

APPG CCS Meeting

Tuesday 19th January 2016
Minutes

In attendance

Alex Cunningham MP
Andrea Leadsom MP
Tom Blenkinsop MP
Callum McCaig MP
Anna Turley MP
Graham Stuart MP
Alan Whitehead MP

Chair
Minister of State for Energy and Climate Change

Sam Reeve	Office of Alex Cunningham MP
Kirsty Callaghan	Office of Alan Whitehead MP
Lucy Green	Office of Caroline Flint MP
James Squires	POST
Owain Ellis	Infrastructure UK
Louis LaPaz	Infrastructure UK
Kate Say	Ofgem
Miriam Haywood	Ofgem
Marshall Hall	Oil and Gas UK
Kevin Coyne	Unite the Union
Stuart McKay	Scottish Government
Richard Leese	Mineral Products Association
Angela Whelan	Ecofin
Nigel Richardson	ETI
Andrew Green	ETI
Jason Golder	The Crown Estate
Neil Kenley	Tees Valley Unlimited
John Baker	Lotte Chemicals
Kira Scharwey	Madano
Nick Turton	Madano
Richard Warren	EEF
Faisal Bachlani	Statoil
Jon Gibbins	UKCCSRC
Dewi ab Iorwerth	Sargas
Lynsey Tinios	Shell

Mark Downes	Shell
Chris Littlecott	E3G
Sarah Williams	Aldersgate Group
Nathalie Lemarcis	Soc Gen
Paulina Jakubec	FleishmanHillard Fishburn
Karl Smyth	Drax
Jeremy Nicholson	EIUG
Tim Page	TUC
Will Lochhead	OCCS/DECC
Eva Stepniewska	OCCS/DECC
Phil MacDonald	Sandbag
Michael Gibbons	CCSA
Patrick Dixon	CCSA
Luke Warren	CCSA
Judith Shapiro	CCSA
Theo Mitchell	CCSA

Minutes

Alex Cunningham MP (Chair) began the meeting by giving a short background to the APPG CCS and then thanking the Minister for attending. He also expressed his surprise at the decision to withdraw funding for the CCS competition.

Luke Warren, Chief Executive of the CCSA then made some brief remarks. He also thanked the Minister for attending and expressed disappointment – on behalf of the CCS industry – at the decision. He emphasised that it was now extremely unlikely that the two competition projects would be delivered and that there is now a very real danger of a significant delay to CCS in the UK and even the possibility of not delivering CCS at all. This would risk adding significant additional costs to the UK of meeting climate change targets. Luke finished with urging the Government to urgently come forward with a new CCS strategy and to give some consideration to the UK's offshore assets and retaining fields.

The Minister for Energy and Climate Change, Andrea Leadsom then addressed the meeting. She began by stating that she was pleased to attend the meeting. She then went on to state that:

- The CCS decision had been very difficult made in the context of an exceptionally tight Spending Review.
- The Government still see CCS as an important technology and still see a future for CCS
- The Government is now reflecting internally on what more needs to be done to encourage CCS – looking particularly at the following areas
 - Internationally (the UK is working with other countries through the international climate fund)
 - Innovation (the Government has investment funds in CCS innovation)
 - Industrial CCS
 - Cost of CCS

- Infrastructure
- DECC is working on a developing a new approach to CCS
- The learnings from the competition will help to secure future cost reductions for CCS
- Regarding the Energy Bill, the minister explained that:
 - The OGA has the duty to consider alternatives to decommissioning at each stage of a proposed decommissioning process which include re-use for other purposes such as carbon capture and storage.
 - Current practice guidance requires those wishing to decommission to fully examine the viability of re-using the infrastructure for purposes like CCS.
 - Re-use should be considered for a wide array of both petroleum and non-petroleum purposes, including CCS and for example gas storage.
 - CCS is a part of the OGA's mandate and the OGA issues carbon dioxide storage site licences, approves carbon dioxide storage permit applications and approves the termination of storage site licences.

