



MINUTES 19th EUROPEAN ROUND TABLE ON COAL

CO₂ Capture and Storage: infrastructure of “common interest” **European Parliament (Brussels), 22 January 2013**

Participants included:

Mr. Arkadiusz Tomasz BRATKOWSKI (EPP, PLN), Mr. Chris DAVIES (ALDE, UK), Mr. Roger HELMER (EFD, UK), Dr. Lena KOLARSKA-BOBINSKA (EPP, PLN), Mr. Jan KOZŁOWSKI (EPP, PLN) and Mr. Bogdan MARCINKIEWICZ (EPP, PLN) (chair) and MEPs' assistants; European Commission officials (Mr. Andrew FOLKMANIS and Dr. Marion WILDE, with apologies from Mr. Øyvind Vessia); members of EURACOAL and CEEP; and stakeholders from industry and NGOs with a direct interest in CCS.

1. Introduction and welcoming remarks

MEP MARCINKIEWICZ welcomed participants and passed on MEP EHLER's apologies, wishing him a speedy recovery from his broken leg. He introduced two important topics for debate: carbon dioxide capture and storage (CCS) and the EU Emissions Trading Scheme (ETS). To set the scene, he referred to the 900 MW EDF Rybnik power plant project in Silesia as an excellent example of how to reduce emissions from coal use. Alstom would replace four old units with a single supercritical unit of high efficiency. However, the project has stalled recently because of a change of policy on ETS allowances granted to projects initiated prior to 31 December 2008 (under the ETS Directive article 10c). Mr. MARCINKIEWICZ expressed his frustration that much-needed investment in the Polish power sector was now at risk.

2. Benefits, design and financing of a European CO₂ transport and storage infrastructure

Prof. Ulrich VAN SUNTUM from the Center for Applied Economic Research at Münster University addressed the discrepancy between ambitious EU climate change targets and the need to strengthen the European economy against growing competition from China, India and other emerging countries. The EU's climate policy is a real challenge for Europe's power and energy-intensive industries that are dependent on competitive fuels. Whilst European politicians try to impose dramatic measures to limit carbon emissions, China increases its annual coal consumption by the total amount consumed annually in the EU. Europe alone will therefore not solve the climate issue; its policies could however chase out industry to countries where CO₂ emissions are not penalised.

One solution to keep coal (and gas) in the EU energy mix would be the capture, transport and storage of CO₂. CO₂ can be safely transported in pipelines, but investment in these pipelines is very costly and requires political and public support, which is not always the case today. Fossil fuels will continue to be needed in the future and CCS can save between 70% and 80% of CO₂ emissions, with costs for

each tonne of CO₂ saved estimated at some €54/tCO₂. On the other hand, the bill for renewables subsidies is increasing exponentially.

One concern is storage: the storage potential of Europe is still uncertain and political and public acceptance is lacking. Taking also into account the lack of transport infrastructure, no private firm is ready to invest in CCS demonstration projects. An alternative would be an “infrastructure-first” approach, which would allow investments to be made in many smaller CCS demonstration projects. Without the wide deployment of CCS in Europe, energy-intensive industries such as iron, steel, aluminium, cement and even food processing will leave Europe forever. Relying on intermittent renewables and imported fuels, Europe risks uncertain supply security, without mentioning the impact on energy prices.

At the moment, there are around 400 large CO₂ sources in Central Europe, of which a large number are in Germany. Experience shows that storage of CO₂ will have to happen offshore, meaning that a large infrastructure network has to be put in place. Four questions then arise: what is its optimum design; who will pay for it; who will build and operate it; and how will tariffs be structured?

Europe has chosen a low-carbon path with generous support for renewables to tackle climate change. Strong economies such as Germany have to spend huge amounts to subsidise renewables (Germany spends over €16 billion annually), but nobody is willing to invest in other low-carbon technologies, yet the deployment of CCS would contribute to Europe’s economic prosperity. The long-term use of fossil fuels depends on the deployment of CCS and the latter depends on setting up a large infrastructure network with private investment and public acceptance. Without these pre-requisites, energy-intensive industries will leave Europe for emerging countries, increasing global CO₂ emissions. These conclusions show, that combating climate change is not only about purchasing certificates, but very much about political and public acceptance and a willingness to invest in a number of ingenious technological solutions, rather than following a single-track road as is currently the case.

