Carbon Capture & Storage Association

September 2015

CCSA response to the European Commission Summer Package: Proposals to revise the EU ETS and introduce dedicated Innovation and Modernisation Funds

The Carbon Capture and Storage Association (CCSA) brings together a wide range of specialist companies across the spectrum of Carbon Capture & Storage (CCS) technology, as well as a variety of support services to the energy sector. The Association exists to represent the interests of its members in promoting the business of CCS and to assist policy developments at the EU level and in the UK towards a long term regulatory framework for CCS, as a means of abating carbon dioxide emissions.

The CCSA welcomes the publication of the Commission's Summer Package and is pleased to see proposals to introduce dedicated funds to support innovation and modernisation in energy and industrial sectors. The CCSA previously provided an extensive response to the Commission's consultation on revisions to the EU ETS Directive and is therefore pleased to see that its recommendation for greater flexibility has been incorporated into the Commission's proposals.

CCS is widely recognised as an essential technology for achieving climate objectives internationally, at the EU level and at the national level for many Member States. Not only applicable to the power sector, CCS will be integral to the long-term sustainability of energy intensive industries in a low-carbon economy. For many sectors, CCS is the only technology that can reconcile decarbonisation objectives with future competitiveness.

Proposals regarding the Innovation Fund

The CCSA supports the legislative proposal from the Commission relating to the Innovation Fund, in particular the greater flexibility that is incorporated compared to the previous NER300 scheme. The proposals are designed to allow support at an earlier stage in the project lifecycle, at a higher rate of support, across a broader range of sectors and scales, and with a higher percentage of funding not dependent on verified avoidance of CO_2 emissions. These proposed characteristics will be particularly important to ensuring the Fund is fit-for-purpose and able to support both the construction and operation of CCS projects.

Importance of the bridging fund

Alongside the initial endowment of 400 million allowances for the Innovation Fund, the proposals include reference to an additional 50 million allowances that will be made available from the surplus of allowances that would have otherwise been transferred to the Market Stability Reserve. The CCSA believes that this initial funding – often referred to as bridge funding between the NER300 and the Innovation Fund – could have a major role to play in getting projects ready to apply under the first main call of the Innovation Fund.

Given the significant timescales involved in the development of a CCS project (sometimes more than a decade) it is vital that any existing momentum is not lost between now and the

start of phase IV of the ETS. It is important that the Commission recognises the significant detrimental impact that a funding gap could have on sentiment within the CCS industry and enables the bridge fund to be open to appropriate CCS bids from 2017.

Proposals regarding the Modernisation Fund

Alongside the Innovation Fund, the CCSA welcomes the introduction of a Modernisation Fund to support investments in energy infrastructure across a limited number of Member States.

Many of the Member States able to access the proposed Modernisation Fund not only require significant upgrading of electricity infrastructure but also depend heavily on fossil fuels across the whole energy system, including power and industrial sectors. Given this enduring dependence and the pressing need to reduce carbon emissions, the CCSA believes that the Modernisation Fund should also be able to support investments in CCS in a similar manner to the Innovation Fund, e.g. by supporting the deployment of CO_2 pipelines and stores.

Compatibility of Innovation and Modernisation Funds with other EU policies

Whilst the proposals to introduce Innovation and Modernisation Funds are very much supported by the Association, it is important to ensure that any funds awarded are able to be supplemented by additional funding received under other funding schemes such as the Connecting Europe Facility or Horizon 2020, where this is appropriate and necessary. Given the significant investments needed for CCS projects, it will be important to ensure that project developers can apply for any relevant EU funding and that award under one programme does not preclude application for another.