

Rt Hon David Cameron MP
Prime Minister
10 Downing Street
London
SW1A 2AA

25th January 2016

Dear Prime Minister,

The Future of Carbon Capture and Storage in the United Kingdom

We are writing to you to express our dismay and deep concern regarding the Spending Review decision to withdraw funding for the Carbon Capture and Storage (CCS) Competition. Since the decision was taken there has been a complete lack of consistent explanation for this significant change in policy, which is very damaging to the credibility of UK energy policy and your government's commitments on climate change.

CCS has been a key component of the UK's cross-party consensus on climate and energy policy over the past decade and has benefited from support across academia, business, and civil society. A robust set of independent evidence from bodies such as the International Energy Agency, the Committee on Climate Change and the Energy Technologies Institute points to the strategic importance of CCS in enabling the UK to decarbonise its economy efficiently and affordably. Developing UK capability to deploy CCS will unlock a low carbon future for key clusters across our industrial regions; enable lower cost and flexible low carbon power generation; and catalyse industries and fuels of the future such as hydrogen.

While the recent decision saves up to £900m for taxpayers in the short term, it puts at risk a much more valuable prize: the savings in low carbon energy costs, worth tens of billions of pounds every year for UK businesses and consumers in future decades, which the evidence tells us can be delivered by a successful CCS sector.

Under your leadership, Conservative Party ministers led the integration of CCS into Electricity Market Reform arrangements, an approach which has been applauded internationally. The CCS Commercialisation Programme itself - funding for which was included in the Conservative Manifesto - was designed to support the vital early development of CO₂ transport and storage infrastructure and enable future cost-competitive deployment of CCS. All of this has now been put at risk by the sudden decision to withdraw support for a process that has taken years to design and implement, without any attempt to develop a credible alternative strategy for CCS.

Following similar actions taken with respect to renewable energy, recent Government decisions have had an immediate and profound impact on investor confidence in UK energy policy, undermined domestic policies on climate change, and put at risk the UK's world-leading applied research expertise on CCS and other low carbon technologies.

This is in stark contrast to the Paris Agreement at COP21, which represents a real step forward for international efforts on tackling climate change - and we applaud the UK's role within the 'High Ambition Coalition'. The Paris Agreement underlined the importance of rapid decarbonisation of energy sources and recognised that greenhouse gas emissions must be balanced by 'sinks'. CCS will be an essential technology to deliver on this aim and the UK's CO₂ storage potential should provide a clear national advantage and attractor for inward investment.

It is important to note that CCS is an infrastructure investment with long project lead-times and not simply a 'widget' that can be imported. CCS deployment pathways and cost reductions are dependent on access to CO₂ transportation and storage, which is why investment in CCS infrastructure is so important. The current availability of geological offshore storage options must be seized upon as part of a clear North Sea transition plan that maximises the use of UK engineering expertise and existing infrastructure.

Without an immediate, coherent and substantive response from Government to its recent policy reversals, confidence amongst project developers and investors across the full range of low-carbon technologies risks being irreversibly damaged. This would put at risk the fulfilment of legally-binding climate change targets, jeopardise the prospects for job creation and retention across carbon-intensive sectors, and undermine the case for new investment in electricity generation capacity.

As a matter of urgency, we seek clarification from you on the Government's approach to CCS going forward. This must be accompanied by a clear strategy to secure CCS deployment in line with the UK's decarbonisation objectives and timelines.

This letter has been copied to the Chancellor of the Exchequer and the Secretary of State for Energy and Climate Change.

Yours faithfully,

Aberdeen and Grampian Chamber of Commerce

Association for Consulting and Engineering

Association of UK Coal Importers and Producers

Carbon Capture and Storage Association

E3G – Third Generation Environmentalism

Energy Intensive Users Group

Energy UK

Environmental Industries Commission

Sandbag

Trade Union Congress

Tees Valley Unlimited LEP

UK Hydrogen Fuel Cell Association



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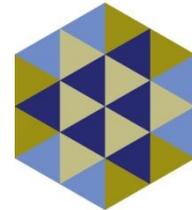


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