



5 December, 2008

To: EU Heads of State and Government

Re: CCS Demonstration Financing

Dear Prime Minister/President,

As representatives of Europe's leading industries and public interest groups, we encourage your full support for financing the 12 industrial scale demonstration projects for Carbon Capture and Storage (CCS) you called for in 2007. Crucial investment decisions are required in 2009-10 to deliver operational CCS projects in 2015.

Leadership on CCS is a critical part of the broader EU climate change and economic policy response because:

- 1.) The implementation of CCS is crucial for the EU to be able to deliver its 2020 and 2050 emissions reductions targets. Furthermore EU leadership on CCS is a necessary pre-requisite for securing a global climate deal involving developing countries;
- 2.) Without CCS, the IEA estimates that the cost of emission reduction to meet IPCC targets will be 70% higher. EU public investment in CCS will maintain European climate leadership and competitive advantage in a technology, global demand for which is very likely to grow exponentially as it is deployed beyond the EU;
- 3.) CCS will enhance longer-term energy security by using domestic European fuels, while the EU seeks longer term to develop the full potential of renewables for its energy needs;
- 4.) By 2030 the commercial development of the 80-120 new CCS plants together with the transport and storage infrastructure network could add many tens of thousands of new jobs.

We jointly call for urgent decisions, lead by the French Presidency and the European Council, to establish a robust funding mechanism, building on the proposals advanced by the European Parliament. This should deliver an EU-wide programme that ensures geographic balance, prioritises best public value, and delivers a financial mechanism that is time and volume limited, transparent, competitive and market-based.

The private sector is willing to continue investing significantly in the development of CCS technologies, and stands ready to share the development risks associated with the 12 CCS demonstration projects on a 'no performance, no pay' basis. The IEA, in its latest report, concludes that the window of opportunity for CCS to make a material impact on climate change is closing; now is the time to act. Every day that full-scale demonstration of CCS is delayed, we lock in new CO₂ emissions and make the challenge of meeting our CO₂ targets harder.