

Mr Andris Piebalgs
Energy Commissioner
The European Commission
Rue de la Loi 200
1049 Brussels
Belgium

Brussels
21 February 2008

Dear Commissioner,

The European energy industry commits to the costs and risks of an EU Industrial Initiative on CCS

This letter is to confirm our companies' support for the policy direction given by the European Commission on CO₂ Capture and Storage (CCS). Like the Commission, we believe a network of large-scale CCS demonstration projects is essential to accelerate the deployment of the full range of technologies, drive down costs, build public confidence and ensure CCS is commercially viable by no later than 2020.

To this end, we would like you to know of the specific financial and risk commitments that our individual companies are currently making - and those we are prepared to make in the future to support this vital initiative.

We are already contributing substantial resources to the development of CCS technologies and to adapted CCS project design and pre-engineering – and expect to continue with these activities. We estimate that our corporate commitments to the early development of CCS, as well as the achievement of CCS-related efficiency-increase, already amount to a total of more than € 635 million over the past five years in aggregate.

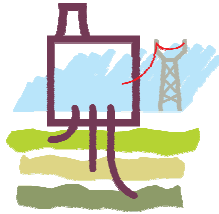
We, the undersigned companies, would like to advise the Commission that we are ready to increase our investment in CCS and take appropriate business risks as part of an EU Industrial Initiative on CCS. This increased investment and risk taking is largely dependent upon the development of the appropriate legal and financial framework to stimulate deployment of these early projects. Subject to the precise conditions of investment proposed for the Programme, we expect that our companies in the aggregate will commit upwards of 11,159 billion Euros over the next 7 years.

However, such an investment will be subject to very significant "First mover" risk. First movers will also incur additional costs which cannot be fully justified to our companies' shareholders. These will arise primarily from:

- 1) The unrecoverable costs that will result from making accelerated investments in the application of CCS technology at large industrial scale;
- 2) The immaturity and uncertainty of a carbon market whose regulatory framework and implementation is still being decided at Government level.

We are therefore obliged to emphasise our view that CCS is very unlikely to be implemented at industrial scale unless and until an appropriate legal and financial framework is in place.





In terms of legal framework, our understanding is that the Commission addresses this point in the Energy Package of 23 January and we welcome this development. In terms of First Mover costs, it is clear that the incremental capital and operating costs of CCS will be significant. Transitional financial incentives are therefore essential to enable its early deployment, in all circumstances.

It is envisaged that such support will be required throughout the demonstrations phase, but might subsequently be phased out over time as the required level of financial return can be achieved from the monetisation of CO₂ avoided under the ETS.

Nevertheless, the initial level of support required will be substantial. We are therefore of the view that the Commission and Member States need to proceed urgently to establish an appropriate financial framework for CCS demonstration at commercial scale.

Under these circumstances, we are confident that our companies will then be able to move quickly to realise the goal of the EU Industrial Initiative to have 10 to 12 large-scale CCS demonstration projects operational by 2015.

We continue to value the leadership of the Commission in this area and stand ready as ever to contribute to further technical and economic review and to the development of appropriate public-private partnership arrangements. Please be assured, then, of our commitment to CCS as the gateway to Europe's low-carbon economy - and to an EU Industrial Initiative as the key to its rapid deployment.

Yours sincerely,

Prof. Dr. Kurt Häge
Chairman European Technology Platform for
Zero Emission Fossil Fuel Power Plants (ZEP)

On behalf of

Aker Clean Carbon
BP
DONG Energy A/S
EdF
Electrabel
Endesa
Foster Wheeler Energia Oy
Nuon
RWE Power AG
Schlumberger Carbon Services
Siemens AG Power Generation
Union Fenosa
Vattenfall AB

ALSTOM Power Ltd
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