



Financing and incentivisation

(Mälardalen University, BRGM & Development Solutions)

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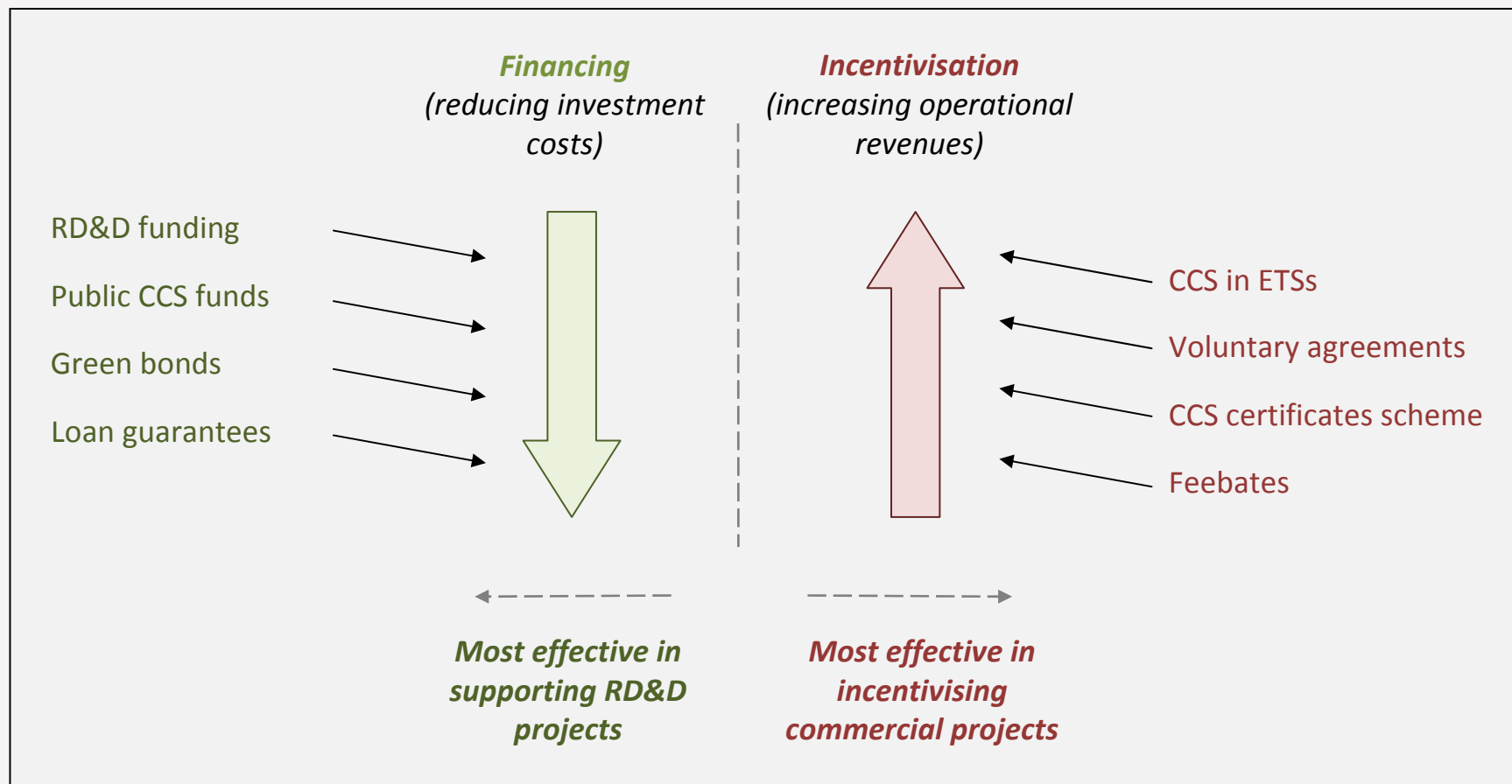


