

## EU CCS Directive Guidance Documents – A Step Forward

**May 3, 2011 – Brussels, Belgium** – The companies, scientists, academics and environmental NGOs that together make up the Zero Emissions Platform (ZEP) strongly support the need for the timely start and successful delivery of the EU CO<sub>2</sub> Capture and Storage (CCS) demonstration programme – the world's largest. This will ensure that CCS starts on its path toward wider deployment, provides a cost-effective technology for meeting EU and global CO<sub>2</sub> reduction targets – and secures the EU's place in the green growth race.

ZEP therefore welcomes the European Commission's adoption of the non-binding Guidance Documents (GDs) for the implementation of the directive on geological storage of CO<sub>2</sub> (2009/31/EC). These documents will play a key role in establishing the regulatory framework necessary for the deployment of full-scale CCS technology in Europe. **In order for CCS to become commercially viable, industry needs a clear and predictable regulatory and fiscal framework, with a manageable risk exposure.**

The GDs provide legal clarity and flexibility on a number of key issues. They also reflect some of the feedback provided by a wide range of CCS stakeholders – including ZEP. This outcome demonstrates why Member States should also consult with stakeholders at a national level to ensure proper and effective national regulations that will lead to the successful deployment of CCS. ZEP appreciates the fact that the GDs respect the right of Member States to adopt national regulations that reflect their specific policies on CCS demonstration objectives.

ZEP is currently undertaking a thorough analysis of the four GDs. In the meantime, ZEP wishes to comment on Guidance Document 4 – which inter alia explains options available to Member States in establishing financial security requirements for CO<sub>2</sub> storage operators in order to cover their obligations under the directive. This GD is particularly important in ensuring economically viable CCS demonstration projects.

ZEP welcomes the European Commission's approach to the issue of financial security, specifically:

- Given the absence of commercial insurance, a Member State (individually or in co-operation with other Member States) may decide to provide insurance or other risk-sharing arrangements in relation to the surrender of Emission Unit Allowances (EUAs) in case of leakage - subject to state aid approval.
- Different financial security instruments may be provided for different obligations under the CCS directive, thereby ensuring that the liquidity requirement for instruments is proportional to the probability of obligations occurring under the directive.



- Financial security requirements should be determined on an individual project basis. Requirements beyond what is warranted for the specific risk profile of a site would put unnecessary costs on the operator and thus endanger the viability of the storage project.

ZEP strongly encourages Member States to be involved in offering insurance or other risk-sharing arrangements on a case-by-case basis.

ZEP also notes that the European Commission has left it to Member States to assess the likelihood of leakage from CO<sub>2</sub> storage sites in order to establish adequate financial security through the surrendering of EUAs. If the Competent Authority applies permitting rules correctly, the likelihood of leakage from a CO<sub>2</sub> storage site should be virtually nil. ZEP stresses that storage of CO<sub>2</sub>, which is neither explosive nor inflammable, does not present the same risk profile or immediate impact on health, safety or the environment as many other industrial activities.

ZEP welcomes the recommendation to establish the scope of the financial contribution (to cover the costs of the Competent Authority after the transfer of responsibility for a CO<sub>2</sub> storage site to the authorities) upfront and alongside the injection permit. Likewise, ZEP believes rules for adjustments to financial security amounts should be defined upfront and combined with risk-sharing arrangements with Member States in order to avoid uncapped exposure.

Finally, ZEP would like to draw attention to what it believes is an incorrect interpretation by the European Commission of Article 11.4 of the CCS directive: where the Competent Authority withdraws an injection permit, the financial security provided by the previous operator should not cover obligations for continued injection. The directive gives the Competent Authority discretion to continue such injection, but it would be contrary to the very principles of the directive to do so at the expense of the previous operator.

ZEP considers the GDs to be an important step forward in the process of implementing the CCS directive in an environmentally responsible and cost-effective manner. National CCS regulations must now be adopted as a matter of urgency to ensure the success of the first generation of full-scale CCS projects. ZEP therefore encourages Member States to cooperate closely with CCS stakeholders in developing workable solutions for all outstanding issues.

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