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Low Carbon Technology Partnerships initiative
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Led by wbcsd

Issues with current funding models for CCS

CCS currently demands either;

- A significant carbon price in the market;
- A major grant or capital injection from government with a modest carbon price in the market.

Indications are that this does not represent a sustainable model going forward;

- Resistance to high carbon prices due to competitiveness concerns and/or higher energy prices;
- Fiscal tightness in many countries may mean less availability of grants.

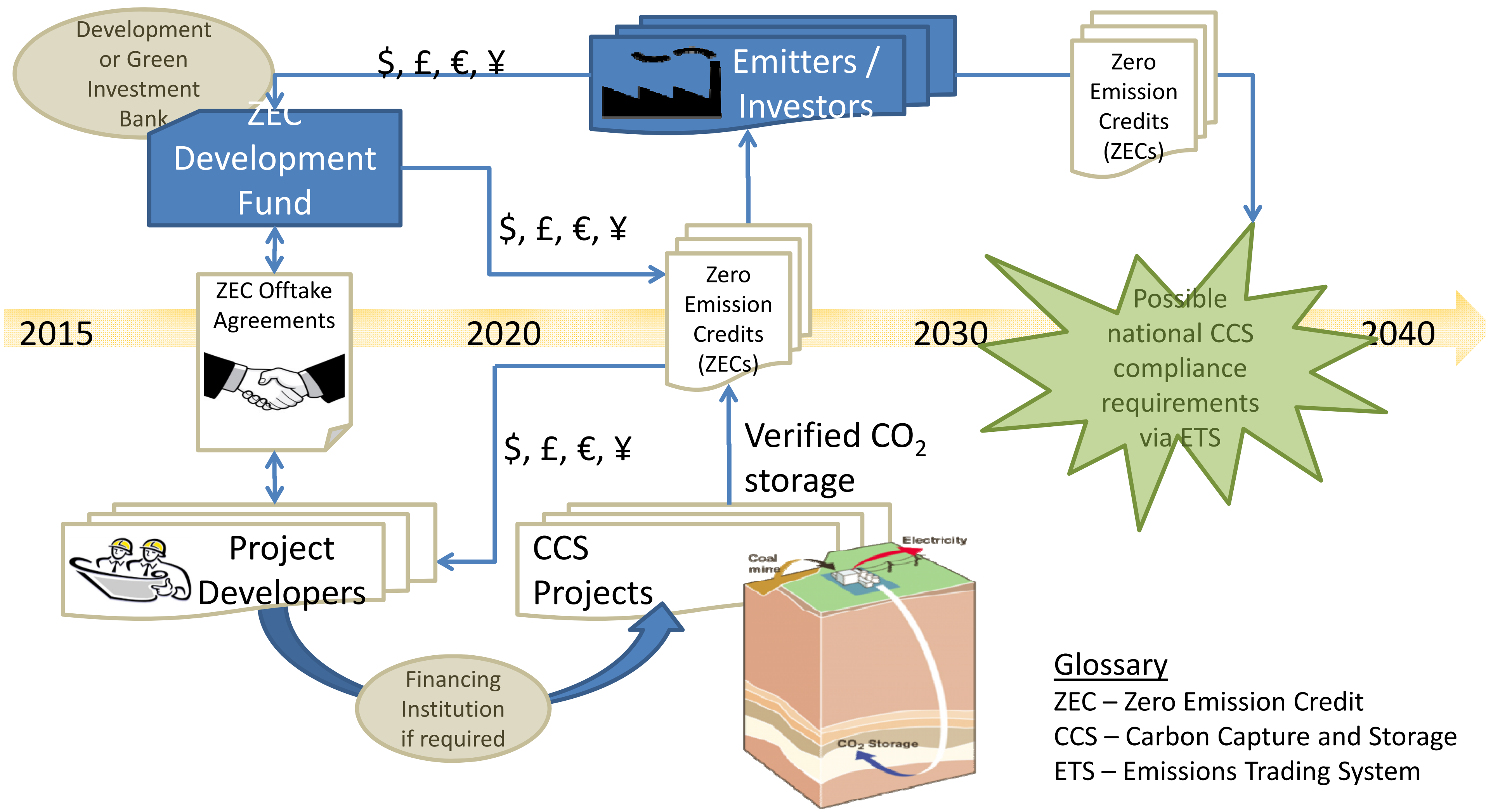
A new idea for funding CCS

A mechanism that rewards the storage of CO_2;

- Create a credit that represents one tonne of CO_2 stored (the Zero Emission Credit or **ZEC**);
- Near term demand is created through an investment fund;
- Long term demand comes through national compliance based systems.

