JOINT OPEN LETTER FROM

ALSTOM, BELLONA, E3G, CLIMATE CHANGE CAPITAL, FORTUM, SHELL, SINTEF AND VATTENFALL TO EU ENERGY AND ENVIRONMENT MINISTERS

- Informal Energy and Environment Council in Paris, 3-5 July 2008 -

Brussels, 30 June 2008

Dear Minister,

European leadership on climate change, and in particular the targets for reducing greenhouse gas emissions are laudable. We believe, however, that the needed reductions in CO_2 emissions will not be achieved by 2030 without widespread deployment of CO_2 capture and storage (CCS). Deployment of CCS on that time-scale requires CCS technology to be ready on commercial scale by 2015-2020. A well-constructed programme of demonstration projects starting early next decade is necessary to achieve this objective. The generally ambitious EU climate and energy package of legislative proposals urgently needs strengthening to enable this to happen. We are writing to you, as representatives of industry and environmental organisations, to propose a way of achieving this.

CCS is an essential and pragmatic solution in a world that by 2050 will need to have cut greenhouse gas emissions by at least 50% from current levels and yet will remain dependent on fossil fuels due to rising energy demands. The critical contribution of CCS has been identified by the Intergovernmental Panel on Climate Change (IPCC) for its potential to reduce global greenhouse gas emissions substantially. Global energy forecasts which limit global warming to 2℃ are based on large-scale depl oyment of CCS starting in 2015-2020. By 2050 fossil fuel power plants throughout the world will generally have to operate with CCS. Europe must play a leading role in this.

At the European Councils in June 2008 and March 2007, EU leaders have called for a mechanism to stimulate the construction and operation of up to twelve large-scale demonstration plants by 2015. If it is widely deployed, CCS could deliver at least one quarter of the CO_2 emissions reductions required as part of efforts to stabilise temperature rises below 2℃.

The EU has yet to establish firm financing mechanisms in support of pledges made by Heads of State and Government to have CCS demonstration projects up and running by 2015. Early demonstrations are key to beginning first CCS commercial deployment in 2015-2020.

A range of CCS technologies are available now for large-scale demonstration. Shell has calculated that a seven year delay in the world's known CCS projects means 90-100 billion tonnes of avoidable CO_2 emissions being released into the atmosphere, or a 10 ppm increase in long-term CO_2 stabilisation levels. We are keen to play our part, provided that governments create the right economic conditions as they have done with other new technologies.

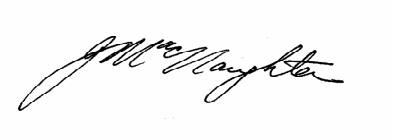
The proposed Directives on Geological Storage of CO_2 and on Emissions Trading provide a unique opportunity to devise a framework for funding that must not be missed, as has been pointed out in European Parliament discussions. We jointly call for urgent decisions by the EU institutions to support a transitional project demonstration mechanism whereby industrial actors operating CCS demonstration projects would obtain allowances for the full chain of capture, transport and verified storage of CO_2 that would be traded in the EU ETS. Where appropriate, this mechanism could be complemented by direct investment aid in line with Community rules on State Aid.

Such a mechanism should be time- and volume-limited, transparent, competitive, and market-based and be part of a roadmap to mass CCS deployment in Europe. A new project support mechanism for large-scale CCS demonstration must build on clear rules for liability and safety of storage, as defined by the proposed directive on geological storage of CO_2. Our organisations would equally support any other EU-wide funding solutions that would allow early CCS demonstration.

By becoming a global first-mover on CCS and in line with its ambitious climate change commitments, Europe could become a world leader in what is likely to be seen as nothing short of a revolution in energy conversion.

For every day full-scale demonstration of CCS is delayed, we make the challenge of meeting our targets harder. The time to act is now.

Sincerely yours,



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CC:

- Commissioner Stavros Dimas
- Commissioner Andris Piebalgs
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