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Finnish Energy Industries' response to the consultative communication on the Future of Carbon Capture and Storage in Europe

Finnish Energy Industries is the voice of over 260 member companies that produce, supply, transmit and sell electricity, district heat and district cooling and offer related services. We are committed to a vision of carbon neutral electricity and district heat in 2050, supporting the EU-wide 80-95% emission reduction goal.

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Globally CCS is one of the potential solutions to decarbonisation in the long term

We consider CCS to be among the solutions of significance when decarbonisation is taken further in the coming decades. Decarbonisation in the ETS sector should be guided by the carbon price signal. Other support should be aimed at R&D&D. Commercialisation of CCS should be promoted through support to demonstration well in time before there is need for large-scale deployment of CCS. CCS itself should not be preferred to more cost-efficient solutions and should not be a primary objective of policies. However, the cost of decarbonisation will be higher if CCS is not available as a solution in the future. Not having CCS as an option when approaching 2050 would result in higher EUA prices, which in turn may also cause disapproval towards the EU ETS.

Before a global climate agreement has adequate coverage of the global emissions, there is an additional rationale to deploy CCS in countries which work for climate change mitigation: it is better to consume fossil fuels in a CCS-equipped plant instead of leaving all of the fossil fuels to be consumed elsewhere. These impacts on global emissions through the global fossil fuel market should be taken into account.

Responses to selected questions

1) Should Member States that currently have a high share of coal and gas in their energy mix as well as in industrial processes, and that have not yet done so, be required to:

a. develop a clear roadmap on how to restructure their electricity generation sector towards non-carbon emitting fuels (nuclear or renewables) by 2050,

Response: Electricity generation in the EU is entirely under the emission trading system and will therefore be decarbonised to the extent decided by cap-setting. Other binding plans or targets should not be set by the EU. Emissions trading system is a technology neutral instrument enabling the operators to choose between the energy sources and technologies. However, it may be useful to have scenarios of coming changes in order to prepare the surrounding infrastructure and influenced systems to a changing electricity generation. Roadmaps should also aim for seeking cost-efficient complementary action to the ETS (and removing ineffective policies).

b. develop a national strategy to prepare for the deployment of CCS technology.

Response: CCS is expected to be an important solution for decarbonisation additional to renewables, fuel switching, energy efficiency, nuclear power, electrification and others. The extent of the deployment of CCS as well as timing aspects should be mainly guided by market signals. There is no need to develop CCS strategy at national level for the time being.

2) How should the ETS be re-structured, so that it could also provide meaningful incentives for CCS deployment? Should this be complemented by using instruments based on auctioning revenues, similar to NER300?

Response: The ETS and its operating environment should be re-structured so that it would provide meaningful incentives for the deployment of any cost-efficient technology. There is no point in rushing CCS ahead of cheaper and more resource-efficient means of abatement. CCS should be made commercially available through demonstration projects in time before there is a need for large-scale implementation. The timing depends on the pace of decarbonisation set by emission targets and the availability of other alternatives. Commercialisation of CCS can be supported by auctioning revenue funding - together with funding for commercialisation of all other new technologies.

3) Should the Commission propose other means of support or consider other policy measures to pave the road towards early deployment, by:

a. support through auctioning recycling or other funding approaches

b. an Emission Performance Standard

c. a CCS certificate system

d. another type of policy measure

Response: Option a) support through auctioning recycling or other funding approaches for demonstration is preferable. The other three are unnecessary and likely to have adverse effect on cost-effectiveness in the ETS sector.

4) Should energy utilities henceforth be required to install CCS-ready equipment for all new investments (coal and potentially also gas) in order to facilitate the necessary CCS retrofit?

Response: Companies themselves should be allowed to estimate the need for CCS-readiness in their case. A requirement to reserve an area on coal and gas power plant sites

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for future CCS purposes may be reasonable. Making obligatory the investments to prepare for CCS is unreasonable as there are great uncertainties related to the technology; to what extent it will be utilised, what type of equipment will be developed, which plants are to implement it etc. Within the ETS, CCS readiness may have an impact on power plant life time and therefore the incentive to consider early preparations exists already.

6) What are the main obstacles to ensuring sufficient demonstration of CCS in the EU?

Response: Currently the low ambition level of emission reduction globally and the low carbon price in the EU have postponed the interest in CCS. Other factors are high economic risk involved and lack of access to capital as well as environmental issues. The public acceptance of CO₂ storage and the authorisation procedures are key issues in ensuring large scale deployment of CCS. There are numerous CCS demonstration plants around the globe and the EU should evaluate their success and the progress of CCS globally before deciding for next steps.

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