Main policy issues and presentation outline

- Financing
- Incentivisation
- Disincentivisation
- Investment risk

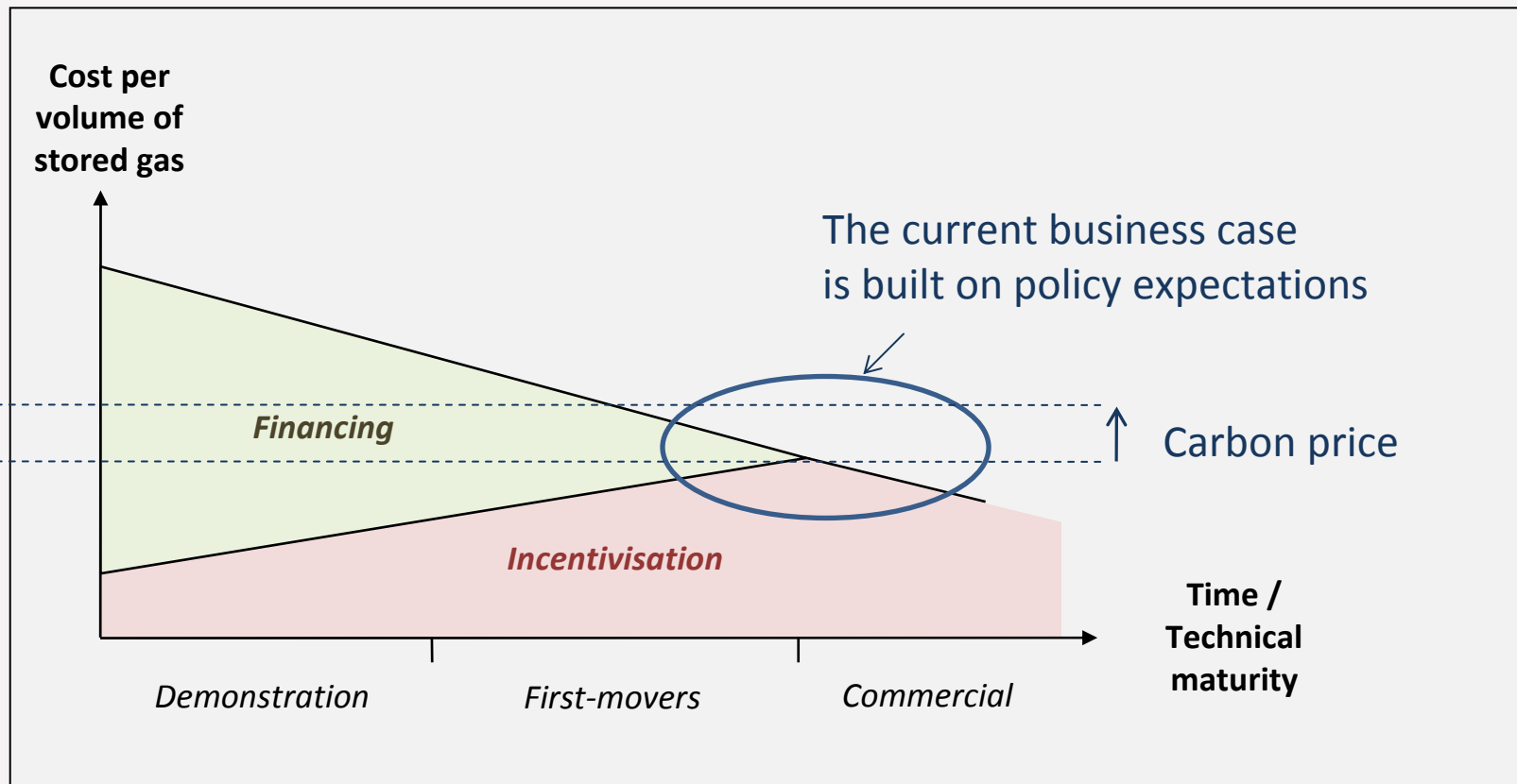


Financing and incentivisation



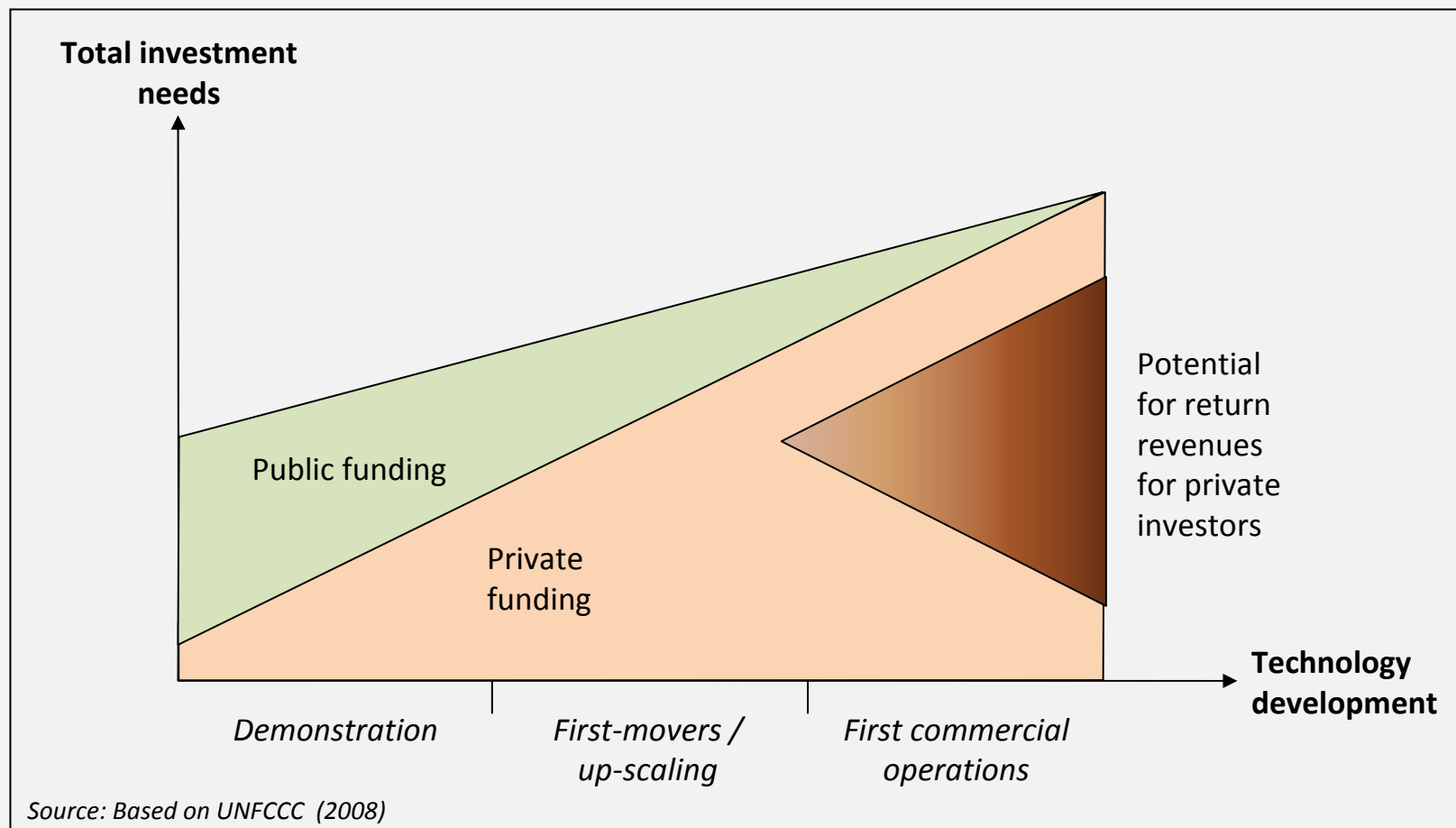


