CCS READINESS AT ŠOŠTANJ: TICKING BOXES OR PREPARING FOR THE FUTURE?

A PROPOSAL FOR A METHODOLOGY TO ASSESS COMPLIANCE WITH ART. 33.1 OF DIRECTIVE 2009/31/EC AND PROGRESS TOWARDS FULL CCS READINESS
Acknowledgements and legal disclaimer

This report is released in the name of The Bellona Foundation and Environmental Law Service. The views expressed in this report are solely those of the organisations at the time of writing and on the basis of available evidence. The authors would welcome any comments, reflecting the fact that the topics of the report are constantly evolving.

Authors (in alphabetical order): Eivind Hoff, Kristína Šabová, Jan Srytr, Gøril Tjetland and Marek Zaborowski.

© 2011 The Bellona Foundation and Environmental Law Service. All rights reserved. Users may download, print or copy extracts of content from this publication for their own and non-commercial use. No part of this work may be reproduced without quoting The Bellona Foundation and Environmental Law Service or the source used in this report. Commercial use of this publication requires prior consent of The Bellona Foundation and Environmental Law Service.

For more information, please contact:

Kristína Šabová
Environmental Law Service / Ekologický právní servis
kristina.sabova@eps.cz

Marek Zaborowski
Bellona Polska
marek@bellona.org

Eivind Hoff
Bellona Europa
eivind@bellona.org
ccs readiness at ŠoŠtanj: ticking boxes or preparing for the future?
Article 33.1 of directive 2009/31/EC (‘the Directive’) obliges Member States to ensure that applicants for new thermal power stations above 300 megawatt electric capacity (MWe) carry out an assessment of whether suitable CO\textsubscript{2} storage sites are available as well as of the technical and economic feasibility of CO\textsubscript{2} transport and retrofitting CO\textsubscript{2} capture technology, prior to the issuing of a construction permit for the power plant.

There is no commonly agreed standard for these assessments, although a number of organisations have suggested what the more comprehensive concept of CCS readiness should entail. This report draws on CCS readiness definitions to identify which questions can reasonably be addressed – at low cost – already prior to permitting of a power plant, in order to answer the questions of art. 33.1 of the Directive. In particular, this report sets out key project-specific information that needs to be provided in order to assess technical and economic feasibility. Some of the information will necessarily be highly uncertain at present, given the lack of experience with full-scale CCS at power plants.

The report then applies this methodology to the documents provided under art. 33.1 of the Directive by the project sponsor for a new unit 6 at the Šoštanj thermal power station in Slovenia.

Our evaluation shows that the submitted documents fail to comply with article 33.1 of the Directive because of:

• the absence of project-specific assumptions concerning economic feasibility, including lack of evaluation of economic feasibility of the capture, transport (in particular by sea) and storage;
• the lack of consideration of local geographical conditions’ impact on technical feasibility, in particular for building pipelines;
• the absence of any information beyond already available data from GeoCapacity on suitability of storage sites;
• the lack of consideration of the impact of protected areas and NATURA 2000 areas on transport and storage locations.

In sum, the information contained within the documents does not exhaust what can reasonably be expected under article 33.1 of the Directive. It does not allow for the assessment of the feasibility of the project – neither technical nor economic feasibility, nor the availability of suitable storage sites.
ccs readiness at ŠoŠtanj: ticking boxes or preparing for the future?
This document’s aims are:

» To propose a methodology firstly for assessing thermal power generation projects for compliance with art. 33.1 of directive 2009/31/EC and secondly for assessing power plants in their progress towards what we believe full CCS readiness should entail. Evaluation criteria have been defined for all parts of the value chain – capture, transport and storage.

» To apply this assessment methodology to the power plant construction project in Šoštanj, Slovenia.


The article reads as follows:

Article 33

1. Member States shall ensure that operators of all combustion plants with a rated electrical output of 300 megawatts or more for which the original construction licence or, in the absence of such a procedure, the original operating licence is granted after the entry into force of Directive 2009/31/EC of the European Parliament and of the Council of 23 April 2009 on the geological storage of carbon dioxide, have assessed whether the following conditions are met:

- suitable storage sites are available,
- transport facilities are technically and economically feasible,
- it is technically and economically feasible to retrofit for CO2 capture.

2. If the conditions in paragraph 1 are met, the competent authority shall ensure that suitable space on the installation site for the equipment necessary to capture and compress CO2 is set aside. The competent authority shall determine whether the conditions are met on the basis of the assessment referred to in paragraph 1 and other available information, particularly concerning the protection of the environment and human health.

In other words, Article 33 of the Directive requires applicants for new thermal power stations to carry out an assessment of whether suitable storage is available as well as of the technical and economic feasibility of CO2 transport and retrofitting CO2 capture technology. The introductory wording ‘Member States shall ensure (…)’ of article 33 also requires Member States to 1) judge the assessment presented by the project company and 2) require further assessments if the original assessments are not deemed sufficient, before issuing a permit for the power plant unit. The present document

1 The LCP directive was in 2010 ‘re-cast’ along with other EU legislation related to industrial emissions to form a consolidated directive on industrial emissions. Art. 33 of directive 2009/31/EC can now be retrieved as article 36 of directive 2010/75/EU of the European Parliament and of the Council on industrial emissions.
seeks to assist Member States in interpreting this provision.

Article 33.2 requires appropriate space to be set aside to accommodate CO₂ capture technology only if assessments show that CCS is feasible (see Annex IV for further details). However, if CCS appears to be unfeasible, no requirements related to CCS are imposed on the project. This is why article 33 has a legal meaning only insofar as its paragraph 1 imposes obligations for assessing the feasibility of CCS. These conclusions remain unchanged by the recital 47 of the Directive, related to CCS readiness.

Member States are free, however, to implement article 33 more expansively. In the ‘Carbon Capture Readiness (CCR) A guidance note for Section 36 Electricity Act 1989 consent applications’ issued by the Department of Energy and Climate Change in November 2009, the UK government set out its requirement for proposed power stations that they be granted the development consent only if they are assessed positively against the Article 33 criteria. This was done in order to support its commitment to new power stations at or over 300 MWe (and of a type covered by the LCP Directive) being built CCR.

This report argues what CCS readiness (CCSR) should mean, building both on the Directive and existing literature. CCSR is understood as the end goal of a process. We break this process into two phases: In the first phase, prior to permitting of the plant, key information must be sought and evaluations need to be carried out. This amounts to the feasibility and suitability evaluations required by article 33.1 of the Directive. The second phase runs from permitting to the final investment decision to retrofit CCS on the plant. The criteria to fulfil in the second phase do not need to be fulfilled under the Directive but are important to map out in order to understand what is needed in the first phase, in order to give normative meaning to article 33.1.

This document is structured as follows: The next part (section II) proposes a CCSR assessment methodology. Our process approach to CCSR is first explained in general terms (section II.A), then CCSR assessment methodology is explained with a focus on phase 1 of building CCSR (II.B).

