

Z E P Zero Emission Fossil Fuel Power Plants

Task Force on Policy and Regulation

Fifth meeting of ZEP Task Force on Policy and Regulations

Brussels, Thursday 6 December 2007

Starting at 10.00 – ending at 16.00

Venue: General Electric - Meeting Room 8th floor

Address:

Rond-Point Robert Schuman 2-4

1040 Brussels

Draft Minutes

1. Welcome, adoption of the agenda and approval of minutes of the last meeting. Co-chairs: Paal Frisvold, Francois Giger and Trude Sundset

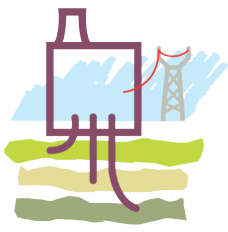
The agenda was approved and the minutes of the last meeting were adopted with one request for a change of wording (change “marginal” into “incremental” costs on page 2).

2. Report from 16 November 2007 ZEP Advisory Council meeting in Rome

Paal Frisvold and Trude Sundset reported from the AC Meeting on 16 November in Rome. Trude Sundset was confirmed as the new co-chair of the Policy and Regulation Task Force. The discussions in Rome focused on the pragmatic approach for the Flagship Programme, financing of the demonstration plants and letters to be sent out by ZEP in the beginning of next year to shape the political process and demonstrate commitment from the industry. While the first issue was agreed the latter should be further discussed at the Coordination Group meeting on 13 December. David Gye from Morgan Stanley was asked to prepare a revised paper on financing options taking into account the discussions at the AC meeting and the funding workshop the night before. Regarding the commitment letter from the industry no agreement could be reached on what kind of figures could and should be included. A proposal to have the industry commit to a certain share of the costs of the Flagship Programme turned out to be less feasible than stating absolute numbers on what has already been committed and what will be committed in the future.

Furthermore, it was decided to establish a full-time Communications position at the ZEP secretariat but mainly based in Brussels. Six ZEP member companies have offered to share the financing of such a position and others are invited to join.

A proposal from Frederic Hauge from Bellona to have the ZEP ask the European Commission to make CCS mandatory was not accepted by the majority of AC members.



3. EC communications on CCS, introduction followed by a discussion on a ZEP response

- **Strategic Energy Technology (SET) Plan, presentation by Paal Frisvold**

Paal Frisvold presented the main CCS-related initiatives proposed by the SET Plan that was published on 22 November 2007 and will be discussed at the EU Spring Council 2008:

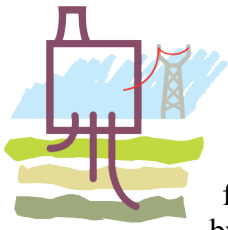
- **European Industrial Initiative** on CCS to align and focus industrial research and innovation efforts by the industry, the Member States and the Community, probably as a public-private-partnership (to be initiated in 2008)
- **Communication of financing low carbon technologies** to examine the potential to leverage private investments, enhance coordination between funding sources and raise additional funds; among others examine the opportunity of creating a new European mechanism/fund for the industrial-scale demonstration of low carbon technologies and consider tax incentives (to be published by the end of 2008)
- **Trans-European energy networks and systems for the future** initiating strategic planning towards a low carbon energy network including CO₂ transport and storage

The discussion among participants focused on the legal status of the SET Plan, the role of CCS in it, possible impacts and follow-up activities. Participants drew the attention to the fact that in the 2050 vision of the SET Plan CCS was not mentioned although fossil fuels will still play a major role at that time. It was acknowledged that the SET Plan can be expected to be of high importance with regards to upcoming policy proposals on CCS and should receive appropriate attention and response from ZEP.

- **Communication on supporting early movers in CCS, by Jan Panek, DG TREN**

Jan Panek from DG TREN presented an update on the Commission's work on the Communication on supporting CCS demonstration plants. The final draft was to be finished at the end of the week. He also referred to the SET Plan that would represent a joint effort by DG TREN and DG Research and stressed that it would emphasize the importance of demonstration for the development of CCS. The SET Plan would be a strategic document outlining the main routes towards decarbonisation. The heads of EU Member States would give their judgement at the upcoming Council meeting. In this respect the European Commission would not only hope for general endorsement but also for some proposals for more concrete follow-up activities.

The DG TREN Communication on supporting CCS demonstrations would be part of the climate package to be presented on 23 January 2008 together with the DG ENV Regulatory Framework, environmental state aid guidelines, the EU ETS Review and the renewables burden sharing. Recent changes to the draft would have mainly been done to bring the DG TREN Communication more in line with the SET Plan, in particular with the proposals for a European Industrial Initiative that might serve as a follow-up to the umbrella structure that would be proposed by DG TREN in its Communication. Content-wise the draft would not have been changed substantially compared to previous drafts. With regards to the financing issue Jan Panek referred to the Communication on financing low-carbon technologies that is



proposed by the SET Plan and should be published by the end of 2008. ZEP findings on possible financing options for CCS demonstrations could be taken up by that Communication.

During the discussion participants acknowledged once again the importance of the EU Spring Council 2008 and possible follow-up activities. For the further development of CCS it would be important to get financial commitments from the Member States and establish an EU-wide support scheme. Having the Member States agree to spend a share of the auctioning revenues they will receive in phase III of the EU ETS on CCS demonstrations would be a valuable option in this respect. The ZEP could come up with a related recommendation ahead of the Spring Council.

Participants also stressed that the ZEP industry was indeed committed to investing in CCS. However, risks were substantial and complex for early movers in the different parts of the CCS value chain and should be shared with the public sector. The Community would be in a role to help finding a way how these risks could be shared in an appropriate manner. It should be ensured that the industry not only invests in the cheapest and less risky technologies.

