

Energy and Climate Change Committee

Committee Office House of Commons 14 Tothill Street London SW1H 9NB

Tel: 020 7219 4610 Email: ecc@parliament.uk Website: www.parliament.uk/ecc

Rt Hon Amber Rudd MP
Secretary of State
Department of Energy and Climate Change
3 Whitehall Place, London, SW1A 2AW

15 December 2015

Dear Amber,

RE: Decision to remove the Carbon Capture and Storage Competition

I am writing to seek answers from your Department regarding the recent stock market announcement that the £1 billion budget promised for the long-planned Carbon Capture and Storage competition was suddenly and unpredictably removed. Given the repeated commitment of this and the previous Government to CCS, my Committee was both surprised and disappointed by this decision, a feeling that appears to be shared across industry, business, investors and academia.

The historic deal agreed in Paris last week shows a global commitment to decarbonisation, and the UK is at the forefront of this action. However, the Committee on Climate Change clearly showed that current policies would not allow us to meet our own decarbonisation targets through the 2020s and up to 2050. We must therefore carefully think of what policies should be brought forward and bear in mind that what looks like a cost today may be an investment in the future. Given the UK's recent "energy reset" and the focus on developing new gas-fired generation going forward, the development of CCS could prove vital in meeting our carbon targets.

The UK must of course decarbonise most cost-effectively, and the upfront cost of any new technology must be taken into account. However, we must make sure that costs avoided today are not borne tenfold tomorrow. According to the Committee on Climate Change, carbon capture and storage has the potential to almost halve the cost of meeting the UK's 2050 target. Your Department itself acknowledged in 2014 that "projections in both the UK and internationally indicate it will be significantly cheaper to meet emissions reduction targets with cost effective CCS in the energy mix than without". The Prime Minister himself stated in December 2014 that CCS was "absolutely crucial if we are going to decarbonise effectively" and as recently as 21 July this year, you told us that you "remain[ed] absolutely committed to the carbon capture and storage programme".

In light of this, we would welcome answers from your Department to the following questions:

1. Can the Department provide further information on the reason behind the decision to cancel the CCS competition, including:

- **What is the evidence that the decision to stop funding CCS will provide value-for-money for the taxpayer?**
- **Was an impact assessment carried out and what is the cost-benefit analysis of this decision?**

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2. How else are you providing support for CCS now that the competition has been cancelled?

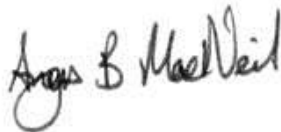
3. What do you see the future role of CCS to be if gas remains an important part of the UK energy mix?

4. What consideration was given to the signal sent out to the broader investment community by cancelling the competition in this way?

5. What future plans do you have to support or encourage the development of CCS in the UK?

We will be holding a one-off session on the CCS announcement with key stakeholders in the new year and I hope that you will provide answers to our questions by Wednesday 6 January.

Best regards,



Angus Brendan MacNeil

Chair, Energy and Climate Change Committee