The last part of the document (section III) applies this assessment methodology – criteria by criteria – to the Šoštanj project based on the CCS feasibility studies provided by the project (section III).
II. CCS READINESS DEFINITION

II.A. CCS READINESS AS A PROCESS

In this document, we use an expansive understanding of CCSR, which includes the whole range of technical, commercial, legal and economic requirements that such a major project would need to fulfill in order for a final investment decision to be taken by the project company.

CCSR should thus be understood as a process of gradually increasing readiness, towards the final investment decision. As an example, acquisition of the land chosen for pipeline infrastructure investment may take up to 10 years in many countries. Therefore, in order to be prepared for the investment, the land acquisition process should be started 10 years prior to the planned introduction of CCS. CCSR thus requires prior definition of a process to reach the state of 100% readiness for the final investment decision moment.

This CCSR plan should consist of a) definition of the tasks and activities required prior to the investment along with an indicative task realization schedule and b) specifying of the conditions that need to be fulfilled but may be beyond the project company’s influence (e.g. fuel cost, EUA price or pipeline access) for a final investment decision.

The company and other investors will make the final investment decision. This will depend mainly on two types of factors: Firstly, the net present value of the project, and secondly action by government (e.g. adoption of proper legislation, carrying out geological research). In addition, a lack of local support around potential storage sites could well be a show-stopper even if both the economics look attractive and government has assumed its responsibilities. Subjective assessments of both upward and downward risks for all these factors will be important for the foreseeable future.

II.B. ESTABLISHING CCSR CRITERIA

As mentioned above, we distinguish between two sets of CCSR criteria:

- Phase 1: Requirements under article 33.1 of the Directive, applicable to all permits for new power plant units above 300MW ('CCS feasibility')
- Phase 2: Criteria recommended to be fulfilled prior to a final investment decision for retrofitting CCS to the plant (CCSR)

In this section, Phase 1 is analysed.

For CCSR, some crucial tasks can only be fulfilled by government, not the investor. Some of these tasks are listed in Annex V, but fall outside the scope of art. 33.1 of the Directive, as they concern ‘full’ CCSR.
ccs readiness at ŠoŠtanj: ticking boxes or preparing for the future?
II. CCS READINESS DEFINITION
II.B.1. CCS FEASIBILITY

Article 33.1 requires assessments of ‘technical and economic feasibility’ of capture and transport of CO₂ whilst for storage the assessment should be about availability of ‘suitable storage sites’. The reason for the different wordings is presumably the greater local site specificity for storage. If there is no site with the required characteristics for permanently storing future captured CO₂, this is a geological reality that technical prowess or money can do little about. But this takes us to the term ‘available’, which brings us back to economic feasibility: The further away a suitable storage site, the more expensive the transport will be. Thus, in reality, similar standards for issues to address should be applied to both capture, transport and storage when evaluating assessments carried out for article 33.1 compliance.

‘Technically and economically feasible’

Article 33.1 of the Directive requires the ‘technical and economic feasibility’ of transport and of retrofitting the installation for capture of CO₂ to be assessed. Feasibility assessments should be carried out in a systematic manner and be based on reliable and objective methodology. However, the Directive does not give any guidelines for technical and economic feasibility assessments. A publication prepared by the European Commission – ‘Guide to Cost Benefit Analysis of Investment Projects’ - from July 2008, can be considered as a best practice example of how to approach feasibility assessments and is one source of criteria in this report.¹

‘Economically feasible’ means that, during the operating life of the plant, there is a probability that a plant if retrofitted and operated with CCS can earn a reasonable rate of return on investment. The plant’s total cost for capture, transport, and storage would include planning, construction capital, and operating costs, including the time value of money.

The term ‘technically feasible’ is defined in point 2.4.b Annex I to directive 2003/87/EC², as technical resources capable of meeting the needs of a proposed system can be acquired by the operator in the required time.

‘Technically feasible’ or ‘technically capable’ can also be interpreted as meaning that technologies exist that can be applied to capture and transport and store a significant portion of the CO₂ emitted from the plant, while substantially preserving the original functionality of the plant.

The present document uses the outline for pre-feasibility studies³ by P.M. Hawranek in ‘Manual for the preparation of industrial feasibility studies’ as the main reference to define the terms ‘technically and economically feasible’ that are used in the Directive. The outline for a pre-feasibility study can be found in Annex III. It must include a detailed assessment that takes local conditions into account.

For instance, if the operator decides to use an existing transport network, the availability and capacity assessment of this infrastructure must be made in the pre-feasibility study. If, because of the lack of connections or lack of transport facilities that match

³ Manual for the preparation of industrial feasibility studies; W. Behrens, P. M. Hawranek, United Nations Industrial Development Organization, 2009
CO₂ transport criteria, the operator decides to build the network and facility, a pre-feasibility study for this must be prepared. ‘Suitable storage sites are available’

A suitable storage site must have a reasonable chance of complying with the requirements of the Directive (a list of these criteria can be found in its annex I). It means that sites that are explicitly (under article 2 ‘Scope and Prohibitions’) or implicitly (by national or regional law, as onshore storage sites in the UK) excluded from use as CO₂ storage sites are irrelevant to an assessment of suitability.

A third party should be commissioned (by the project company or the authorities) to carry out an evaluation of the most promising storage sites within a reasonable radius (which could be in the range 300-500 km, depending on the economics of a ‘best-guess’ future CCS project). The achievable level of detail – and probability – is driven by the data availability and the maturity of previous CO₂ storage assessments in the study area. An important part of a geological, technical and economic assessment is uncertainty and sensitivity evaluations. These should include stochastic modeling. A higher degree of uncertainty should entail that a larger number of potential storage sites are evaluated, and vice versa for low uncertainty, but in no case should less than two potential storage sites be evaluated.

The evaluation should at least address the parameters identified in Guidance Document 2 ‘Characterisation of the Storage Complex, CO₂ Stream Composition, Monitoring and Corrective Measures’ to the Directive:

‘The assessment will aim to identify and prioritize the most likely areas to continue future assessment activities. In performing this screening and ranking of regions or basins, a set of selection criteria with appropriate cut-off limits will be required on which the assessment can be made, e.g. basin depth, structural deformation, porosity, permeability, seal and reservoir quality and effectiveness. For each region or basin, the criteria may be adjusted to match the local issues in terms of criteria that reflect the scale and complexity of the storage needs such as distance to source, CO₂ supply volumes, injectivity rate etc. It is often quite important to adequately document the failure cases, so as to alert potential later attempts to re-assess such areas, and to make it apparent as to why they have been dismissed’.

Storage sites should be assessed within the jurisdictions of European Economic Area (EEA) countries, as CO₂ storage outside the EEA does not qualify as emission reduction under the EU Emission Trading System and thus will be economically more challenging. If economic feasibility depends on storage outside the EEA (e.g. for use in Enhanced Oil Recovery), they should be assessed against the requirements of the Directive, including the ability of the country of storage to fulfill the legal and administrative requirements of the Directive.

