



**Carbon Capture &
Storage Association**

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

Chancellor Fails to Kick-Start the CCS Industry

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Barely 1 month after Sir Nicholas Stern announced, in his review on *The Economics of Climate Change*, that “Carbon Capture and Storage is essential to maintain ...secure and reliable energy for many economies...without damage to the atmosphere”, Chancellor Gordon Brown today failed to announce any concrete support package, to incentivise the growth of Carbon Capture and Storage (CCS).

Several statements in the PBR would suggest that following two successive consultations, a decision will be taken in 2007 on whether to support *only one* full-scale CCS demonstration project in the UK. At the very least, this would represent a huge blow to seven unsuccessful projects currently proposed.

CCSA Chief Executive Dr Jeff Chapman commented:

“The eight proposed CCS projects in the UK have been eagerly awaiting a signal from HM Treasury to enable these schemes to move CCS from its theoretical phase to full-scale operation, providing a much-needed contribution towards meeting the UK’s carbon emission reduction targets. The lack of such a signal in today’s PBR not only fails to provide the certainty for industry to invest in a fledgling CCS industry, but also shows no evidence of providing appropriate financial backing, given the urgency expressed in the Stern Review.”

“With the Government’s announcement of yet another period of consultation, current and future CCS project proposals are faced with at least a one year delay before any decision is taken to proceed - and the result may be support for only one demonstration project. This is a huge disappointment for those projects where commercial operation could begin very quickly.”

In sharp contrast to its failure to provide substantial support for CCS, the PBR reinforces the findings of the Stern Review, which highlighted the importance of CCS in the global climate change agenda, particularly in reducing carbon emissions in “fast-growing economies with rising fossil fuel consumption such as China and India”. Indeed, the PBR also refers positively to the recent success of the UK in pressing for an amendment to the London Convention which now allows storage of carbon dioxide below the sea.



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Jeff Chapman concludes:

“The UK has the potential to show world leadership in bringing large-scale CCS projects to market, and the recent amendment to the London Protocol is proof that the UK is ready to step up to the challenge. To ensure that emerging economies such as China and India embrace CCS as soon as possible, the UK must demonstrate action at home. Without such action, the implications of the escalating global use of fossil fuels are daunting indeed.”

ENDS

Notes to Editors:

1. The 2006 PBR was released the 6th December following a statement by the Chancellor of the Exchequer, Rt Hon Gordon Brown MP. The PBR and associated documents can be found on http://www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr06/prebud_pbr06_index.cfm.
2. 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.
3. 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.
4. 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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