Prof. VAN SUNTUM proposed that the importance of CCS for industry and power generation must be carefully assessed. The economic needs of each Member State and all regions must be understood so that financing and operation can be designed appropriately. EURACOAL supports further research on this issue and invites interested stakeholders to collaborate.

3. EU ETS – Why an international agreement is needed before structural reform

Mr. Marek KłOCZKO, Secretary General of the Polish Chamber of Commerce (KIG), addressed the issue of structural changes to the EU ETS. He recalled that the EU needed to safeguard its security of energy supply, its economic growth and its jobs before saving the world from rising CO₂ emissions, of which it only emitted some 10%. China alone is responsible for more than 50% of global CO₂ emissions and the 300 GW of coal-fired plants that are currently under construction will still be in operation in 2050. China, India, Latin America and South Africa are building their prosperity on coal; only Europe is willing, on climate grounds, to endanger its competitiveness and see the inevitable capital flight which is certainly not acceptable for EU industry.

The Commission recently proposed to back load EU ETS auctions or set aside allowances, without recognising the differences between Member States and their economies and without including any mechanism to allow a fair distribution of the additional economic burdens on Member States. In addition, back-loading would be an unacceptable administrative interference in a well-functioning market, even if this market does not behave as some politicians would like. The low price of allowances is, amongst other reasons, the result of fast-growing renewables and the overall poor

performance of the EU economy; it does not indicate any failure of the ETS – targets will be met – so it would be unwise to change the rules just because the scheme is not delivering high carbon prices.

One solution to combat rising CO₂ emissions is the deployment of CCS, but the EU flagship demonstration programme is failing due to a lack of public funding. The demonstration of commercial-scale CCS will be delayed. Before then, any anti-coal policies will have strong negative impacts on the EU economy and supply security. The only short-term solution is to support the on-going and planned construction of new coal- and lignite-fired plants around Europe, using the highest achievable efficiencies in order to meet future electricity demand from industry and households at affordable prices and with lower emissions.

4. Discussion

During the discussion, all participants agreed that a new impetus was needed for CCS deployment and called on the European Commission to devote its energies to the successful demonstration of this important technology. Participants felt that the leaked draft communication on CCS was not focussed enough on the demonstration question. As the largest trading bloc in the world, with an ambitious climate and energy policy, the EU now had to prove its commitment to a range of technology solutions, including CCS. MEP Chris DAVIES criticised the sclerotic decision making in a number of member states. This needs to be replaced by a new dynamic: one that capitalises on the good work that has been done to date and pushes ahead with those demonstration projects that are close to fruition. EURACOAL members said that greater attention should be given to how CCS infrastructure – pipelines and storage – can be developed. The 2010 infrastructure package addressed this question, but more assessment is needed.

On ETS there was universal dismay that the Commission wanted to interfere in a market-based system based on the hard-won agreement between member states to reduce greenhouse gas emissions by 20% by 2020. Dr. George MILOJCIC of the German Lignite Association said that the back-loading proposal went against this agreement and threatened the stability of the EU given that certain member states were so clearly against any tightening of the 2020 target. He was sanguine about individual member states taking on more aggressive targets, but felt that this should not be imposed by the Commission without due process.

MEP Lena KOLARSKA-BOBIŃSKA observed that the voting in Parliament would be finely balanced. She said that whilst this week's ITRE committee vote was important, next month's decision of the ENVI committee on the Commission's proposal would set the tone for the Plenary vote, probably in April. Mr. Philip GARNER, Vice President of EURACOAL concluded by saying that a policy framework that encouraged innovation and investment was crucial. Industry, jobs and wealth creation do not happen by chance; they require stability, not successive changes to instruments which undermine investor confidence, he said, adding that the EU needs to remain an attractive place to do business.

Note: all presentations can be downloaded from www.euracoal.org.