Barroso Package on Climate Change and Energy

Enabling legal framework for carbon dioxide capture and geological storage Political agreement and next steps

Scott Brockett
Unit 'Energy and Environment'
Directorate-General Environment
European Commission

CCS Directive: main structure

- Enabling approach
  - Draft directive on geological storage sets environmental rules and liability requirements
  - Member States determine whether and where CCS will happen on their territory
  - Emissions captured and stored are recognised as not emitted under the Emissions Trading Scheme
  - Companies decide whether to use CCS on the basis of conditions in the carbon market

- Capture-ready assessment required to avoid lock-in of high-emissions technology

- No mandatory CCS at this stage:
  - Let the market work: The revised ETS will ensure a robust carbon price and action on demonstration will bring CCS costs down

Key issues in negotiation 1: mandatory CCS?

- EP proposed performance standards for new plant operational from 2015 of 500 g/kWh
  - Implications for whether new coal can be built without CCS
- COM position in Impact Assessment:
  - Would make meeting 20% GHG reduction target more expensive
  - Cost burden falls disproportionately on small number of Member States (DE, PL, UK, BE)
  - In tension with market-driven deployment under ETS
  - CCS technology still not demonstrated at commercial scale.
- Council: reservations from most Member States
- Outcome:
  - review once CCS demonstrated to be safe and economically feasible.

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Key issues in negotiation 2: Liability and transfer to the state

- Enabling legal framework sets out liabilities covered
  - Corrective measures for any leakage (geological storage directive)
  - Surrender of allowances under the ETS to cover any leaked emissions
  - Liabilities under the Environmental Liability Directive (2004/35/EC)

- Site transfers to the state when injection has ceased and site has progressed towards safe condition:
  - Criterion: all available evidence indicates that stored CO_2 will be completely and permanently contained

- Further issues in Council and EP:
  - Minimum period before transfer of 20 years unless condition for transfer met earlier
  - Financial contribution to cover at least post-transfer monitoring for 30 years

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Key issues in negotiation 3: Financing CCS Demonstration

- European Council June 2008 requested a mechanism to incentivise MS and industry investment

- ETS/CCS rapporteurs in European Parliament proposal:
  - to use New Entrants' Reserve of ETS for CCS demonstration

- COM conditions:
  - no increase of cap, limited to demonstration, limited in time, efficiently targeted, minimal distortion of ETS, and only leverage financing (as requested by European Council)

- Outcome:
  - 300 million allowances reserved for demonstrating CCS and innovative renewables, modalities to be determined by comitology

Implementation

- CCS Directive implementation
  - Exchange of information with Member States
  - Guidance on key issues (some requested by Council and EP)
  - Checking transposition

- Commission review of draft permit decisions and decisions of transfer
  - Establishment of Scientific Panel by Commission Decision

- CO2 captured and stored recognised as not emitted under the ETS
  - Finalisation of Monitoring and Reporting Guidelines (Proposal for a Commission Decision to Climate Change Committee)

- Ratification of changes to international conventions (OSPAR)

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CCS Financing

- Max 300 million allowances
- Available only until 31 Dec 2015 for allocation
- Maximum 12 CCS plants plus innovative renewables
- Support dependent on verified avoidance of CO_2 emissions
- Support to be given via Member States
- Projects in geographically balanced locations and representing a wide range of technologies
- Project selected on the basis of objective and transparent criteria that include requirements for knowledge-sharing.
- No more than 15% of allowances for any individual project.
- In principle, no more than 50% of incremental costs of CCS to be financed.

Summary

- Main elements of CCS enabling framework have gained broad acceptance in institutions
- Enabling under ETS is chosen approach: revised Emissions Trading Directive will enhance regulatory stability and predictability.
- Implementation will focus on guidance on key issues, monitoring and reporting guidelines for CO2 leakage under the ETS, and adoption of OSPAR
- Also comitology process on modalities for using the 300M allowances under the ETS for supporting demonstration.