

Barroso Package on Climate Change and Energy

**Enabling legal framework
for
carbon dioxide capture and geological
storage**

Political agreement and next steps

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- 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.

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 CO₂ 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

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

- **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)**

- 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 CO₂ 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.

- 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.