II. CCS READINESS DEFINITION

II.B.2. CCS FEASIBILITY CRITERIA

In the matrices below follows consolidated lists of criteria that this report argues need to be verified to assess the CCS feasibility of projects, and thus are required for compliance with article 33 of the Directive. It should be emphasized that this list is not closed and can be supplemented with additional, project-specific criteria. In the resulting matrices, CCS feasibility criteria are listed according to a number of variables:

Source of criteria
The criteria for assessing feasibility of capture, transport and storage build on the following sources:

- the Directive (in Annex I to this report, general criteria for compliance with the Directive are listed that are particularly relevant for assessing the feasibility of CCS).
- Guidance documents for the interpretation of the Directive given by the European Commission
- Recommendations on CCSR by the ICF
- ‘Definition of Carbon Capture and Storage Ready (CCSR)’ by the Global CCS Institute, the International Energy Agency and the Carbon Sequestration Leadership Forum
- Global CCS Institute (see Annex II)
- UK Carbon Capture Readiness guidelines
- Havranek, P.M. (1991)
- Bellona’s own analysis

It should be stressed that the sources generally link their criteria to other purposes than compliance with art. 33.1 of the Directive (CCSR, compliance with the Directive overall, etc.). The links to art. 33.1 of the criteria express the views of the authors only.

Categories of criteria
Criteria for readiness of capture, transport and storage are divided into:

- Commercial (contractual)
- Economic
- Environmental
- Geological
- Legal
- Technical
- Public awareness
- Organisation

Impact
The relative magnitude of potential impact on CCS retrofitting if a criterion is not fulfilled, is assessed.

Risk assessment
If a criterion is not fulfilled, it entails some risk to the investment, which is described in some detail for certain criteria.

Risk management
How risks can be managed and mitigated is here described for some of the criteria.

7 Carbon Capture Readiness (CCR), A guidance note for Section 36 Electricity Act 1889 consent applications, Department of Energy and Climate Change, UK 2009 (open), http://www.decc.gov.uk/publications/
### Proposed Criteria for CCS Feasibility Assessments

<table>
<thead>
<tr>
<th>No</th>
<th>Source of criteria</th>
<th>Category</th>
<th>Criteria</th>
<th>Impact</th>
<th>Risk</th>
<th>Risk management</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ICF</td>
<td>Economic</td>
<td>Project-specific preliminary economic analysis of capture facilities prepared</td>
<td>High</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>ICF</td>
<td>Economic</td>
<td>Economic and technical pre-feasibility study made</td>
<td>Medium</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Bellona</td>
<td>Organisation</td>
<td>Conditions for triggering final investment decision for CCS retrofit are described (EUA price, fuel cost...)</td>
<td>High</td>
<td>Operational costs, ETS income and financial costs are incorrectly projected</td>
<td>Plan trigger mechanism</td>
</tr>
<tr>
<td>4</td>
<td>Hawranek, P.M. (1991)</td>
<td>Organisation</td>
<td>Indicative schedule for preparing and undertaking CCS retrofit is made</td>
<td>High</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Bellona</td>
<td>Public awareness</td>
<td>Participation of the public in the project preparation has been planned, including assessment of costs of the participation.</td>
<td>High</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Bellona</td>
<td>Technology</td>
<td>Location and land footprint of capture plant, compression equipment, chemical storage facilities and exit point are planned.</td>
<td>High</td>
<td>The land space reserved is not sufficient</td>
<td>Carefully assess space needs, investigate alternative capture technology</td>
</tr>
<tr>
<td>7</td>
<td>ICF</td>
<td>Technology</td>
<td>Preferred capture technologies identified</td>
<td>High</td>
<td>Integration difficulties with existing plant, higher capital costs than expected, high risk novel technology, possible technological lock-in</td>
<td>Asses all available technology prior to vendor and technology commitment</td>
</tr>
<tr>
<td>8</td>
<td>ICF</td>
<td>Technology</td>
<td>Preliminary design for capture facilities and their integration into the plant prepared</td>
<td>Medium</td>
<td>Improper assessment of the space needed.</td>
<td>Prepare preliminary design</td>
</tr>
<tr>
<td>9</td>
<td>ICF</td>
<td>Technology</td>
<td>List of companies which can supply construction and operation services for capture facilities compiled</td>
<td>Medium</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## PROPOSED CRITERIA FOR CCS FEASIBILITY ASSESSMENTS

### TRANSPORT

<table>
<thead>
<tr>
<th>No</th>
<th>Source of criteria</th>
<th>Category</th>
<th>Criteria</th>
<th>Impact</th>
<th>Risk</th>
<th>Risk management</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bellona</td>
<td>Commercial</td>
<td>Rights of way to access the pipeline corridor or shipping route identified and evaluated</td>
<td>High</td>
<td>Transport facilities are not technical and economical feasible</td>
<td>Prepare economic and technical feasibility</td>
</tr>
<tr>
<td>2</td>
<td>ICF</td>
<td>Economic</td>
<td>Economic and technical pre-feasibility study made.</td>
<td>High</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Hawranek, P.M. (1991)</td>
<td>Economic</td>
<td>Total transportation demands prepared</td>
<td>Medium</td>
<td>Transportation needs may not be satisfied</td>
<td>Prepare demand forecast for each transportation network</td>
</tr>
<tr>
<td>4</td>
<td>Hawranek, P.M. (1991)</td>
<td>Economic</td>
<td>Investment and operational costs assessed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Bellona</td>
<td>Environment</td>
<td>Compatibility with environmentally sensitive or protected areas, especially NATURA 2000 areas, identified</td>
<td>Medium</td>
<td>Building permission would be suspended or rejected due to environmental conflicts</td>
<td>Identify NATURA 2000 areas, and list potential environmental concerns</td>
</tr>
<tr>
<td>6</td>
<td>Dir, Art.3, par.22</td>
<td>Law</td>
<td>Preferred transport infrastructure defined (pipelines, booster stations, port facilities etc.). Feasible pipelines and/or shipping routes identified. Health and safety evaluation of transportation system done.</td>
<td>Low</td>
<td>Delay in forming required regulation and permits necessary for CO$_2$ transport</td>
<td>Planning projections along with information and understanding of transportation network construction industry</td>
</tr>
<tr>
<td>7</td>
<td>Hawranek, P.M. (1991)</td>
<td>Organisation</td>
<td>Timeline for CCS transportation system permitting and construction prepared</td>
<td>Medium</td>
<td>Delays due to cost rises, material and expertise availability.</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Bellona</td>
<td>Public awareness</td>
<td>Participation of the public in the project preparation has been planned, including assessment of costs of the participation.</td>
<td>High</td>
<td>Public can stop or delay investment process</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>ICF</td>
<td>Technology</td>
<td>One or more feasible pipelines and/or shipping routes identified</td>
<td>High</td>
<td>Feasibility of the whole project can be jeopardised</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>ICF</td>
<td>Technology</td>
<td>Compile a list of companies capable of providing equipment, materials and services, required for construction and operation of a CO$_2$ transportation network.</td>
<td>Low</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**PROPOSED CRITERIA FOR CCS FEASIBILITY ASSESSMENTS**

