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UKBCSE response to the Government's Consultation on a framework for the development of clean coal

Introduction

The UK Business Council for Sustainable Energy (UKBCSE) brings together the key players¹ in the energy sector to develop an effective dialogue with Government that can help strengthen the UK's strategic agenda for sustainable energy. The Council welcomes the April 2009 announcement on Carbon Capture and Storage and the recent Coal Consultation. It is helpful that Government has now begun to clarify general principles on a role for coal and fossil fuels in the UK energy mix. However greater clarity on the policy framework for developing clean coal is needed and the Council notes the following points.

Demonstration plants

Demonstration in the UK (together with the UK's wider research and development effort) should be aimed at enhancing the reliability and reducing the cost of CCS technologies for further application in the UK and internationally. The funding and monitoring regime needs to be designed to support this approach. It will also be important to ensure that the UK demonstration programme is consistent with wider CCS demonstration projects being undertaken in other EU member states.

Pre- and post-combustion demonstration

The Council supports the Government approach of demonstrating both post- and pre-combustion technologies at full commercial scale (i.e. >300 MW net). Both technologies are largely unproven, at scale, hence carrying a variety of differing risks.

¹ Members of the Council include Centrica, EDF Energy, E.ON UK, National Grid, RWE npower, Scottish and Southern Energy, and Scottish Power.

Clusters

Funding demonstration plants around clusters would be beneficial. Parts of the present gas pipeline network could be exploited to transport carbon dioxide and thereby facilitate CCS 'clusters' around existing power station sites.

Sufficiency of CCS demonstration funding

It is not clear whether developers can expect to recover a sufficient proportion of their total costs, either from the proposed UK mechanism or from EU funding. Companies are concerned that considerable developer risk could result from the present consultation proposals.

CCS levy timing

The need to enact the CCS levy legislation by April 2010 is absolutely critical to allow demonstration of CCS within the timescales anticipated for retrofit.

Mechanism for rewarding demonstration plant

While the Government is at present consulting on possible support mechanisms for funding demonstration plant, companies believe that funding options based the amount of carbon abated over a fixed period, may give too little weight to the inherently uncertain performance of any demonstration plant – and moreover may not properly incentivise improvements delivered by taking a demonstration plant temporarily off-line. Against this background, however, consideration should be given to ensure that the consumer is not taking on a disproportionate share of these risks and therefore costs, given energy bills are already exposed to volatile power prices and a series of other environmental and social levies.

Conclusion

The Council agrees that there is considerable potential for this technology in the UK, and welcomes this opportunity to provide input to the Government's Consultation on a framework for the development of clean coal.