

UNFCCC SECRETARIAT
UNFCCC COOPERATIVE MECHANISMS PROGRAMME
MARTIN-LUTHER-KING-STRASSE 8
PO BOX 260124 D-53153 BONN
GERMANY

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Submission By Bellona Foundation on Carbon Capture and Storage in the Clean Development Mechanism

Bellona Foundation has been advocating a whole suite of solutions to mitigate climate change. In addition to energy efficiency, renewable energy, Bellona regards Carbon Capture and Storage (CCS) an essential transition tool towards a low carbon future. Bellona Foundation made a submission in 2007 to the UNFCCC secretariat in support of the inclusion of CCS in Clean Development Mechanism (CDM). We welcome the decision at COP 16 to finally consider the conditions for how to include CCS in CDM. We find the list of outlined issues exhaustive and have together with other NGOs submitted a document detailing our comments on these issues. Addressing concerns properly can ensure that CCS can become included in the CDM in an environmentally sound manner and also complement rather than compete with other initiatives within the Clean Development Mechanisms.

We would like to use our submission to elaborate on what could be considered perverse incentives and the misconception that financing CCS within CDM would displace the deployment of renewable energy.

The CDM is firmly based on the principle of additionality. CCS projects should result in emission reductions that otherwise would not have happened. Many of the HFC-23 destruction projects seem to have been established in order to cash in on CDM credits, rather than address a situation where existing venting was stopped. Similar speculative projects should be avoided in the future.

Bellona Foundation assumes that capture of CO₂ from gas processing with high CO₂ content could be realized even with a modest price on CERs. There are obvious climate benefits in storing these streams that are currently vented. Transport and storage of current CO₂ would be additional in nature. It is important that the regulations avoid that marginal fields could become profitable either by the revenues of capturing CCS from these new fields, or by initiating enhanced gas recovery (EGR) operations.

If the CDM Executive Board for instance make new and additional gas exploration and processing in Indonesia eligible, the net result will be additional emissions of CO₂ to the atmosphere since the captured CO₂ would be outstripped by additional production and subsequent combustion of natural gas. The additionality criteria should reflect a system-wide approach which include overall emissions to the atmosphere.

Some environmental organizations and parties to the UN Framework Convention on Climate Change has opposed inclusion of CCS in CDM based on a notion that such an approval would displace renewables or swamping the market and lead to lowered price of CERs.

Firstly, studies seem to suggest that CCS projects will only constitute a small fraction of future CERs. CCS on for instance coal-fired power plants will be considerably more expensive than any carbon price in the near future can justify on it's own. The rationale behind allowing CCS in CDM is to provide a signal to project developers and governments that CCS should be considered as a valid mitigation option. It is on it's own, unlikely to result in new CCS projects in developing countries but may complement other policies. Bellona Foundation would also stress the promising potential for CCS in non-power sectors such as (steel, cement, fertilizer) as well as the combination of biomass and fossil fuel combustion that could deliver carbon-negative options.

Many renewable energy projects (solar, wind, hydroelectric, bio-energy) have in recent years experienced lowered cost based on economics of scale and technology that are locally appropriate. This development will make renewable energy an attractive mitigation option. CDM is now open for programmatic approaches, which will allow smaller and similar project to be accepted en-bloc.

Secondly, if Parties to UNFCCC agree on more aggressive emission reduction targets in line with the recommendations from IPCC there will be an increasing demand for CERs since free allowances will become retired. This is likely to increase the prices and allow a broad suite of CDM projects. CCS and renewable energy would then become complementary rather than in competition.

To conclude, Bellona Foundation reiterate it's support for the inclusion of Carbon Capture and Storage in the Clean Development Mechanism as an acknowledgement of CCS as a important and attractive mitigation option within the UN Framework Convention on Climate Change.

With regards,

A handwritten signature in blue ink, appearing to read 'Frederic Hauge', written in a cursive style.

Frederic Hauge
President of the Bellona Foundation