<table>
<thead>
<tr>
<th>No</th>
<th>Source of criteria</th>
<th>Category</th>
<th>Criteria</th>
<th>Impact</th>
<th>Risk</th>
<th>Risk management</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CSLF/ Directive/ Guidance Document 2/ Bellona</td>
<td>Geology</td>
<td>A qualified 3rd party has been commissioned to assess within a radius of 500km from the CO₂ source the most promising (two or more) storage sites, addressing: 1) Overall technical and geological capacity of storing CO₂ (incl. basin depth, structural deformation, porosity, permeability, seal and reservoir quality and effectiveness), 2) Storage capacity (incl. porosity of the storage formation, fracture density and orientation of the storage formation, the composition and/or compressibility of the pore fluid in the storage formation, migration pathways, the volume of closures and acceptable pressure build-up), 3) Monitorability of storage, and 4) Net costs (incl. capital, operation and maintenance costs; for non-EEA sites: non-ETS revenues). This includes evaluation of uncertainties and sensitivities of key parameters.</td>
<td>High</td>
<td>Possible conflict of interest; economic influences and previous industry relationships may lead to sub-optimal storage site selection.</td>
<td>Results supervised and verified by relevant competent authority</td>
</tr>
<tr>
<td>2</td>
<td>Dir, Art. 4, par. 1</td>
<td>Legal</td>
<td>Surveyed potential storage sites are not a priori excluded from CO₂ storage by the authorities</td>
<td>High</td>
<td>A potential storage country may reject CO₂ storage on part or entire territory</td>
<td>Check the position of the Member States (relating to the storage site). Get official statement from the relevant Competent Authority.</td>
</tr>
<tr>
<td>3</td>
<td>ICF</td>
<td>Ongoing activities</td>
<td>Preliminary schedule for confirming storage site (seismic, drilling) is prepared</td>
<td>Medium</td>
<td>Changes to regulations and the progress of storage facility will influence investment and operational costs</td>
<td>Plan and evaluate trigger mechanism</td>
</tr>
<tr>
<td>4</td>
<td>Bellona</td>
<td>Public awareness</td>
<td>Participation of the public in the project preparation has been planned, including assessment of costs of the participation.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CCS READINESS AT ŠOŠTANJ: TICKING BOXES OR PREPARING FOR THE FUTURE? 17
In May 2010, a study called ‘CO2 Capture Readiness of Unit 6 in Thermal Power Plant Šoštanj’ (Paper no. 2034) was prepared by the Milan Vidmar Electric Power Institute. Emphasis was placed on CO2 capture and storage legal requirements as well as CO2 capture technology. The study compares the technical characteristics with requirements necessary to retrofit CCS to Unit 6 of the pulverized coal combustion power plant. The study also analyses the possibilities of transporting and storing captured carbon dioxide as well as environmental impacts of potential investment. The study claims that CCS is technically and economically feasible for Unit 6 of Thermal Power Plant Šoštanj.

In September 2010, an addition to the study was prepared by the Milan Vidmar Electric Power Institute: ‘Capture Readiness of Unit 6 in Thermal Power Plant Šoštanj, Addition.’ It analyses the availability of CO2 storage sites in Slovenia, the nearby countries as well as North Sea sites in greater detail. Their availability and appropriate capacity are a condition for retrofitting CCS. The ‘Addition’ also sets out economic parameters for retrofitting CO2 capture and storage technology to Unit 6. Investment costs, operational and maintenance costs and transport and storage costs are evaluated. Costs originating from loss of power production are also considered. The document claims that ‘all of them are expressed in Euros per unit of generated electricity (€/MWh). On this evaluation is based economic feasibility of retrofitting CCS.’

Main conclusions
The lack of experience with full-scale CCS at power plants means that assessments of CCS retrofit feasibility will contain large uncertainties. However, assessments still need to investigate project-specific variables to the extent possible. We therefore find that the documents prepared by the Milan Vidmar Electric Power Institute fail to comply with article 33.1 of the Directive because of:

• the absence of project specific assumptions concerning economic feasibility, including lack of evaluation of economic feasibility of the capture, transport (in particular by sea) and storage;
• the lack of consideration of local geographical conditions’ impact on technical feasibility, in particular for building pipelines;
• the absence of any information beyond already available data from GeoCapacity on suitability of storage sites;
• the lack of consideration of the impact of protected areas and NATURA 2000 areas on transport and storage locations.

In sum, the information contained within the documents does not allow for the assessment of the feasibility of the project (neither technical nor economic feasibility, incl. suitability of storage sites).

Given the failures to comply with article 33.1 of the Directive, it is hardly surprising that no operational schedule exists for making the plant fully CCS ready.

The documents’ description of the feasibility and readiness of capture, transport and storage is assessed in the following sections against the methodology presented in section II:

1) compliance of the Šoštanj project with article 33.1 of the Directive, and
2) the project’s fulfilment of criteria for full CCS readiness.

Available on http://www.focus.si/files/programi/energija/CCS_Readiness_Study_TES_Sostanj_1.pdf
III.A. CAPTURE

III.A.1. ARTICLE 33.1 COMPLIANCE

Assessing the technical and economic feasibility of capture for a project requires a number of components to be assessed. A general level description of what a pre-feasibility study should include is found in Annex III. Below is a list of the most important capture-related items for a project such as that at Šoštanj.

1. Project-specific preliminary economic analysis of capture facilities prepared
   
   **Assessment** (not passed): Project specific financial and economic information is not provided, so it is impossible to assess economic feasibility
   
   **Recommendations**: Provide proper financial information, show numbers and discuss economic feasibility

2. Economic and technical pre-feasibility study made
   
   **Assessment** (not passed): Feasibility of the project not assessed
   
   **Recommendations**: Assess feasibility of the project (economic and technical)

3. Conditions for triggering final investment decision for CCS retrofit are described (EUA price, fuel cost...)
   
   **Assessment** (not passed): Information about conditions for taking decision about retrofitting (trigger mechanism) has not been provided. Without information about triggering conditions it is impossible to assess technical and economic feasibility of the planned investment.
   
   **Recommendations**: Describe conditions for taking CCS retrofit investment (for example price of CO₂, cost of investment, risk perception, geological research completion).

4. Indicative schedule for preparing and undertaking CCS retrofit is prepared
   
   **Assessment** (not passed): no CCS retrofitting schedule was presented. Without presenting schedule for preparation of CCS readiness, the technical and economic feasibility cannot be assessed properly.
   
   **Recommendations**: Show steps and indicative dates for major CCS readiness criteria fulfilment. Harmonise planned activities with transport and storage investments.

5. Participation of the public in the project preparation has been planned, including assessment of costs of the participation.
   
   **Assessment** (not passed): No information about public awareness activities provided
   
   **Recommendations**: Plan public awareness activities.

6. Location and land footprint of capture plant, compression equipment, chemical storage facilities and exit point are planned.
   
   **Assessment** (not passed): location of the storage site is provided in the form of a map:
   
   The need for space is not elaborated in the document. The author provided map with the space reserved for CCS, but it is impossible
to conclude if reserved space suffices the needs. There is no information provided on the area of the reserved surface.