A discussion then followed:

- In response to a question regarding the longer-term role for CCS, the Minister stated that the timing/planning to make decisions will happen in the next few months
- In response to a question regarding whether the UK can still meet targets without CCS, the Minister made the following points:
 - DECC are currently undertaking analysis in the context of the fifth carbon budget
 - Theoretically, it is possible to meet the carbon budgets without CCS (with new technologies)
 - However fossil fuels are still in plentiful supply
 - CCS will become more proven and tested (including the economics) once projects are built
- A question was raised as whether the Government believes that CCS is financially unviable. The Minister responded that this was a tough Spending Review and the Government had to look for savings). The Minister went on to say that decisions on CCS required a buy-in across Government, and evidence of good value for taxpayers' money.
- One MP questioned whether there were any criteria for the Spending Review that CCS didn't meet. The MP also requested clarity on the cost impact of not building CCS. The Minister replied that the spending review undertook a full review of capital spending plans to identify the areas of spending that will achieve the best economic returns while delivering on the commitment to invest £100 billion in infrastructure by the end of the Parliament.
- The Minister pointed out that focus should now be on energy intensive industries and re-use of CO₂. The key is to help energy intensive industries to decarbonise cost-effectively.
- One MP raised the point that public and political engagement on CCS was not good enough. The political price of axing CCS was not as great as for other

projects. Better political and public engagement is now needed; how can this be done (especially for energy intensive industries)?

- A point was also raised about how Government decisions look to the future (long-term strategy for a long-term problem). In particular, the cost of infrastructure is a challenge – as this is too great for any one single project to afford.
- The Minister responded to both of the above points by stating that the CCS decision was not an easy one, but perhaps the CCS context and strategic importance hadn't been sufficiently communicated. The Minister had the following suggestions:
 - Lobby MPs
 - Arrange APPG meetings (the Minister stated that she is very keen to engage with MPs and hear feedback, as it helps with the future direction of CCS)
 - Develop campaigns and communicate via websites etc
- Luke Warren raised a point about the Contract for Difference (CfD) and the role of Lord Oxburgh's advisory group on CCS. In response, the Minister stated that CCS is still eligible for CfDs, but that CfDs are not automatically available for CCS. The focus is now on the longer term clarity for the Levy Control Framework – proposals will be published soon. Regarding Lord Oxburgh's CCS advisory group, the Minister confirmed that Lord Oxburgh has met with the Secretary of State to discuss the terms of reference. The first official meeting should be taking place in early February.
- One MP raised a concern about the signal that is being sent by Government regarding the UK support for Chinese companies and whether this will be terminal for energy intensive industries. The MP also questioned what the impact would be on GDP of losing the UK's energy intensive industries.
- A representative from the Teesside Collective emphasised that the Teesside Collective project is based on the availability of infrastructure and he questioned whether work could be done with the Oil and Gas Authority (OGA) to prioritise this.
- Responding to both of the above points, the Minister pointed out that there is much state backing for energy intensive industries. The UK is committed to reviewing the EU ETS and the impact on energy intensive industries (to ensure a level playing field). Proper carbon pricing is important for keeping energy intensive industries in the UK. Regarding decommissioning, the Minister stated that the OGA will look at assets and review the potential for CCS. A balance is needed between not keeping everything open but also not shutting everything.
- A representative from the Energy Technologies Institute (ETI) made a comment regarding the doubling of costs to meet carbon budgets without CCS. The ETI has re-run the analysis and found that the UK can still meet the targets, but there is a very steep financial penalty. The analysis shows that the best way to achieve cost reduction in CCS is to build the right infrastructure.
- Michael Gibbons made a number of final comments:

- The Government should explain the short-term saving now versus the greater costs in long-term
- The good news is that there is broad agreement on the need for learning from the competition. The CCSA is committed to a 'lessons learnt' exercise and helping to make this happen. A question was put to the Minister as to whether the Government agrees with the timescale for this lessons learnt exercise.
- Many projects (both power and industrial) want to see a future for CCS, however the Government strategy won't be available for many months – can the Government give any advice to these projects in an early timeframe?
- The Minister gave her closing remarks:
 - New gas plant will be built carbon capture ready
 - All industries say the same about short term savings versus long-term costs but it was a tough Spending Review and the Government can't fund everything today
 - There is also the possibility that the structural costs of CCS can be brought down by waiting for deployment elsewhere, so a delay might make CCS cheaper
 - The learning from the competition is important and the Key Knowledge Deliverables from the FEED work will be made available
 - In terms of the timescales for industry – it will be months [not years] before the Government sets out its new approach to CCS
 - Projects should continue to engage with Government