Financing and incentivisation





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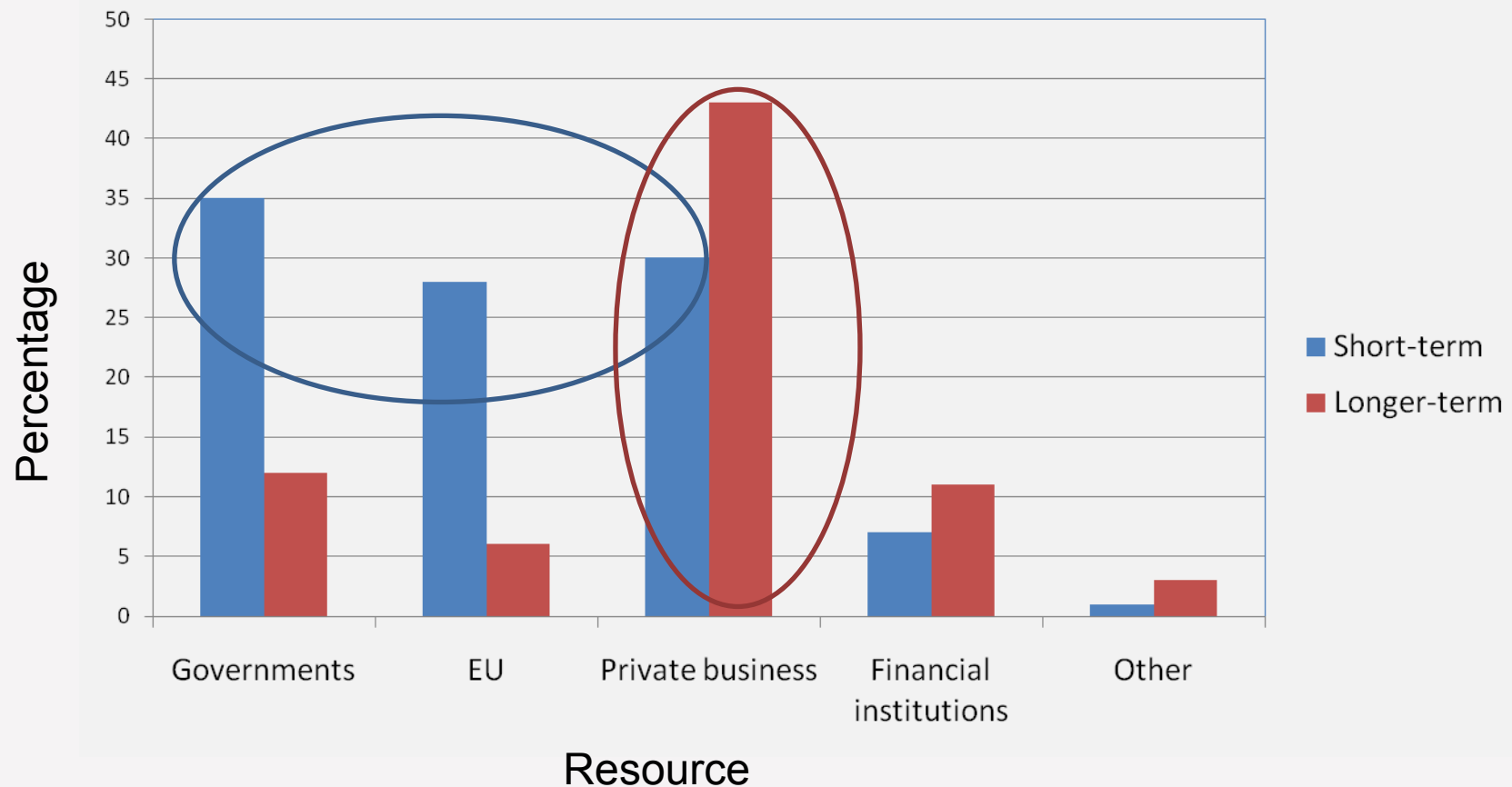


