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Carbon Capture &
Storage Association

HMT Pre-Budget Report (PBR) 6th December 2006

Carbon Capture and Storage (CCS): Will the Chancellor back The Stern Review?

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'Coal will continue to be important in the energy mix around the world, including in fast-growing economies. Extensive carbon capture and storage will be necessary to allow the continued use of fossil fuels without damage to the atmosphere.' *Stern Report, 2006*

In his comprehensive and detailed report for the Treasury, Sir Nicholas Stern places great emphasis on the urgency of climate action, the leading role of the developed world and the importance of not "locking in" greenhouse gas emissions from fossil power generation. He goes on to say: ***'With the right incentives, the private sector will respond and can deliver solutions'***. 'The right incentives' are exactly what the UK CCS industry are looking to the PBR to deliver.

CCSA Chief Executive Dr Jeff Chapman commented:

"New electricity generating capacity is urgently needed if we are to keep the lights on into the future. The DTI Energy Review 2006 warns: ***'the UK is likely to need around 25GW of new electricity generation capacity by 2025'***. Industry estimates a 20 GW capacity shortfall by as early as 2015.

There are currently eight new fossil fuel power station projects *designed* to incorporate CCS on the drawing board in this country, with a combined capacity of over 6 GW. Without the right incentives they will be built *without* CCS. UK greenhouse gas emissions will inevitably increase substantially as a result – setting a poor example to the energy-hungry developing economies of the world. In a global context, an active CCS programme in the UK would contribute to the global climate change agenda, would have a significant impact on the uptake of CCS in China, with the application of CCS to its burgeoning coal-fired power industry."

Governments in developed countries such as Australia, USA and Canada are developing the frameworks to support large scale building of fossil power plants with CCS and the European Commission is seeking coordinated policies to secure at least ten full scale demonstration plants by about 2020.



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In the second phase of the EU Emissions Trading Scheme (2008-2012) the UK Treasury can expect revenues of around £2bn from the auction of EU allowances – effectively a tax on fossil fuels – and beyond 2012 the value of auctioned allowances is expected to increase.

Jeff Chapman concludes:

”It is essential that at least this bonus from the EU ETS is used to ensure that fossil fuels are exploited in the UK in an environmentally benign manner.

The Chancellor has it in his gift to show world leadership and commitment to the report of his advisor, Sir Nicholas Stern by supporting UK CCS projects. He has pledged to make a statement on CCS in the forthcoming Pre-Budget Report. A robust commitment to CCS now will not only place the UK in a leadership position on climate change but will also set UK business on a path to benefit from a world market to be measured in trillions of pounds over the coming decades.”

ENDS

Notes to Editors:

1. Carbon Capture and Storage (CCS) is a process by which Carbon dioxide (CO₂) is separated from industrial and energy-related sources, either pre- or post-combustion, then transported via pipelines to either an onshore or offshore underground storage site. These storage sites can be of three types; gas reservoirs, oil reservoirs and deep saline aquifers. CCS can also be used for Enhanced Oil Recovery (EOR), a process in which CO₂ is injected into near-depleted oil reservoirs, thereby facilitating the recovery of large quantities of additional oil. It is cost-effective and it retains the essential flexibility of fossil fuel power generation.
2. CCS can remove 85-90% of the carbon emissions associated with conventional fossil-fuel power generation, such as coal- or gas-fired. CCS therefore makes a significant contribution towards meeting the UK Government’s national target of a 60% reduction in Carbon dioxide emissions by 2050.
3. The UK has 8 proposals for power projects incorporating CCS in the public domain, including a gas pre-combustion CCS project at Peterhead, a coal pre-combustion CCS project at Teesside and a coal CCS project at Tilbury with an oxyfuel option.

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