A prototype fund to drive early demand;

- The fund only acts as a buyer of ZECs and is not directly involved in projects;
- Modelled after the World Bank Prototype Carbon Fund (2000-2015);
- Many smaller investors (companies, governments, foundations, individuals) rather than large single grants;



<u>Glossary</u>

ZEC – Zero Emission Credit

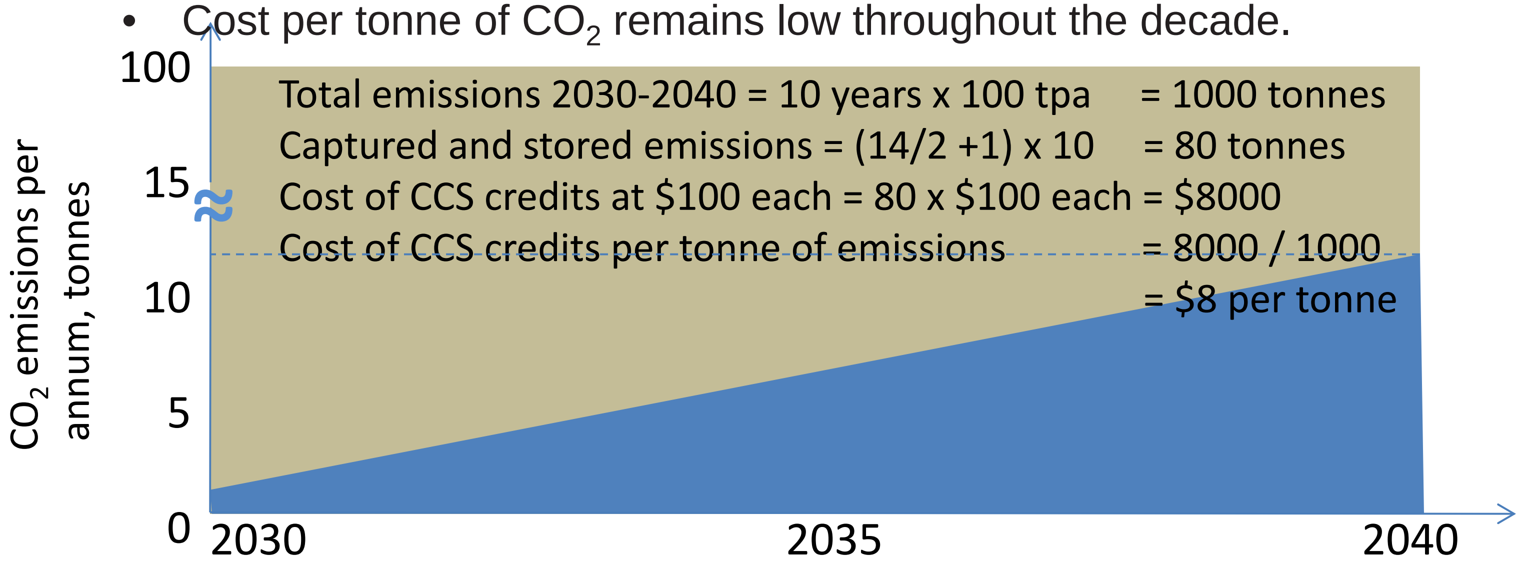
CCS – Carbon Capture and Storage

ETS – Emissions Trading System

An example of compliance based demand at national level in the period 2030 to 2040.

Incremental requirement to capture and store CO2;

- Start at 1% of emissions in 2030 – 15% of emissions must be captured and stored by 2040;
- Tradable ZECs are the compliance instrument (assume $100 per tonne).
- Cost per tonne of CO_2 remains low throughout the decade.




Thank you for your attention