**Recommendations:** Provide details and compare the technological needs for reserved surface.

7. **Preferred capture technologies identified**
   - **Assessment** (passed): Preferred technology is clearly identified: post combustion amine absorption.

8. **Preliminary design for capture facilities and their integration into the plant prepared**
   - **Assessment** (not passed/partly passed): the preliminary design for the capture facility is depicted, although on a very general level. Understanding and assessment of material and energy flow is impossible.
   - **Recommendations:** Provide details needed to understand the process.

9. **List of companies which can supply construction and operation services for capture facilities compiled**
   - **Assessment** (not passed): Technology providers are not listed.
   - **Recommendations:** List potential technology providers and vendors.

## III.A.2. FULL CCSR

In addition to the above criteria, the following criteria will need to be fulfilled for a final investment decision prior to a retrofit of the unit with CCS to be undertaken:

**Economics**
- Economic feasibility study based on technical feasibility study, with information provided by the design basis memorandum, is prepared prepared.
- Financing plan of investment is made.

**Environment**
- Environmental impact assessment is undertaken.

**Law**
- Permit for capture plant installation obtained.
- Approvals for retrofitting obtained.
- Suitable space on the installation site for the equipment necessary to capture and compress CO₂ is set aside.

**Public awareness**
- The public is notified of the proposed capture facility retrofit.
- The public is engaged and informed in planning of the capture plant and has an opportunity to take part in the permitting process.

**Technology**
- Technical feasibility study for capture facilities and their integration prepared.
- Companies contacted and nonbinding letters of intent to bid on project negotiated.
- Material inputs (approximate input requirements, their present and potential supply positions, and a rough estimate of annual costs of local and foreign material inputs) are assessed.

## III.B. TRANSPORT

### III.B.1. ARTICLE 33.1 COMPLIANCE

Assessing the technical and economic feasibility of transport for a project requires a number of components to be assessed. A general level description of what a pre-feasibility study should include is found in Annex III. Below is a list of the most important transport-related items for a project such as that at Šoštanj.

1. **Rights of way to access the pipeline corridor or shipping route identified and evaluated**
   - **Assessment** (not passed): Commercial accessibility was not evaluated. No land ownership information is available.
   - **Recommendations:** Evaluate commercial accessibility of the selected transportation routes.

2. **Economic and technical pre-feasibility study made**
   - **Assessment** (not passed): Feasibility of the project not assessed.
   - **Recommendations:** Assess feasibility of the project (economic and technical)

3. **Total transportation demands prepared**
   - **Assessment** (passed): Page 16 of ‘Addition’ states that from the costs point of view it is recommended that the storage site is as close as possible to the source of CO₂. In the frame of the Geocapacity Project it was discovered that Slovenia has sufficient capacity to store captured CO₂ from Unit 6 of Šoštanj Power plant. Expected quantities of CO₂ captured from Unit 6 in the period 2020 - 2054 amounts in the range from 70.2 to 76.2 Mio.t; the representative value is 73.6 Mio.t. Conservative estimates of storage capacity in Slovenian aquifers is 92 Mio.t CO₂.
   - **Recommendations:** Specify capacity of each pipeline (leading to each location).

4. **Investment and operational costs assessed**
   - **Assessment** (not passed): No information provided about specific investment and operational costs. Transportation costs are provided in an imprecise and ambiguous way.
   - The representative cost of transport to the storage sites 250 km from Unit 6 of Thermal power plant Šoštanj in Croatia or Italy that does not include the cost of loss of electricity production because of carbon capture operation is 1.8 €/MWh. The expected cost range is from 1.7 to 1.9 €/MWh. The representative transport cost to the storage sites 250 km from Unit 6 of Thermal power plant Šoštanj in Croatia or Italy that include cost of loss of electricity production is 2.2 €/MWh. The expected cost range is from 2.1 to 2.3 €/MWh. The cost of transport to Italian offshore location is higher. The most expensive is the combination of pipeline transport from Unit 6 to port Koper and then by ship to the North Sea.’ (page 19 of ‘Addition’)
   - **Recommendations:** Specify capacity of each pipeline (leading to each location).

Comment: Italian offshore and North Sea (via Koper) routes calculations are not provided. A North Sea location probably is not feasible due to too excessive transportation costs.

Distance from Koper to the North Sea is about 6200 km. Unit ship transportation price is about 0.004 EUR/(Km*ton), which equates...
Costs, plotted as transportation costs in USS/tCO$_2$ against distance, for onshore and offshore pipelines, and ship transport. The costs include intermediate storage facilities, harbour fees, fuel costs and loading/unloading activities. Costs also include additional costs for liquefaction compared to compression. There is a capital charge factor of 11% for all transport options.

**ROUTE FROM KOPER PORT TO THE NORTH SEA**

**CHANGE OF THE TRANSPORTATION COST AS A FUNCTION OF DISTANCE**
to of approximately 25 EUR/(km*ton). Costs of 25-30 EUR/km are most likely prohibitive. The cost has a negative impact on economic feasibility for the entire project. The costs of North Sea transportation have not yet been discussed.

Building pipelines via Austria and Germany will likely be a more feasible and a cost effective solution.

In the document, it was stated: ‘In the context of long distance movement of large quantities of carbon dioxide, pipeline transport is part of current practice. Pipelines routinely carry large volumes of different gases and liquids over distances of thousands of kilometers, both on land and in the sea.

The costs of pipelines can be categorized into three items:
- construction costs: aterial/equipment costs (pipe, pipe coating, cathodic protection, telecommunication equipment; possible booster stations);
- installation costs (labor);
- operation and maintenance costs: monitoring costs, maintenance costs, possible) energy costs;
- other costs (design, project management, regulatory filing fees, insurances costs, right-of-way costs, contingencies allowances).

Apart from the categories listed, cost is affected by the type of terrain, as well. Onshore pipeline costs may increase by 50 to 100%, or more, when the pipeline route is congested and heavily populated. Costs are also increased in mountainous ‘territory, in nature reserve areas, in areas with obstacles such as rivers and freeways, and in heavily urbanized areas because of accessibility to construction and additional required safety measures. Offshore pipelines generally operate at higher pressures and lower temperatures than onshore pipelines, and are often, though not always, 40 to 70% more expensive.’ (page 17)

There is no information about technology, for instance: limitations of pipeline system constructed in the vicinity of existing natural gas networks, pressure, need of compression, any other specific requirements.

Recommendations: Provide information about costs (CAPEX and OPEX).

5. Compatibility with environmentally sensitive or protected areas, especially NATURA 2000 areas, identified

Assessment (not passed): The following information is provided about location of the transportation network: ‘The transmission network, designed to transport carbon dioxide, shall most probably run in the vicinity of the existing gas pipeline.’ (page 18 of ‘Addition’)

Although the pipeline network project may come across numerous impediments connected with the environmental pro-
the pipeline network and CO₂ emission sources suitable for retrofitting with CCS technology

![Figure 8: Locations of Storage Sites (1, 2, 4, 5, 6) in Slovenia and Location of Port Koper(3)](image)

...none of the possible impediments has yet been evaluated. The pipeline network and CO₂ emission sources suitable for retrofitting with CCS technology.

