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# CCUS Strategy: Considerations

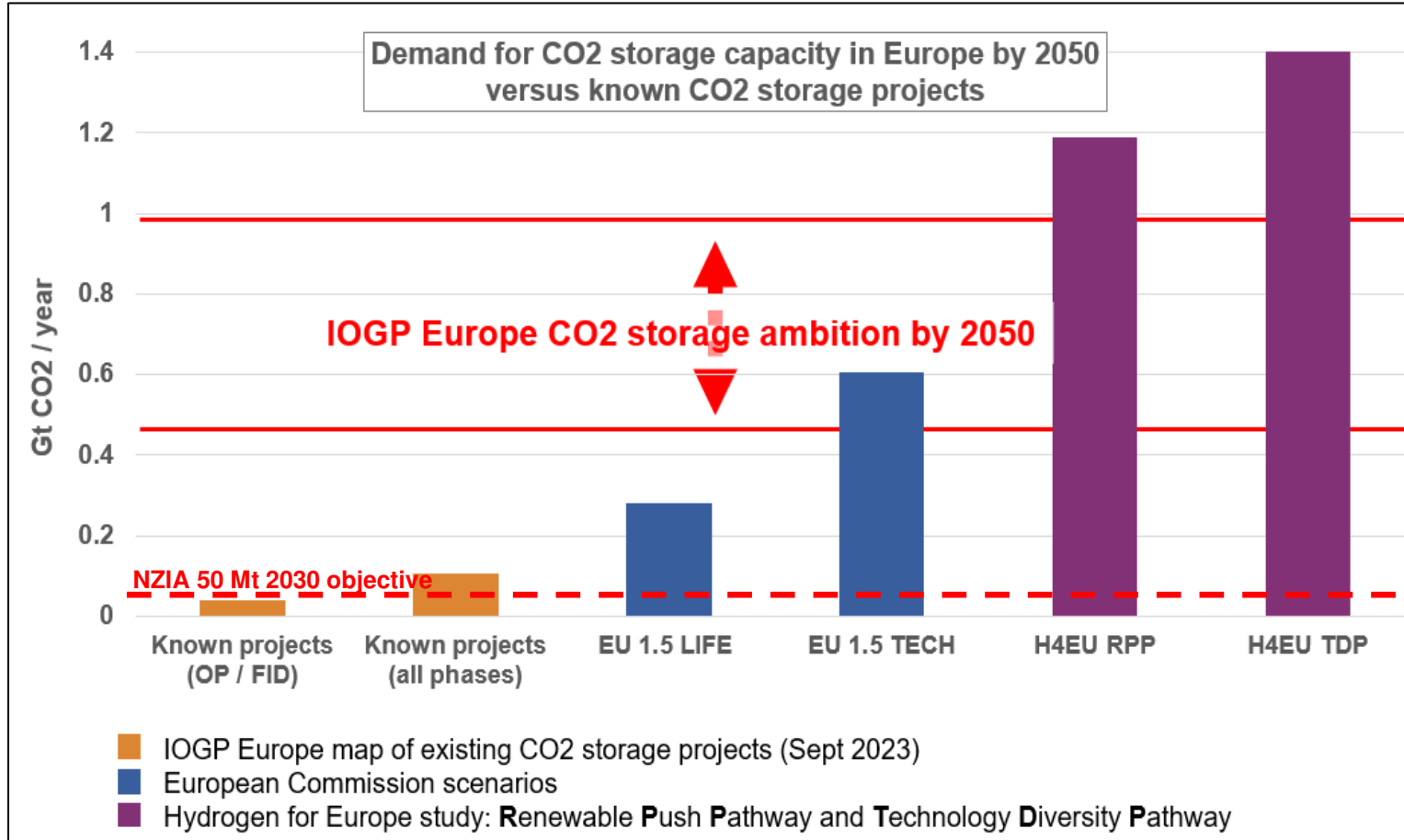
FSR Policy Dialogue, 17<sup>th</sup> January 2024

