

CHECK AGAINST DELIVERY

CCS statement

With permission, Mr Speaker, I would like to make a statement on coal and carbon capture and storage.

In our energy policy, we face three challenges: to transform our energy to low carbon sources; to maintain security of supply; and to do so in a way that is right for the British economy and industry.

And to meet that challenge will take all of the low-carbon technologies at our disposal.

We need renewable energy – in the last five years, we have tripled renewable electricity supplies. We have more offshore wind power than any country in the world, and yesterday, my RHF announced new support for offshore wind and new financial help for the wind industry to get through the credit crunch.

We need to facilitate nuclear energy too. In the face of climate change, with assurances on safety and cost, many who once opposed nuclear power now support it. Thanks to decisions made by my predecessor, Britain is on track for a renaissance in nuclear power, and I announced last week the nominations for eleven potential sites.

The future of coal in our energy mix poses the starkest dilemma we face: it is a polluting fuel, but is used across the world because it is low cost and it is flexible enough to meet fluctuations in demand for power.

In the UK, a third of our existing coal-fired power stations are due to close in the coming decade.

In order to ensure that we maintain a diverse energy mix, including maximising our domestic fuel supply, we need new coal-fired power stations but only if they can be part of a low carbon future.

And across the world, we know the challenge that coal presents. With many countries reliant on coal and many building new coal-fired power stations at a rapid pace, there is an urgent international imperative for us to make coal clean

With a solution to the problem of coal, we greatly increase our chances of stopping dangerous climate change. Without it, we will not succeed.

And there is a solution to the challenge---through carbon capture and storage. Capturing the CO₂, transporting it and locking it permanently underground would reduce emissions by 90 per cent.

But while this has been demonstrated in its different parts and at small scale – capturing emissions from 30MW – it has never been tried at a commercial scale and never the complete process from start to finish on a power station.

So the first task is to urgently drive the technology at scale.

We are already running a competition for one of the first end-to-end demonstrations in the world, covering capture, transport and storage.

It will be one of the biggest CCS projects in the world, more than ten times bigger than the largest existing pilot.

Yesterday my RHF announced the public funding for the next stage. We will now select bids to proceed to detailed designs.

But we know we need to go further. And because of yesterday's Budget there will also be funding for up to three more demonstration projects, and we want them to be a mix of pre-and post-combustion.

To support this, my RHF the Chancellor yesterday announced plans for a new incentive mechanism to support carbon capture and storage.

This could be based around a feed-in tariff for CCS, so these projects would receive a fixed price for electricity, or around a fixed price for carbon abated. And we will consult on this alongside our new coal conditions by the summer.

Mr Speaker, we need to ally this reliable stream of funding for carbon capture and storage, which we now have, with a policy on coal-fired power stations to drive the demonstration and deployment of CCS.

We consulted last year on carbon capture readiness as the condition for new coal-fired power stations. But I have concluded that while it is right to go ahead with this condition, it will not, on its own, drive the change we need.

I believe that we need to signal a move away from the building of unabated coal-fired power stations, because it is right for our country – to drive us towards low carbon as part of a progressive decarbonisation;

It is an essential part of a new industrial strategy;

And it is necessary, if we are to show international leadership on climate change.

So I am proposing two new conditions that any new coal-fired power station must meet to gain consent in England or Wales. We are now proceeding with a Strategic Environmental Assessment and will consult formally on these proposals in the summer.

First, we must send a decisive signal that change starts now.

So I now propose a requirement to demonstrate CCS on a substantial proportion of any new coal-fired power station.

We will propose for consultation a requirement to demonstrate at least 300MW of net capacity, or around 400MW of gross output, as a condition of any consent.

The demonstration condition would mean that henceforth, unabated coal-fired power stations will not get government consent.

Second, alongside this, we must secure not just a commitment to demonstrate, but, when the technology is proven, a commitment that CCS will be fitted on the entire plant.

As the Committee on Climate Change concluded, "conventional coal-fired power generation should only be built on the expectation that it will be retro-fitted with CCS by the early 2020s" – the earliest that they believe it will be feasible.

With the demonstrations in the UK and abroad, we will plan on the basis that CCS will be technically and economically proven by 2020.

There will be an independent judge of when the technology is proven, and I envisage the Environment Agency playing that role.

So every coal-fired power station built from now would have to commit to retrofitting CCS on the whole plant, 100%, within five years of 2020, subject to the technology being ready.

It would also mean, once the technology has been judged as proven, every new coal-fired power station would have to commit to CCS not just on a portion but on the whole plant.

I believe CCS will be effective and can be shown to work.

However, I also want to seek views on whether we need a safety net in the eventuality that it does not become proven as quickly as we expect.

And we will also consult on whether it is possible through an emissions performance standard to implement the conditions I have outlined.

Mr Speaker, the new conditions would come on top of the requirement of every power station to buy carbon permits, which under the EU emissions trading scheme are capped and falling.

Mr Speaker, I believe that the funding for demonstrations and the conditions I have proposed meet the criteria I set at the start.

They set us on a decisive low-carbon path, with the UK doing more than any other country to demonstrate and deploy CCS, and they are the most environmentally-ambitious coal conditions of any country in the world.

They protect security of supply, by making possible the only sustainable long-term diversity there is, and that is low-carbon diversity.

I have had representations that from day one there should be one hundred per cent CCS on new coal, but I believe that this does not appreciate the need that still exists to demonstrate the technology before full-scale commercial deployment is possible.

Such a condition would reduce the range of technologies that could be affordably demonstrated, mean that demonstration of post-combustion CCS would be far less likely, and would fail to meet our international obligation to drive low-carbon technology.

But under today's path to low-carbon coal, we will be able to both meet our climate change commitments and have up to four new coal power stations with CCS by 2020.

And this route to low-carbon coal is right, too, for the British economy, and will enable us to lead the world in carbon capture and storage.

Instead, with a reliable stream of finance, we are investing in British skills so our industries can lead carbon capture and storage not just within Britain but at power stations around the world.

And I hope our industry, universities, our scientists will respond to the challenge of creating a new industry in Britain.

Research suggests that carbon abatement technologies could sustain 50,000 jobs by 2030;

And this is a massive regional opportunity for Britain, and I pay tribute to our RDAs for what they have done, and look forward to working with them: Teesside, Thames Gateway, the Firth of Forth, the Humber could all be suitable for a new cluster, among other locations.

For our North Sea oil and gas industry, CCS can herald a new low carbon future.

Just as the 1960s and 1970s saw a new North Sea industry develop, so in the next decades, Britain can do the same again with CCS.

The proposals I have announced today seek to combine

The drive towards low carbon at home and around the world

The need for security of supply

And the building of Britain's industrial future

The proposals signal the era of unabated coal is coming to an end,

But a new low carbon future for coal with CCS can begin.

And I commend this statement to the House.