



2 July 2013

### **Response to the public consultation on Carbon Capture and Storage**

BUSINESSEUROPE believes that Carbon Capture and Storage (CCS) will increasingly play an important role, alongside other low carbon technologies including renewables and energy efficiency, to reduce the EU's emissions over the next decades. Furthermore, BUSINESSEUROPE shares the opinion that CCS applications are of vital importance for mitigating climate change on a global level. CCS also has the potential to serve as a lower cost method to decarbonize Europe's energy intensive industries. European business therefore supports the European Commission's work in assessing the present economic and technical viability of this technology and in exploring ways to promote it in the future.

With reference to the European Commission's Communication "The Future of Carbon Capture and Storage in Europe" of March 2013, BUSINESSEUROPE would like to stress the following points:

- CCS will be needed to reduce the emissions of gas and coal - fired power plants provided that the demonstration phase proves it is viable from a technological and economic perspective and that deriving costs for industrial sectors exposed to global competition are assessed and compensated whenever appropriate. Alternatively, carbon leakage could undermine the EU's effort to reduce the risks of climate change.
- Moreover, CCS will also be critical to reduce emissions released during the production process of some energy intensive sectors (e.g. steel, lime, chemicals). In this respect, further analysis will be needed to determine which energy intensive sectors could successfully apply CCS in a cost effective way.
- The Communication rightly acknowledges that fossil fuels account for a large share of the EU energy mix and will continue to remain an important energy source for the foreseeable future. In some EU member states, electricity production relies significantly on coal (more than 50% of the electricity mix) while gas-fired power plants are expected to increase their contribution in the next decade. In light of these facts, BUSINESSEUROPE believes that all energy sources have a role to play in the future of Europe. Policymakers should draft the EU energy policy accordingly and promote an economically and environmentally sustainable transition for all energy sources.
- BUSINESSEUROPE regrets that several factors have delayed the set up of CCS demonstration projects co-financed by the EU and calls on policy makers to address the underlying problems, including the lack of adequate framework conditions, public



acceptance, public and private financing. Nevertheless, delays encountered in the demonstration phase must be put in the context of the economic and financial crisis, which has heavily affected many industrial sectors in Europe.

- The EU ETS will play a role in making CCS technologies increasingly competitive in the market. Currently, it is estimated that the abatement cost of CCS-equipped coal and gas fired power plants is around respectively 40 and 80 euro per ton of CO<sub>2</sub> avoided (costs of transport and storage are not included)<sup>1</sup>, with significant variations due to specific conditions. This is in same range as other low carbon technologies.
- More efforts must be devoted to launch European demonstration projects for CCS. These projects will strengthen public confidence, reduce technology costs and open the way to future deployment. Funding will be needed to support demonstration in the short term as the current carbon price is not sufficient to drive the necessary investments. This can be done through the second call of an improved NER 300 programme. Moreover, alternative financial instruments should be considered. These include Horizon 2020, the Coal and Steel Research Fund, structural funds, unused funding from the European Energy Programme for Recovery (EPR) and national funds.

Crucially, investors need positive and direct incentives together with long term visibility in their revenue stream.

Also possibilities for Carbon Capture and Usage (CCU) need to be explored since they might provide a co-financing stream of revenues. So far, mostly Enhanced Oil Recovery (EOR) applications dominate the CCS applications installed on a global scale.

Besides financing issues, legal aspects and public acceptance must not be overlooked to ensure a prompt start of projects. Moreover, the CCS Directive also has not yet been transposed into national law by all member states.

- The Communication proposes two alternative models for the future promotion of CCS: a mandatory CCS certificate system and emission performance standards. These models must be better developed and assessed before any decision is taken with special attention to avoid excessive regulatory burden and market distortion. In particular, strict emission performance standards may not be adequate to support in the most cost efficient way the demonstration and deployment of this technology.

BUSINESSEUROPE believes that the EU ETS should be the main instrument to promote CCS and other low carbon technologies.

In any case, all policies promoting CCS technologies will have to ensure that total deriving costs for industry are minimised. Moreover, CCS must be affordable and accessible to the largest possible number of industrial installations potentially concerned, regardless of the storage locations. This will only be possible by creating a fully integrated CCS infrastructure.

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<sup>1</sup> Estimates by the European Commission, referring to the IEA publication "Cost and Performance of Carbon Dioxide Capture from Power Generation". The costs of transport and storage are not included.



- **An in-depth study of the technical viability of CCS and an impact assessment of associated costs, including resulting energy prices, for all industrial sectors concerned must be carried out before taking any decision on schemes to support the deployment of CCS. In any case, policies aimed at promoting CCS have to be accompanied by mechanisms offsetting the costs for industries exposed to global competition whenever appropriate.**

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