**Recommendations:** Evaluate possible environmental impediments, especially those related to NATURA 2000, and national parks.

Examples of information which should be evaluated in the context of pipeline network construction:

- a) NATURA 2000 areas
- b) National protected areas, NATURA 2000 areas, Valuable Natural Features, Ecologically Important Areas, Zonation (protected areas)

6. Preferred transport infrastructure defined (pipelines, booster stations, port facilities etc.). Feasible pipelines and/or shipping routes identified. Health and safety evaluation of transportation system done.

**Assessment** (not passed): Information about pipeline infrastructure is very general, information about necessary booster stations and other necessary facilities is not provided. However, page 18 of the ‘Addition’ document includes a map of potential storage sites and says the following:

‘In case of transportation to locations out of Slovenia transport will be done by onshore and in some cases in combination with offshore pipelines. The possibility is also pipeline transport to port Koper and from there by ships to storage site in North Sea or elsewhere. The pipeline to port Koper is approximately 150 km long. The location of Koper port is shown on figure 8.’

Costs of North Sea transportation are very high, and there is no information about financial feasibility of this route. No information is provided about income for location outside of the EU/EEA.

**Recommendations:** Prepare technical information pertaining to transport facilities. The information should be used for technical and economic prefeasibility analysis.

7. Timeline for CCS transportation system permitting and construction prepared

**Assessment** (not passed): No information provided

**Recommendations:** Prepare indicative timeline for transport system construction. The information should be used to defend technical and economic feasibility of the project.

8. Participation of the public in the project preparation has been planned, including assessment of costs of the participation.

**Assessment** (not passed): No information about public awareness activities provided

**Recommendations:** Plan public awareness activities.
9. Any conflicting land use, activity as well as feasibility of land/port access assessed
   Assessment (not passed): No evaluation done.
   Recommendations: Evaluate conflicting land use.

10. Compile a list of companies capable of providing equipment, materials and services, required for construction and operation of a CO$_2$ transportation network.
    Assessment (not passed): No evaluation done.
    Recommendations: Prepare the list of technology supplies.

III.B.2. FULL CCSR
In addition to the above criteria, the following criteria will need to be satisfied for a final investment decision to retrofit the unit with CCS:

   Commercial
   • Rights of way to access the pipeline corridor or shipping route obtained.

   Economics
   • Financial analysis of investment completed.

   Environment
   • Environmental impact assessment made according to directive 85/337/EEC.

   Law
   • Permits/approvals obtained for transport infrastructure.

   Public awareness
   • The public is engaged in planning of transport infrastructure and has an opportunity to take part in the permitting process.

   Technology
   • Approximate material input requirements, at both present and future supply positions. Additionally the annual costs of local and foreign material inputs are to be projected.
   • One or more potential transport method(s) identified and selected.
   • Any issues connected with conflicting surface and sub-surface uses, and land/port access resolved.
   • Contacts with companies made and nonbinding letters of intent to bid on project signed.
   • The availability of the required transport capacity for the needs of the project.

III.C. STORAGE

III.C.1. ARTICLE 33.1 COMPLIANCE
As described in section II.B.1, assessing the ‘availability of suitable storage sites’ requires technical and economic feasibility studies, as for capture and transport. This requires a number of components to be assessed. A general level description of what a pre-feasibility study should include is found in Annex III. Below is a list of the most important storage-related items for a project such as that at Šoštanj.
III. READY OR NOT? APPLYING THE METHODOLOGY TO ŠOŠTANJ UNIT 6
III. READY OR NOT? APPLYING THE METHODOLOGY TO ŠOŠTANJ UNIT 6

1. A qualified 3rd party has been commissioned to assess within a radius of 500km from the CO\textsubscript{2} source the most promising (two or more) storage sites:

Addressing:

1) Overall technical and geological capacity of CO\textsubscript{2} storage potential incl. basin depth, structural deformation, porosity, permeability, reservoir quality, seal and effectiveness.

2) Storage capacity, incl. porosity of the storage formation, fracture density and orientation of the storage formation, the composition and/or compressibility of the pore fluid in the storage formation, migration pathways, the volume of closures and acceptable pressure build-up.

3) Monitorability of storage.

4) Net costs, incl. capital, operation and maintenance costs; for non-EEA sites: with non-ETS revenues. This includes evaluation of uncertainties and sensitivities of key parameters.

Assessment (not passed): No information provided. Evaluation of feasibility may be impossible.

Rough information about geological formation is provided in the GeoCapacity project, which is insufficient.\footnote{2}

Recommendations: A third party to be commissioned to select sites for evaluation and uncertainty analysis.

2. Surveyed potential storage sites are not a priority excluded from CO\textsubscript{2} storage by the authorities

Assessment (passed): There is no indication that potential storage sites will be excluded by any government

3. Preliminary schedule for confirming storage site (seismic, drilling) is prepared

Assessment (not passed): There is no information regarding storage site schedule.

Recommendations: Schedule activities, plan trigger mechanism (incl. economic evaluation).

4. Participation of the public in the project preparation has been planned, including assessment of costs of the participation.

Assessment (not passed): No information about public awareness activities provided

Recommendations: Plan public awareness activities.

\footnote{2 The detailed objectives of the project are:

- Inventory and mapping of major CO\textsubscript{2} emission point sources in 13 European countries (Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Italy, Latvia, Lithuania, Poland, Romania, Slovenia, Spain), and review of 4 neighbouring states: Albania, Macedonia (FYROM), Bosnia-Herzegovina, Luxembourg) as well as updates for 5 other countries (Germany, Denmark, UK, France, Greece). See TABLE 1 below.

- Conduct assessment of regional and local potential for geological storage of CO\textsubscript{2} for each of the involved countries.

- Carry out analyses of source-transport-sink scenarios and conduct economical evaluations of these scenarios.

- Provide consistent and clear guidelines for assessment of geological capacity in Europe and elsewhere.}

III.C.2. FULL CCSR

In addition to the above criteria, the following criteria will need to be satisfied for a final investment decision to retrofit the unit with CCS:

Commercial

- One or more storage sites are contractually secured.

Environment

- Selected storage site(s) demonstrate storage security, covering environmental and health risk assessments.

Geology

- The suitability of a geological formation for use as a storage site determined through a characterisation and assessment of the potential storage complex and surrounding area pursuant to the criteria specified in Annex I.

Law

- All required environmental, safety, and other approvals for storage site have been obtained.

- For non-Member States storage locations: Compliance of the storage country regulations with the EU regulations and requirements.

- Storage country has undertaken or commissioned an assessment of the storage capacity

Public awareness

- The public is engaged in the planning stage of a proposed storage site and has an opportunity to take part in the permitting process.

Technical

- One or more storage sites have been identified with the geological storage capability for industrial volumes of captured CO\textsubscript{2}.

- Sources for equipment, materials, and services for future injection and storage operations have been identified.

\footnote{3 Further develop mapping and analysis methodologies (i.e. GIS and DSS).

- Develop technical site selection criteria.

