

Issues related to CCS deployment in HR 2454 (as introduced, 15May2009)

Each of the issues below relates to whether the provisions in Section 115 provide sufficient incentives so that individual CCS projects will be eligible for sufficient incentives to proceed. Overall funding pursuant to Section 782(d) appears to be sufficient to ensure widespread CCS deployment (i.e. approximately \$180 billion available to support up to 72 gigawatts or new or existing capacity).

Issue	Examples of Possible Remedies
<p>1. General: The bill needs a statement that the intent of Section 115 is to provide sufficient incentives to assure construction and operation of ~ 72GW of CCS-equipped power generating capacity in the US.</p>	<p>Provide such language in the legislative report, or include a general statement of purpose at the beginning of Section 115, such as:</p> <p><i>In general, it is the purpose of this section to provide financial incentives to owners of carbon capture and storage facilities that will make up the difference between the expected costs to construct and operate a CCS system and the price of allowances and value of any revenue streams associated with the sale of CO2 over the useful life of the CCS project.</i></p>
<p>2. Although there appears to be sufficient resources set aside in Section 782, the allocation procedures for bonus allowances under Section 115 do not compensate a CCS project owner for the difference between total costs to build and operate the CCS project and allowance values over the project's life.</p>	<p>Change the language of proposed Clean Air Act Section 786(g) to provide that, "A qualifying project <u>shall</u> receive annual emission allowances under this section for the first <u>30</u> years of operation."</p>

<p>3. The EPA Administrator is provided authority to modify the incentive program in ways that could defeat its purposes.</p>	<p>a. Provide that the minimum capture efficiency set by EPA in Phase II cannot be greater than the 50% minimum established for the first 6GW of capacity regulated in Phase I.</p> <p><i>Insert: , but such rates shall not be greater than 50% capture.</i></p> <p>b. The principal criterion for the EPA in developing alternatives to the reverse auction should be achievement of 72 GW of CCS capacity, not the cost-effectiveness of the program.</p> <p>Delete “efficient and cost-effective commercial deployment” and insert <i>72 GW of CCS capacity</i></p> <p>c. The criterion for setting bonus allowances should be to fully offset incremental CCS costs, over the CCS project life.</p> <p>Delete “no more than”</p> <p><i>Insert: (iv) the full useful life of the project;</i></p>
<p>4. The bill does not assure a process that would give the needed lead time for projects to design, finance, and construct CCS projects.</p>	<p>Winners of the awards under reverse auction provisions need at least a 5 year lead time to obtain financing and construct the power plant / CCS project.</p> <p><i>Insert: These regulations shall ensure that allowances are awarded to projects prior to the point when project developers make final design and financing decisions.</i></p>