports DAC research at ASU. R. Page is also a co-inventor on several capture processes, including the Carbon Collect device. Further, he consults with industrial companies and start-ups on direct air capture devices, algae capture, and battery technology. Most of his consulting work is with ASU/CNCE.

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