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Publication of Environmental Audit Committee Report on the 2007 Pre-Budget Report and Comprehensive Spending Review

Urgent Push for CCS Financial Mechanism

The House of Commons Environmental Audit Committee have today published their report '2007 Pre-Budget Report and Comprehensive Spending Review: An environmental analysis', which summarises the results of their 2007 Inquiry. Commenting on one of the reports top recommendations, Tim Yeo MP, Chairman of the Committee, emphasised the need for the Treasury to "introduce a financial mechanism to ensure that Carbon Capture and Storage technology is fitted to all new fossil fuel power stations in the UK."

CCSA Chief Executive Dr Jeff Chapman commented:

"The Carbon Capture and Storage Association welcomes the Environmental Audit Committee's report of the 2007 Pre-Budget and Comprehensive Spending Review. It is significant that the Committee has recognised that the Government's current fiscal policies for CCS fall short of the scale of investment required with the recommendation that the Treasury should introduce a financial mechanism to ensure CCS projects are built.

The UK has an ambitious domestic target to reduce carbon dioxide by at least 60% by 2050 and coupled with an impending shortfall in power generation capacity, a programme of investment in CCS is urgently needed, to avoid new unabated fossil fuel power plants being built – locking in large increases in UK carbon dioxide emissions".

The Environmental Audit Committee has on previous occasions emphasised the need for Government to back ambitious policy on CCS with action, and has repeatedly criticised the Governments lack of progress in setting out a financial framework. The Committee's recommendations to Treasury include investigating options for a feed-in tariff for CCS plants or a guarantee to fund the difference between the costs of CCS and conventional plants.



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Jeff Chapman concludes:

“The UK Government should be congratulated for taking an early lead in developing the regulatory framework to support CCS and playing an active role in influencing similar policy developments at a European level. Recognising the need for early investment, the UK Competition to build a CCS demonstration project is a welcome move.

CCS presents a massive business opportunity in terms of equipment supply and services as well in the operation of added value power generation plants. The UK has a window of opportunity to become central to a CCS market, as it has with emissions trading; however other countries such as USA, Canada and Australia are fast formulating their position on CCS and will likely take up the leading position if the UK does not urgently introduce new measures to bring CCS plants on stream in parallel with the Competition.

This recommendation to Treasury comes at a critical time and the CCS industry, poised for investment, looks forward to a debate with Government to develop an appropriate financial mechanism that will ensure CCS fulfils its role in the long term climate change framework.

We express the hope that the Chancellor has already taken heed of this recommendation and plans to include a positive statement on incentivising CCS in the Budget”.

ENDS

Notes to Editors:

1. The Environmental Audit Committee published its report *2007 Pre-Budget Report and Comprehensive Spending Review: An environmental analysis* on 5 March 2008. The report can be found on <http://www.publications.parliament.uk/pa/cm/cmenvaud.htm>.
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 aspirational target of a 60% reduction in Carbon dioxide emissions by 2050.



4. The UK has at least 10 proposals for power projects incorporating CCS in the public domain, ranging from technologies using pre-combustion as well as post-combustion capture as well advanced oxyfuel combustion. The total power generating capacity is 12,500 MW and the annual amount of CO₂ stored is approximately 60 million tonnes.

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