

DAILY NEWS to Members: 10/03/2008 by Tóth Gábor

EUROPEAN ENERGY INDUSTRY COMMITS TO COSTS AND RISKS OF CARBON CAPTURE AND STORAGE DEMONSTRATION

A letter from major European energy companies to EU Energy Commissioner Andris Piebalgs indicates clear support for the Commission's policy direction on carbon capture and storage (CCS). The companies sign up on the industry's behalf to a significant €11 billion commitment to increasing investment in CCS and taking appropriate business risks for demonstrating the technology. They warn nevertheless that CCS demonstration will not happen without transitional financial incentives.

Andris Piebalgs invited the heads of some of Europe's leading electricity firms - including EURELECTRIC President Rafael Miranda in his capacity as CEO of Spanish energy major Endesa - on 22 February to discuss the future of CO₂ capture, transport and storage technologies in Europe. Before lunch, a meeting of the European *Technology Platform for Zero Emission Fossil Fuel Power Plant (ZEP TP)*# was held, after which the Commissioner was handed a letter expressing the European electricity industry's firm support for developing these technologies and promoting the necessary conditions within the frame of the *European Industrial Initiative* set out in the Commission's Communication on *Supporting early demonstration of sustainable power generation from fossil fuels**.

The letter was signed by ZEP TP chairman Kurt Häge on behalf of 24 energy firms: ČEZ, DONG Energy, EDF, Electrabel, Endesa, ENEL, E.ON Energie, EnBW Kraftwerke, RWE Power, Vattenfall, Union Fenosa, Nuon, Foster Wheeler Energia, Schlumberger Carbon Services, Aker Clean Carbon, BP, Siemens Power Generation, ALSTOM Power, Doosan Babcock Energy, General Electric, PKE, Sargas, Shell Hydrogen and STATOIL.

The companies point out that they have already committed well over half a billion euro in the last five years to the early development of CCS and the achievement of CCS-related efficiency-increases. "*Subject to the precise conditions of investment*" proposed under the Industrial Initiative, the letter goes on, the companies expect to commit over €11 billion in aggregate during the next seven years, in order to attain the goal of having up to twelve large-scale CCS demonstration projects operational by 2015.

The energy companies warn at the same time that these investments will involve "*very significant first mover risks*" and additional costs, which "*cannot be fully justified to shareholders*". The letter therefore emphasise that "*CCS is very unlikely to be implemented on an industrial scale*" unless an appropriate legal and financial framework is put in place. Accordingly, the companies call upon the European Commission and EU Member States "*to proceed urgently to establish an appropriate financial framework for CCS demonstration on a commercial scale*".

* see DN 31/01/2008; #10/01 & 2/10/2006.