

Letter to incoming Slovenian Presidency - Copy to Barroso, Piebalgs and Dimas

Dear Mr. Prime Minister, President of the European Council,

The EU will not achieve its CO₂ emission targets without CCS

On 1st March 2007, we wrote to Chancellor Merkel, urging the European Council to endorse the concept of an EU Flagship Programme for CO₂ Capture and Storage (CCS) and take concrete steps to ensure its implementation. Indeed, it is clear that CCS is an absolute precondition for achieving the EU's ambitious CO₂ emission targets¹.

We were therefore very pleased to see the EU Spring Council make that endorsement and ask the Commission to "*establish a mechanism to stimulate construction and operation by 2015 of up to 12 demonstration plants of sustainable fossil fuel technologies in commercial power generation.*" The goal: to ensure that CCS is commercially viable by 2020.

Time, however, is of the essence. If our goal is to be achieved, *immediate* action is required. We therefore look to the Council to take the steps necessary to ensure the rapid implementation of this commitment. We are ready: As of today, xxx projects for zero-emission power plants have been announced by European industry (see list attached).

Our estimate is that these projects will cost in the area of € ...billion in total for 10 – 12 industrial scale projects.. However, while studies on the additional capital and operational costs of implementing CCS differ in detail, all agree on one thing: The market cannot support such costs, and the burden will be considerable for those setting up the first full-scale CCS demonstration projects.

Industry will clearly shoulder a fair share of these costs, and the companies involved in ZEP are ready to bear [X percent] of these costs. However, they must have an incentive to do so, with all the risks such a commitment involves. Indeed, *it is why such a step change has not already happened.* If a sufficient number of large-scale CCS demonstration projects are to be in place by 2015, additional financing at both national and European level is therefore essential.

CCS will not become commercially viable by 2020 without EU funding

This means the coordination of national and European funding mechanisms which complement the industrial financing of CCS projects and close the cost gap between electricity production with *and* without CCS. (The enclosed paper outlines options for your consideration).

In addition, the European Union needs to:

- Urgently adjust the rules on State Aid so that individual Member States can contribute significantly and rapidly to the construction of large-scale CCS demonstration projects;
- Initiate work to establish a European-wide CO₂ transportation network (TEN-C);
- Accelerate the process for identifying suitable CO₂ storage sites.

We are pleased to see that the process for securing the right regulatory framework for CO₂ transportation and storage is already well under way.

(Insert para on outcome of Bali meeting) Mr. President, if these steps are taken as a matter of urgency, we are convinced CCS can make a significant contribution to achieving the climate change goals we all share. Rest assured that industry stands ready and willing to play its part.

Yours sincerely,

¹ Today we have 380 ppm CO₂ in the atmosphere, with concentration rising at more than 2 ppm per annum. Many say we should not exceed 450 ppm. It is estimated that every year we delay the wide-scale use of CCS will add more than 1 ppm to the end concentration. (Shell Energy Scenarios)