Financing and incentivisation

- Demonstration projects need financing and incentivisation bridging investment risks
- Focus is currently on incentivization by emissions trading
- Financing mechanisms are lacking
- Lack of policy lessons



Financing and incentivisation: stakeholder interview





Financing and incentivisation

- Financing policy suggestions
 - Public Private Partnerships (PPPs)
 - Green bonds (e.g. Worldbank)
 - Technology competitions (e.g. UK competition)
- Incentivisation policy suggestions
 - Emissions trading (currently in focus)
 - Refunded emission payment schemes (“feebates”)
 - Negotiated voluntary agreements
 - CDM



CDM: pros & cons

- Con
 - Alignment with criteria for sustainable development (SD) in host country
 - Competition with other GHG mitigation options
- Pro
 - Respondents in STRACO2 questionnaire were positive on including CCS in CDM
 - Useful instrument in the longer term (post 2012) with credible guidance
- Trade-off between risk of climate change and concerns related to CCS



Disincentivisation

- Short-term and complex policies
 - Lack of policies
 - Long lead time in adoption of policies
 - Lack of knowledge
- Policy making under uncertainty



Policy outlook marked by uncertainty

*Flagship programme plants
– full-scale demonstration*

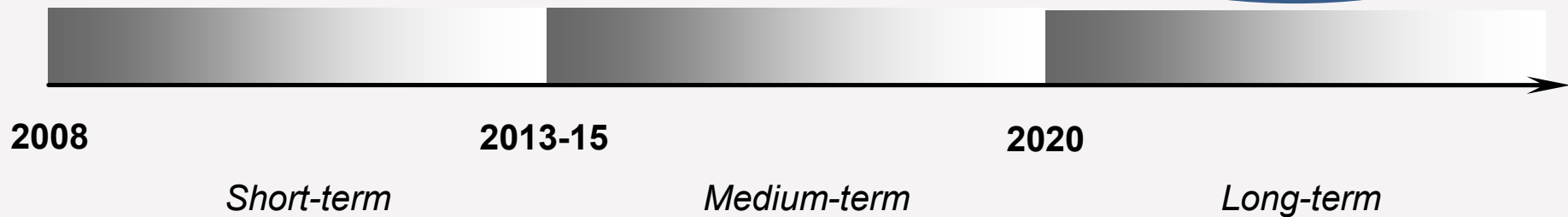
*First commercial plants
– first movers*

*Fully commercial plants
– general application*

Medium policy uncertainty

High policy uncertainty

No policy certainty





Disincentivisation: Policy suggestions

- Participatory policy processes
 - Use existing business knowledge
 - Identify main deployment obstacles
 - Develop joint language
 - Technology deployment scenario
 - Joint and credible policy development outlook
 - Consensus building

➤ The aim: increased policy stability



Risks

- CCS faces high investment risks
 - Costs
 - First-mover uncertainties and higher costs
 - Policy obstacles (sufficient revenues)
 - Interdependence
 - Transfer of post-closure liability
- Insurance capacity to be established for long-term stewardship



Risks: Policy suggestions

- R&D support on geological issues
- Facility for guidance on CCS infrastructure development
- Participatory policy process
- RD&D support
- Risk sharing facilitation
- Long-term policies



Conclusions (I)

- The business case for CCS is fragile and needs a credible policy outlook
- Financing can kick-start demonstration
- Move from single CCS policies to a combination of C-T-S policies
- A robust liability and insurance solution



Conclusions (II)

- The stakeholder dialogue needs to be improved
 - Exchange lessons learned to fill in knowledge gaps
 - Establish a common terminology to facilitate a well-functioning dialogue
 - Utilise existing business policy experience in a policy learning process
 - A joint global CCS agency should be governmentally sanctioned



Thank you for your attention!

For further information:

1. Full report:

www.euchina-ccs.org

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