- Initiate international collaborative activities with the P.R. China, a CSLF member, with a view to further and closer joint activities. The project will build upon the basic work and results generated by the GESTCO project which pioneered the development of carbon dioxide emissions and geological storage mapping in Europe, and which has served as an international example.}
III. READY OR NOT? APPLYING THE METHODOLOGY TO ŠOŠTANJ UNIT 6
Carbon Capture and Storage, Legal and Regulatory Review, IEA, 2010,
http://www.iea.org/ccs/legal/regulatory_review_edi
tion1.pdf

Carbon Capture Readiness (CCR), A guidance note for Section 36 Electricity Act 1989 consent applications, Department of Energy and Climate Change, UK 2009, (open),
http://www.decc.gov.uk/publications/

CO₂ Capture Readiness of Unit 6 in Thermal Power Plant Šoštanj’ (Paper No.: 2034 + ‘Addition’, The Milan Vidmar Electric Power Institute, Ljubljana 2010

CCS Ready Policy: Considerations and Recommended Practices for Policymakers, GCCSI 2010, (open),


EU GeoCapacity Assessing European Capacity for Geological Storage of Carbon Dioxide, GeoCapacity 2009, (open),
http://www.geology.cz/geocapacity

Feasibility Assessment, Templates for Producers and Cooperatives, P. Kenkel, R. Holcomb, B. Fitzwater, Oklahoma State University, (open)
http://www.agrisk.umn.edu/TriennialConference/TriennialPubs/16_8AM/C_KENKEL.pdf

Feasibility Study of CCS-Readiness in Guangdong (GDCCSR) 2010 Annual Report, The GDCCSR Team Nov. 25, 2010, (open),


Manual for the Preparation of Industrial Feasibility Studies, W. Behrens, P.M. Hawranek, UNIDO 2009
Questions and Answers on the directive on the geological storage of carbon dioxide,


OTHER LINKS/READING

FEASIBILITY STUDY

Checklists

Examples
http://www.teqs.net/DEFRAPFSresponse.pdf
http://www1.eere.energy.gov/biomass/pdfs/final_billionton_vision_report2.pdf
http://www.nr.gov.nl.ca/nr/publications/energy/pipeline.pdf
ANNEX I
KEY CRITERIA FOR ANY SUITABLE STORAGE SITE TO COMPLY WITH THE DIRECTIVE

Storage site shall be defined by: a) volume area, b) definition geological formation used for geological storage, c) associated surface and injection facilities

Legal basis:
Art. 3, par. 3. - ‘storage site’ means a defined volume area within a geological formation used for the geological storage of CO₂ and associated surface and injection facilities; art. 3, par. 4. - ‘geological formation’ means a lithostratigraphical subdivision within which distinct rock layers can be found and mapped;

Suitable storage site cannot be in an area explicitly excluded by relevant authorities for CO₂ storage

Legal basis:
Art. 4, par. 1. - Member States shall retain the right to determine the areas from which storage sites may be selected pursuant to the requirements of this Directive. This includes the right of Member States not to allow for any storage in parts or in the whole of their territory.

English example (exclusion of the onshore storage)
The Government has made it clear in its response to the ‘Towards Carbon Capture and Storage’ consultation that only offshore storage areas in the UK are currently considered by the Government as suitable for CO₂ storage. Therefore applicants must identify an offshore CO₂ storage area in their CCR storage assessment.

Carbon Capture Readiness (CCR) A guidance note for Section 36 Electricity Act 1989 consent applications, UK 2009, Par. 33 page 15

Member State shall make sure an assessment of the storage capacity is undertaken

Legal basis:
Art. 4, par. 2. Member States which intend to allow geological storage of CO₂ in their territory shall undertake an assessment of the storage capacity available in parts or in the whole of their territory, including by allowing exploration pursuant to Article 5.

The suitability of any geological formation for use as a storage site shall be determined through a characterisation and assessment of the potential storage complex and surrounding area pursuant to the criteria specified in Annex I of the Directive

Legal basis (identical wording):
Art. 4, par. 3. The suitability of a geological formation for use as a storage site shall be determined through a characterisation and assessment of the potential storage complex and surrounding area pursuant to the criteria specified in Annex I.

For geological formation, selected as a storage site, environmental and health risk analysis shall be carried out

Legal basis (identical wording):
Art. 4, par. 4. A geological formation shall only be selected as a storage site, if under the proposed conditions of use there is no significant risk of leakage, and if no significant environmental or health risks exist.

Suitable storage site should be evaluated for conflict uses

Legal basis (identical wording):
Art. 6, par. 1. Member States shall ensure that no storage site is operated without a storage permit, that there shall be only one operator for each storage site, and that no conflicting uses are permitted on the site.
annex i key criteria for any suitable storage site to comply with the directive
ANNEX II
DEFINITION OF CARBON CAPTURE AND STORAGE READY (CCSR)

A CCSR facility is a large-scale industrial or power source of CO₂ which could and is intended to be retrofitted with CCS technology when the necessary regulatory and economic drivers are in place. The aim of building new facilities or modifying existing facilities to be CCSR is to reduce the risk of carbon emission lock-in or of being unable to fully utilise the facilities in the future without CCS (stranded assets). CCSR is not a CO₂ mitigation option, but a way to facilitate CO₂ mitigation in the future. CCSR ceases to be applicable in jurisdictions where the necessary drivers are already in place, or once they come in place.

ESSENTIAL REQUIREMENTS OF A CCSR FACILITY

The essential requirements represent the minimum criteria that should be met before a facility can be considered CCSR. The project developer should:

• Carry out a site-specific study in sufficient engineering detail to ensure the facility is technically capable of being fully retrofitted for CO₂ capture, using one or more choices of technology which are proven or whose performance can be reliably estimated as being suitable.
• Demonstrate that retrofitted capture equipment can be connected to the existing equipment effectively and without an excessive outage period and that there will be sufficient space available to construct and safely operate additional capture and compression facilities.
• Identify realistic pipeline or other route(s) to storage of CO₂.
• Identify one or more potential storage areas which have been appropriately assessed and found likely to be suitable for safe geological storage of projected full lifetime volumes and rates of captured CO₂.
• Identify other known factors, including any additional water requirements that could prevent installation and operation of CO₂ capture, transport and storage, and identify credible ways in which they could be overcome.
• Estimate the likely costs of retrofitting capture, transport and storage.
• Engage in appropriate public engagement and consideration of health, safety and environmental issues.
• Review CCSR status and report on it periodically.

DEFINITION APPLICATION

These essential requirements represent the minimum criteria that should be met before a facility can be considered CCSR. However, a degree of flexibility in the way jurisdictions apply the definition will be required to respond to region- and site-specific issues and to take account of the rapidly changing technology, policy and regulatory background to CCS and CCSR, both globally and locally. More specific or stringent requirements could be appropriate, for instance, in jurisdictions where the CCSR regulator is working on the assumption that CCS will need to be retrofitted to a particular facility within a defined time frame.

