



Department
of Energy &
Climate Change

The Rt Hon Amber Rudd MP
Secretary of State

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Dear Angus,

Carbon Capture and Storage (CCS)

Thank you for your letter dated 15 December 2015 in which you asked a number of questions about the Government's decision to no longer provide ring-fenced capital for the CCS Competition. My responses to those questions are set out below.

- 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 to the taxpayer?**
 - **Was an impact assessment carried out and what is the cost-benefit analysis of this decision?**

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 Parliament¹.

This necessarily involved difficult decisions, including to no longer make available £1 billion capital funding to support the CCS Competition.

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

Government's view remains that CCS continues to have a potential role in the long-term decarbonisation of the UK.

As I set out in my speech on 18 November 2015, we must unleash innovation in order to build the power sector we need for the future, and this includes CCS. Government has invested over £130 million in CCS Research & Development between 2011 and 2016. We announced in October 2015 £1.7 million support for three innovative CCS technologies through our Energy Entrepreneurs Fund, and our £2.5m project through the Energy

¹ <https://www.gov.uk/government/news/infrastructure-at-heart-of-spending-review-as-chancellor-launches-national-infrastructure-commission>

Technologies Institute to begin appraisal of five potential CO2 stores will conclude next year. We are also supporting, jointly with the Scottish Government, Summit Power with £4.2 million funding to undertake industrial research and development at their proposed CCS Caledonia Clean Energy Project in Grangemouth.

We are supporting CCS with key international partners including China, Indonesia, South Africa and Mexico through a £60 million investment through our International Climate Fund. And we will continue to work with energy intensive industries to develop Action Plans on energy efficiency and decarbonisation for key sectors such as steel, oil refining, chemicals and cement.

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

As we have made clear, we continue to see CCS as having a potential role in the long-term decarbonisation of the UK. To facilitate the retrofit of CCS technology to CCGTs in the future, the UK has implemented a robust 'carbon capture ready' policy in Europe. A proposed CCGT (300MWe or larger) can only be granted planning consent and get built if (a) it is able to demonstrate, through assessments relating to the technical and economic feasibility of capturing, transporting and storing its emissions of carbon dioxide, that it is reasonable to expect it could be fitted with CCS within its lifetime and (b) the developer sets aside sufficient space to enable the retrofit. This is a step further than the underlying CCS Directive, which only requires the feasibility tests be undertaken – the plant can still be built if the tests are failed.

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

The UK remains an attractive place to invest, with continued interest from debt and equity markets. The UK is widely seen to be one of the most stable markets due to its attractive risk and return profile, world-class regulation, transparent policy development, strong financial markets and clear property rights for investors.

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

Our view remains that CCS has a potential role in the long-term decarbonisation of the UK. The detailed design and implementation of CCS policy changes have yet to be determined. My Department continues to engage the CCS industry as a priority and held a meeting of the CCS Development Forum, co-chaired by Andrea Leadsom, in December 2015.

Yours sincerely



AMBER RUDD