The attention of participants was further drawn to the inclusion of CO₂ in the Trans-European Energy Network (TEN) as proposed by the SET Plan. TEN infrastructure projects are of European interest meaning that they would be applicable for higher rates of state aid. Inclusion in the TEN would also mean that feasibility studies could be supported by the Community. The EIB could also provide special funds for lending money to TEN projects.

Finally, participants agreed that ZEP should take a closer look at the relation between ZEP and the CCS-related organizational or institutional structures proposed by the DG TREN Communication and the SET Plan.

- **DG Environment communication on an enabling legal framework for CCS including a Directive on the geological storage of carbon dioxide**

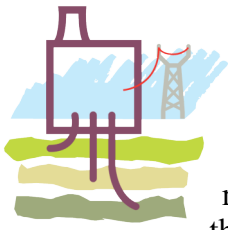
Mirjam Stegmann went through the main items of the draft DG Environment proposal for a regulatory framework for CCS. The participants discussed the plans of a light “capture-ready” requirement for all new power plants and remarked that this might not be appropriate for small and non coal-fired combustion plants. It was agreed that there would be a need to further specify the plants to which the requirement should apply.

It was further agreed that CO₂-EOR should not be included in the scope of the Storage Directive as it would already be regulated otherwise and not done for the purpose of CO₂ storage. The exclusion from the scope of the Storage Directive could however have the effect that EOR activities could not be fully integrated into the EU ETS although this would be possible in terms of monitoring and reporting requirements.

Participants discussed the possible meaning of the wording of “permanent” storage in the Directive and the proposed change of the Water Framework Directive where it should say that CO₂ storage should be allowed if the site is “permanently unsuitable for other purposes”.

It was agreed that ZEP should formally express its appreciation of the work DG Environment has done on the regulatory framework and that it would be of interest to look into the related Impact Assessment that has been carried out on behalf of DG Environment. The Impact Assessment could serve as a valuable background for follow-up lobbying activities towards the European Parliament.

Finally, Markus Wolf presented the results of a study carried out by Alstom on the limitations for the various impurities in the CO₂ stream regarding different parts of the CCS value chain



and for different technologies and storage sites. According to Markus Wolf a wide range of limitations exists in related literature and is used by companies working in that area. Only a smaller share of these limitations would however be based on scientific analysis but rather derived from common practice. As a reaction to demands from some NGOs for food quality CO₂ streams the study proposes alternative minimum requirements that could serve as a useful backup in case discussions on quantitative limits will come up in the course of further discussions on the DG Environment proposal for a regulatory framework. The Task Force agreed that the current wording of the draft CCS regulatory framework which refers to the amendments of the London Protocol and does not specify any quantitative limits for the impurity of the CO₂ stream should be supported and no discussion on minimum requirements should be opened with the Commission at this stage.

- **DG Competition guidelines on state aid for environmental protection**

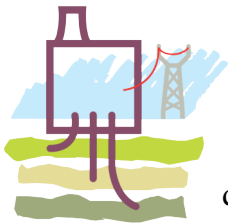
Participants discussed the current European Commission stance on state aid for CCS demonstration plants. The Commission seems to aim at assessing these projects as projects of “common European interest” rather than directly under the state aid guidelines for environmental protection. Related notifications would be put in the context of the existing rules which should however not become an obstacle to the projects unless these would lead to significant market distortions. It seems that being part of the project network proposed by DG TREN would be an advantage but not a precondition for a favorable view of state aid for a CCS demonstration project. The definition of the project would in any case be important. Participants agreed that the importance of clearance of the state aid issue should be stressed in the ZEP response to the publication of the EC communications in January 2008.

4. Establishment of a lobbying strategy for the decision making phase of the European Parliament and the Council of Ministers

Paal Frisvold presented a proposal for a ZEP lobbying strategy towards the European Parliament and the Council that should follow the publication of the CCS-related communications on 23 January 2008. It was agreed that the new ZEP Communications person should be in the centre of this lobbying strategy but the whole ZEP should get involved as well, mainly through the Communications and the Policy & Regulation Task Force. The Communications Task Force would already be working on this issue. The following CCS related events could be used for lobbying purposes: a high-level CCS workshop organised by DG Environment that will take place during the European Commission’s Sustainable Energy Week on 30 January 2008 and a open hearing on CCS at the European Parliament, organised by MEP Chris Davies on 3 or 4 March 2008.

The lobbying strategy would primarily aim at the agreement of the regulatory framework that needs to go through co-decision. It should focus on the main important facts regarding the need for CCS, the urgency and the safety of storage. Existing communication material could be used for that purpose. There would however be a need of further pooling of information on the role of CCS in the fight against climate change and on the safety of storage.

Participants agreed that ZEP should try to meet with representatives of key Member States and Members of the European Parliament and this way support in particular the co-decision process on the regulatory framework proposal and the subsequent transposition in national legislation. MEPs should be met preferably before the related hearings at the Parliament in order to avoid that only MEPs opposing CCS show up at these hearings. With regards to the Member States the ZEP Government Group should provide some support. At the next Task Force meeting the lobbying strategy should be discussed in more detail based on a draft list of



MEPs and Member States' representatives to be contacted which will be developed by the co-chairs.

Finally, the Task Force should recommend to the Advisory Council and the Coordination Group to prepare written submissions to the Permanent Representations and the EU Spring Council 2008.

5. Other business and next meetings

Participants agreed that the next Policy and Regulation Task Force meeting should take place on 24 January 2008 in Brussels. The main agenda item would be the lobbying strategy towards the European Parliament and the Council following the publication of the Commission proposals on 23 January 2008.

List of participants of ZEP P&R TF Meeting on 6 December 2007			
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