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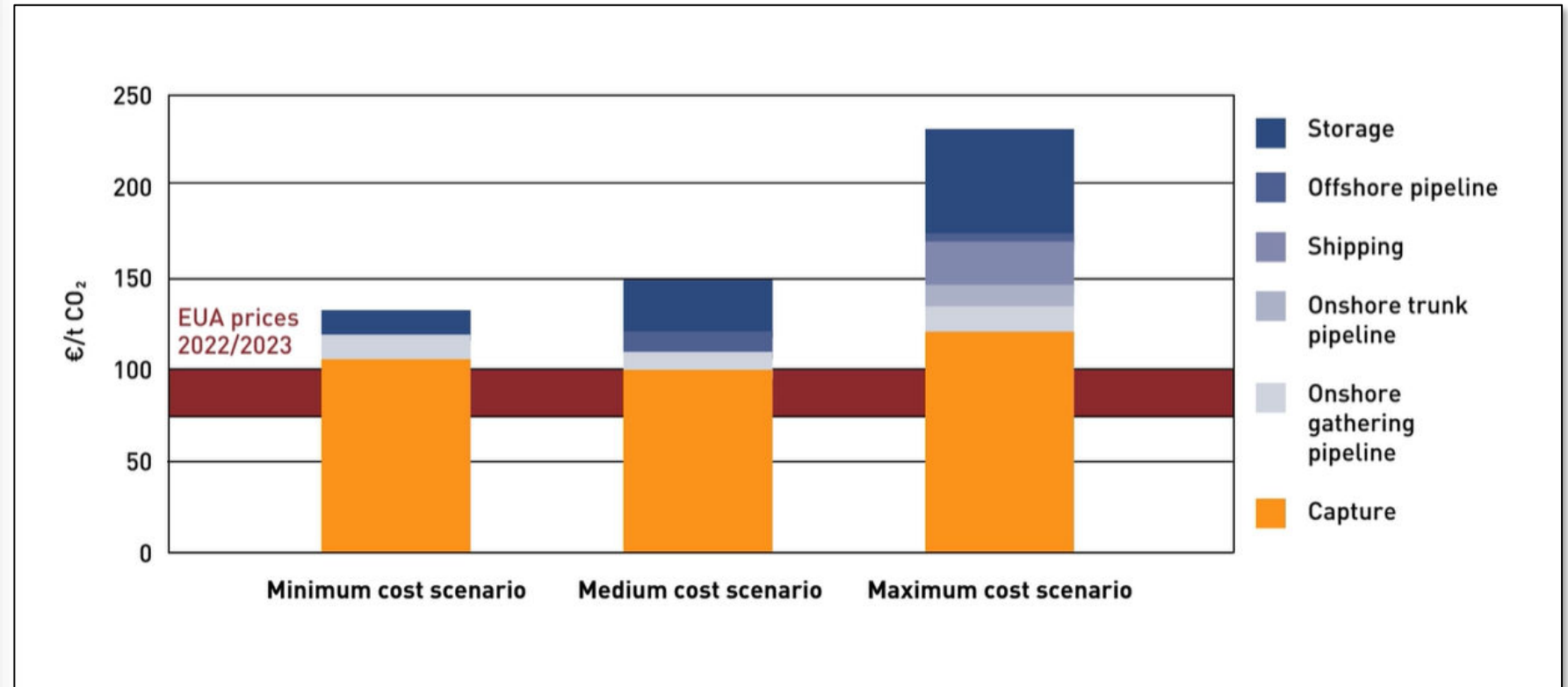
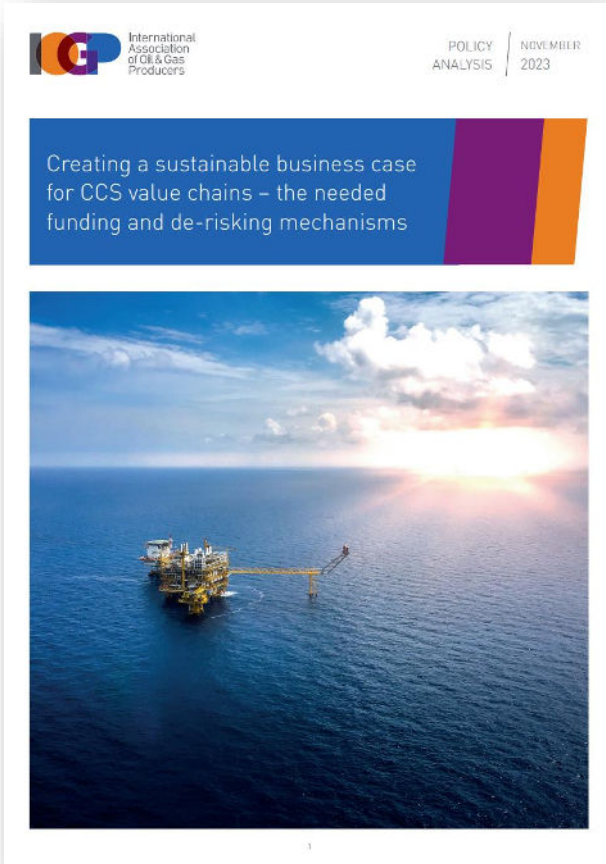
# CO<sub>2</sub> storage capacity ambition by 2050



- Hydrogen4EU study\* suggests **storage demand of 1.2 – 1.4 GtCO<sub>2</sub>/a by 2050**
  - Assumes significant industry activity kept in EU
  - Challenges JRC data at EU CCUS Forum (0.243 GtCO<sub>2</sub> stored p.a. in 2050)
- Storage ambition emphasises industry's **ability to deliver if enabling & supportive framework established**
  - Geological storage space exists
  - O&G producers have organizational capacity to develop storages

# CCS value chain levelized cost range from 130 to 230 €/t<sub>CO2</sub>

→ Incentives and de-risking schemes needed to underpin investments



IOGP Europe Policy Analysis Nov. 2023\*

## Key de-risking & funding mechanisms along the CCS value chain

- CCfDs
- Targeted funding
- Long term CO2 offtake contracts

- Government backed guarantees
- CO2 aggregators with public banking
- Long term back-to-back capacity bookings
- Regulated tariffs

- Targeted funding
- Long term store-or-pay contracts



Emitter  
with capture



Transportation  
infrastructure operators



Storage & offshore  
infrastructure operators

- **Enable emitters to sign long-term contracts with transportation and storage project developers**
  - Balance risks & rewards, de-risk long-term project cash-flows, underpin investment decisions
- **Possible role for CO2 aggregators → Can manage capacity and contract duration/conclusion mismatches**

# Regulation of CO2 infrastructure - Considerations

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- **Allow storage service providers to compete** (identification of cost-efficient solutions)
- Limit regulation **scope** to pipeline transportation (not ships, barges, trains)
- **No one-size fits all approach possible**
  - Distinguish gathering pipes, point-to-point pipes, local cluster networks, multi-modal grids, last-mile pipes
- **Avoid uncertainty**, developing perfect regulation → Can delay / deter investments
  - Consider **light-touch approach** (transparency and non-discriminatory access requirements)
- **CCS market is nascent, value chains are complex** → requires sophisticated regulatory delineation
  - Negotiated solutions between parties along value-chain may balance risks/rewards more effectively than regulation
- **Avoid unnecessary cost** of strict standards (CO2 purity has a price)
- Provide **investor certainty** → grandfathering where investment decisions taken; exemptions, opt-in rights



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