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Carbon Capture, Usage and Storage (CCUS): Report of the Parliamentary Advisory Group on CCS

Following the recent discussion on CCUS in the House on 20 December 2017, on behalf of the Department I would like again to extend my thanks to you, and the other members of your Group, for the report on carbon capture and storage that you delivered to Government. The report, and its recommendations, will continue to be valuable input for the Department for some time to come.

As I set out in the House, through the Clean Growth Strategy the Government has set out its new approach to CCUS which confirms that we consider that CCUS has the potential to decarbonise the economy and maximise economic opportunities for the UK and sets out our ambition to deploy CCUS at scale during the 2030s, subject to costs coming down sufficiently. The Government sees an opportunity for the UK to become a global technology leader in CCUS and will, with global partners, work to reduce costs and accelerate global deployment.

The recommendations set out in your report have been considered in the development of our new approach to CCUS and will continue to be a consideration in shaping our ongoing work, including the deployment pathway which my Department intends to publish in 2018, a copy of which will be placed in the Library of the House. As I committed to in the House, I set out below a response to each of your six recommendations.

Recommendation 1: Establish a state-owned CCS Delivery Company

With regard to the recommendation to establish a CCS Delivery Company (CCSDC) and delivering "full chain" CCS for power projects at strategic hubs around the UK, the Government has committed to publishing a "CCUS Deployment Pathway" by the end of 2018. This will set out the steps for CCUS to enable the 2030s ambition to be met and will be underpinned by the work of the CCUS Cost Challenge Task Force which we expect to report to Government by summer 2018.

An important part of this work will be considering how CCUS can be deployed in the UK and potential cost reductions that could be secured, including in the power sector. This will include the role of Government as well as the private sector in delivering CCUS in the UK.

Recommendation 2: Establish a system of economic regulation for CCS in the UK

Government has committed to reviewing the investment and delivery investment frameworks for CCUS. This review will focus on both industrial and power carbon capture and CO₂ infrastructure and will as part of this consider the proposal you put forward under this recommendation.

Recommendation 3: Incentivise industrial CCS through Industrial Capture Contracts

Government has worked closely with potential industrial clusters around the UK, including investing approximately £3m in Grangemouth and Teesside. Government has also committed to work with potential industrial clusters, such as those proposed in Teesside, Merseyside and Grangemouth, to identify the most appropriate way forward to test the potential for developing CCUS industrial decarbonisation clusters building on your report's recommendation that CCUS is best progressed in strategic hubs around the UK.

Recommendation 4: Establish a Heat Transformation Group

As you acknowledge in your report, there are a number of potential options that could be used to address the heat decarbonisation challenge.

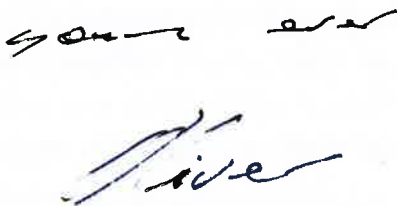
That is why the Department is working to strengthen our analysis of the range of potential approaches to decarbonising heat. This includes commissioning research, to help us consolidate and review the evidence base for different technologies, and enhancing our ability to model the costs and benefits of different approaches. In line with your recommendation, we have committed to work with industry, network operators, manufacturers, and consumers to achieve a clear and shared understanding of the potential, as well as the costs, benefits and implications, of different pathways for the long term decarbonisation of heat.

My Department will publish a full report of the evidence later this year.

Recommendations 5 and 6: Establish a CCS Certificate System and establish a CCS Obligation System

We note your recommendations to both establish a CCS Certificate System and establish a CCS Obligation System. In our view such a system would require international agreement to work effectively and to avoid adding additional burdens on UK business. As we have committed, Government will focus on working with other Governments and industry and reduce the costs of CCUS and accelerate global deployment.

I have placed a copy of this letter in the Library of the House and I would be grateful if you could share a copy of this letter with all members of the Parliamentary Advisory Group on CCS. I thank you once again for the dedicated work of the Group on this report. I hope you find this information helpful.



Rt Hon Lord Henley