

EPPSA position on
“EU and Climate Change : towards an integrated EU policy”
- issued 23 January 2008

EPPSA members welcome the European Commission’s Energy and Climate Change package of 23 January 2008, particularly as these documents fully recognise the vital role for clean power generation from fossil fuels in the future global energy mix.

In the European Strategic Energy Technology Plan announced by the Commission on 22 November 2007, the commercial use of Carbon Capture and Storage (CCS) (including whole system efficiency) was defined as a key challenge to meet 2020 targets. The proposals of 23 January 2008 elaborate on some of the policies and actions that will be necessary to meet this challenge. We comment below on those most relevant to EPPSA.

SUPPORTING EARLY DEMONSTRATION OF SUSTAINABLE POWER GENERATION FROM FOSSIL FUELS

The crucial need and potential for CCS in reaching the targets defined by the EU is recognised. In the EU alone, reductions of CO₂ by CCS from the power sector could reach 161 Mt in 2030 and 800-850 Mt (20%) in 2050.

Widespread application of CCS on power plants can become commercially feasible in 10 to 15 years, incentivised by the Emission Trading Scheme, but this will not happen without an early start to the necessary preparation steps, including up to 12 early demonstration projects. The Commission presents an EU structure to stimulate demonstration of CCS power plants, including an “EU CCS Initiative” starting this year. The EU will support the creation of a network of demonstration projects and information exchange but has insufficient funds within its FP7 budget to support the projects themselves. It is therefore looking to industry to commit funding and seems to suggest that such a commitment could trigger complementary public funding.

EPPSA’s view is that the programme of CCS Demonstrations needs to be stimulated by substantial EU funding as well as funding by national governments and the power industry. The source of such funds could be the revenues raised by national governments from auctioning of CO₂ allowances (EAUs), which, being effectively a tax on the carbon dioxide emissions from fossil fuels, should be ‘recycled’ to help prove the technologies needed to minimise these. Longer term, other budgets will be needed to stimulate the wider global deployment of CCS and this should be addressed by the EU.

DIRECTIVE ON THE PROMOTION OF THE USE OF ENERGY FROM RENEWABLE SOURCES

This proposed Directive calls for a binding target that 20% of the EU’s energy consumption should be from renewable sources by 2020. This implies much more than 20% of electricity from renewables. The proposal is justified by three objectives:

- (i) Climate change objectives (CO₂ reduction);
- (ii) Security of supplies;
- (iii) Development of industry/creation of jobs/economic growth.

In fact, near zero electricity from fossil fuels also fulfils these objectives, with the added benefit that electricity from fossil fuels can be adjusted to match consumer demand and balance the variable output from renewable sources. EPPSA members seek support for near-zero fossil power comparable with the support given to renewables, in particular support for new very high efficiency coal-fired power plants and for the first tranche of CCS demonstrations.

GEOLOGICAL STORAGE OF CARBON DIOXIDE

The Commission has published a proposal for a Directive to regulate the geological storage of carbon dioxide.

EPPSA welcomes this proposal. The development of a regulatory regime for storage is an essential complement to the development of CO₂ capture technologies - where many EPPSA Members are active. The proposed regulatory process is very thorough and should give the public confidence that CCS is a safe and environmentally sound means of reducing CO₂ emissions.

EU GREENHOUSE GAS EMISSION ALLOWANCE TRADING SYSTEM

The Commission has published a proposal to amend Directive 2003/87/EC so as to improve and extend the EU ETS.

The proposal recognises Carbon Capture and Storage, and clarifies that CO₂ stored in a regulated site will be treated as not emitted.

The proposal recommends a change to the system of allocation of CO₂ allowances to power plants. Whereas currently allowances are allocated free-of-charge in accordance with National Allocation Plans, the proposal is possibly that from 2013, for power plants, these allowances should be sold by auction (except that electricity generators may be given free allowances for heat produced through high-efficiency co-generation and delivered to district heating or industrial installations).

EPPSA members - who supply equipment for both coal and gas-fired power plants - note that auctioning will favour gas-fired generation (which requires only half the allowances of coal) with negative impacts on the EU's security-of-supply objectives and no long-term benefit once CCS is introduced.

The proposal requires that 20% of auction revenues be used to reduce greenhouse gas emissions and to adapt to the impacts of climate change, including inter-alia by CCS. EPPSA members welcome this linkage and believe it appropriate that a large proportion of the revenues should be spent promoting CCS.

Note: Documents are available at:

http://ec.europa.eu/commission_barroso/president/focus/energy-package-2008/index_en.htm#key