



Business, Energy and Industrial Strategy Committee

House of Commons, London SW1A 0AA

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Rt Hon Kwasi Kwarteng MP
Minister of State for Business, Energy and Clean Growth
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London SW1H 0ET

17th March 2020

Dear Kwasi,

I welcome the Chancellor's confirmation last week that the Government will invest at least £800 million in the first carbon capture and storage (CCS) clusters. I look forward to hearing further details of exactly what aspects of CCS this funding will be made available for, and in what format. I also look forward to hearing about the £500 million promised in the Queen's Speech for energy intensive industries to decarbonise, including the potential for this to further support development of CCS.

However, I am disappointed by the continued modesty of the Government's ambition for CCS deployment. This fails to match the pace and scale of CCS deployment deemed necessary to meet the UK's Net Zero target, and does little to capitalise on its benefits for industrial regions.

- The ambition set out in the Budget - to establish CCS at one site by the mid-2020s, and a second site by 2030 - is in line with old guidance from the Committee on Climate Change (CCC) that was written for the UK's former target to reduce greenhouse gas emissions by 80% by 2050. To put the UK on track for the new Net Zero target, the CCC has advised that CCS should be operational at *multiple* industrial clusters by the mid-2020s. Last year the BEIS Committee similarly recommended that CCS projects should be commissioned in at least three clusters by 2025. This would minimise the risk further delays to the technology's development, and would ensure that the productivity benefits of CCS accrue to industries across the UK, strengthening the Government's levelling-up agenda.
- The Government has not set any targets on the volumes of carbon dioxide that should be captured by the clusters - these would provide a clear direction of travel for industry and investors. The CCC previously recommended that at least 10 million tonnes of carbon dioxide should be stored by 2030, and 20 million tonnes by 2035, in order to meet the UK's former 80% emission reduction target; greater volumes will be required for Net Zero.

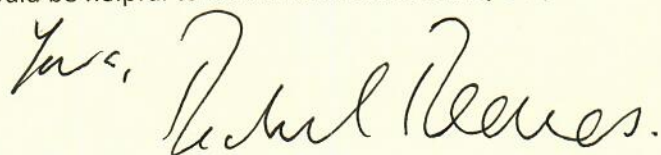
CCS projects are expected to take in the region of five to seven years to develop, due to the time needed to develop designs, secure planning and consents, and to construct facilities. Estimated project costs are substantial (£200-£500 million), with even design costs being considerable (£50-£100 million). It is difficult for businesses to justify these investments in the absence of any agreement on the main principles of CCS business models between Government and industry. The Government has yet to outline its preferences for these, despite previously committing to publish its 'Review of Delivery and Investment Frameworks for CCUS' by the end of 2019. Further delays to the Review could inadvertently set back the delivery of this

technology, making it extremely hard for developers to bring forwards CCS facilities in time to satisfy the Government's deployment targets.

In light of the above, please could you provide the following information:

- 1) How many projects is the £800 million funding for CCS intended to support, and for which aspects of CCS projects? What format will the funding be made available in?
- 2) When will the Government publish details of the £500 million promised in the Queen's Speech for decarbonising energy intensive industries?
- 3) When will the Government publish its Review of Delivery and Investment Frameworks for CCUS?
- 4) Will the Energy White Paper contain a decision on whether to set specific targets for carbon storage volumes by 2030 and 2035? When will the Government publish this?
- 5) Will the Government raise its ambition to have at least one operational CCUS cluster by the mid-2020s? If not, what alternative plans do you have in place to keep the UK on track for its Net Zero target?

It would be helpful to have this information by 3 April.

A handwritten signature in black ink, reading "Mrs. Rachel Reeves". The signature is written in a cursive, flowing style.

Rachel Reeves MP
Chair of the Business, Energy and Industrial Strategy Committee