

Energy UK Response to the BEIS Consultation on Re-Use of Oil and Gas Assets for Carbon Capture Usage and Storage Projects

23rd September 2019

About Energy UK

Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership covers over 90% of both UK power generation and the energy supply market for UK homes. We represent the diverse nature of the UK's energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 27 million homes and every business in Britain. Over 680,000 people in every corner of the country rely on the sector for their jobs, with many of our members providing long-term employment as well as quality apprenticeships and training for those starting their careers. The energy industry invests over £12.5bn annually, delivers around £84bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HMT.

Overview

Energy UK welcomes the opportunity to respond to the Government's consultation on the re-use of oil and gas assets for Carbon Capture Usage and Storage (CCUS) projects. Whilst our membership does not contain the specific expertise needed to contribute to some of the detailed questions within the consultation, Energy UK does fully support the overarching concept of reducing CCUS deployment costs through the re-use of oil and gas assets and we have chosen to communicate some high-level thinking through this letter.

Context

There is widespread consensus across industry experts and policymakers that CCUS will be crucial if the UK is to meet its climate change targets at the lowest cost, particularly in the context of the recently legislated target of net-zero emissions at 2050. Analysis from the Energy Technologies Institute (ETI) showed that failure to deploy CCUS in the UK could double the cost of meeting the old 80% emission reduction target¹, and the Committee on Climate Change (CCC) claim the technology is 'essential' to reach net-zero emissions². In light of this, it is positive that the Government is considering deployment of the technology and Energy UK is supportive of any opportunities to reduce the cost of this deployment such as potential savings from the re-use of existing oil and gas assets.

The existing government aims for CCUS were set out in the 2017 Clean Growth Strategy and were developed in the CCUS Action Plan published in November 2018. They commit:

- “that the UK should have the option to deploy CCUS at scale during the 2030s subject to the costs coming down sufficiently”;

¹ ETI (2015), Building the UK carbon capture and storage sector by 2030 – Scenarios and actions. Available [here](#).

² CCC (2018), *An independent assessment of the UK's Clean Growth Strategy From ambition to action*. Available [here](#).

- “to enable the development of the first CCUS facility in the UK, commissioning from the mid-2020s”;³
- To have at least one low-carbon cluster of heavy industry by 2030;
- To have the world’s first ‘net-zero’ cluster of heavy industry by 2040.⁴

Whilst Energy UK welcome the commitment to CCUS deployment in the aims, particularly the ambition to develop the world’s first net-zero cluster of heavy industry by 2040, we encourage government to be more ambitious and clear with its targets. We agree with the BEIS Select Committee position that the CCUS deployment timetable should be accelerated to target the commissioning of first CCUS projects in at least three clusters by 2025⁵ to reduce the chance of a third major delay to the technology’s development and also reduce the cross-chain risk associated with capture failure. We further encourage government to commit to specific targets for carbon dioxide stored. Such targets will provide clarity and confidence for investors, as well as a baseline against which the pace of CCUS deployment can be measured.

Key Points

The UK is fortunate to have a combination of suitable subsurface Geology and a wealth of skills and expertise built up through a world-leading oil and gas industry that positions the country as one of the most favourable locations globally for CCUS deployment. Carbon dioxide Transport and Storage (T&S) infrastructure will be pivotal to the successful deployment of CCUS and there is a clear opportunity to minimise the capital cost of this T&S system by repurposing existing oil and gas infrastructure where appropriate, which will in turn benefit taxpayers.

There is some confusion in the consultation around which types of infrastructure are being considered for re-use as the document refers solely to the re-use of pipelines on several occasions. We call for clarification from government on this point and believe that all infrastructure should be assessed for re-use to ensure that the maximum available cost savings are achieved.

We agree with the Government view that re-use of oil & gas assets presents an opportunity to both CCUS projects and to oil and gas operators, although we are aware from our own experience that every asset is different and there may be complications in repurposing infrastructure that is nearing its end-of-life. In some cases it may cost-beneficial in the longer run to commit to new infrastructure so careful consideration is needed on a case-by-case basis. We encourage government to work closely with the relevant infrastructure owners to determine where re-use is appropriate and ensure that assets are only transferred into the CCUS regime where it is safe to do so and the taxpayer will benefit.

Should you have any questions regarding this consultation response then please do not hesitate to get in touch via the details below.

I can confirm that this response may be published on the Department’s website.

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³ BEIS (2017), The Clean Growth Strategy: Leading the way to a low carbon future. Available [here](#).

⁴ BEIS (2018), “World-first carbon ‘net-zero’ hub of heavy industry to help UK seize global economic opportunities of clean growth”. Available [here](#).

⁵ BEIS Committee (2019), Carbon capture usage and storage: third time lucky? Available [here](#).