1 Agreed by the Global CCS Institute, the International Energy Agency and the Carbon Sequestration Leadership Forum.
ccs readiness at ŠoŠtanj: ticking boxes or preparing for the future?
EXECUTIVE SUMMARY—A SYNOPSIS REVIEW OF ALL THE ESSENTIAL FINDINGS OF EACH CHAPTER

PROJECT BACKGROUND AND HISTORY

MARKET ANALYSIS AND MARKETING CONCEPT:

DESCRIPTION OF THE BASIC IDEA OF THE PROJECT, OBJECTIVES AND STRATEGY

DEMAND AND MARKET

STRUCTURE AND CHARACTERISTICS OF THE MARKET

THE ESTIMATED EXISTING SIZE AND CAPACITIES OF THE INDUSTRY (SPECIFYING MARKET LEADERS), ITS PAST GROWTH, ESTIMATED FUTURE GROWTH (SPECIFYING MAJOR PROGRAMMES OF DEVELOPMENT), LOCAL DISPERAL OF INDUSTRY, MAJOR PROBLEMS AND PROSPECTS, GENERAL QUALITY OF GOODS

PAST IMPORTS AND THEIR FUTURE TRENDS, VOLUME AND PRICES

ROLE OF THE INDUSTRY IN THE NATIONAL ECONOMY AND THE NATIONAL POLICIES, PRIORITIES AND TARGETS RELATED OR ASSIGNED TO THE INDUSTRY

APPROXIMATE PRESENT SIZE OF DEMAND, ITS PAST GROWTH, MAJOR DETERMINANTS AND INDICATORS

MARKETING CONCEPT, SALES FORECAST AND MARKETING BUDGET

DESCRIPTION OF THE MARKETING CONCEPT, SELECTED TARGETS AND STRATEGIES

ANTICIPATED CONTEST FOR THE PROJECT FROM EXISTING AND POTENTIAL LOCAL AND FOREIGN PRODUCERS AND SUPPLIES

LOCALIZATION OF MARKETS AND PRODUCT TARGET GROUP

SALES PROGRAMME

ESTIMATED ANNUAL SALES REVENUES FROM PRODUCTS AND BY-PRODUCTS (LOCAL AND FOREIGN)

ESTIMATED ANNUAL COSTS OF SALES PROMOTION AND MARKETING

PRODUCTION PROGRAMME REQUIRED

PRODUCTS

BY-PRODUCTS

WASTES (ESTIMATED ANNUAL COST OF WASTE DISPOSAL)

MATERIAL INPUTS (APPROXIMATE INPUT REQUIREMENTS, THEIR PRESENT AND POTENTIAL SUPPLY POSITIONS, AND A ROUGH ESTIMATE OF ANNUAL COSTS OF LOCAL AND FOREIGN MATERIAL INPUTS):

RAW MATERIAL

PROCESSED INDUSTRIAL MATERIALS

COMPONENTS

FACTORY SUPPLIES

— AUXILIARY MATERIALS, UTILITIES (ESPECIALLY POWER AND ENERGY REQUIREMENTS)

LOCATION, SITE AND ENVIRONMENT:

PRE-SELECTION, INCLUDING, IF APPROPRIATE, AN ESTIMATE OF THE COST OF LAND

PRELIMINARY ENVIRONMENTAL IMPACT ASSESSMENT

PROJECT ENGINEERING:

DETERMINATION OF PLANT CAPACITY

SOURCE: MANUAL FOR THE PREPARATION OF INDUSTRIAL FEASIBILITY STUDIES; W. BERENTS, P.M. HAWRANEK, UNIDO 1991, PAGE 352
CCS Readiness at Šoštanj: Ticking Boxes or Preparing for the Future?

- Feasible normal plant capacity
- Quantitative relationship between sales, plant capacity and material inputs
- Preliminary determination of scope of project
  - Technology and equipment
    - Technologies and processes that can be adopted, given in relation to capacity
    - Technology description and forecast
    - Environmental impacts of technologies
  - Rough estimate of costs of local and foreign technology
  - Rough layout of proposed equipment (major components)
    - Production equipment
    - Auxiliary equipment
    - Service equipment
- Spare parts, wear and tear parts, tools
- Rough estimate of investment cost of equipment (local and foreign), classified as above

- Civil engineering works
  - Rough layout of civil engineering works, arrangement of buildings, short description of construction materials to be used
  - Site preparation and development
  - Buildings and special civil works
  - Outdoor works
- Rough estimate of investment cost of civil engineering works (local and foreign), classified as above

- Organization and overhead costs:
  - Rough organizational layout
    - General management
    - Production
    - Sales
    - Administration
  - Estimated overhead costs
    - Factory
    - Administrative
    - Financial

- Human resources:
  - Estimated human resource requirements, broken down into labour and staff and into major categories of skills (local/foreign)
  - Estimated annual human resource costs, classified as above, including overheads on wages and salaries

- Implementation scheduling:
  - Proposed approximate implementation time schedule
  - Estimated implementation costs

- Financial analysis and investment:
  - Total investment costs
    - Rough estimate of working capital requirements
    - Estimated fixed assets
  - Project financing
    - Proposed capital structure and proposed financing
    - (local and foreign)
  - Cost of finance
  - Production cost (significantly large cost items to be classified by materials, personnel and overhead costs, as well as by fixed and variable costs)
  - Financial evaluation based on the above-mentioned estimated values
    - Payback period
    - Simple rate of return
    - Break-even point
    - Internal rate of return
    - Sensitivity analysis
  - National economic evaluation (economic cost-benefit analysis)
  - Preliminary tests, for example, of foreign exchange effects
    - Value-added generated
    - Absolute efficiency
    - Effective protection
    - Employment effects
    - Determination of significant distortions of market prices (foreign exchange, labour, capital)
  - Economic industrial diversification; estimate of employment-creation effect

Annex III Outline of Pre-Feasibility Study
This Annex summarises space reservation requirements for capture installations under the guidance note on ‘Carbon Capture Readiness’ issued by the UK Department for Energy and Climate Change and applicable to new installations covered by art. 33.1 of the Directive:

Plans and supporting documents should be prepared to demonstrate that the space for carbon capture equipment installation is sufficient. The potential amount of CO2 emission to be captured by their proposed technology should be provided. Information and data given by the applicants should be sufficiently detailed so as to ensure the possibility of CO2 capture and compression plant use and allow for its subsequent retrofitting. The proposed space allocation should be reasonably justified on the basis of the capture technology chosen. The amount of space allocated by applicants should accord with the figures provided in the IEA report ‘CO2 capture as a factor in power plant investment decisions’.

It must be demonstrated that suitably located land is available for the use of the capture element of the CCS chain at the point of retrofit. The ownership of the land as well as ability to use the ancillary site for the time of CCS installations and, further, for CCS purposes must be ensured. Availability of the land should be assessed in accordance to each case’s specific contractual arrangements. In order for the proposed space as well as development to be stated as Carbon Capture ready, detailed outline site plans should be provided by the operators. Those outline site plans should be very detailed in order to ensure the proposed plan layout suitability for the subsequent CCS installation. The site plans should be sufficiently detailed to precisely show:

• the footprint of the combustion plant,
• the location of the capture plant including any air separation units,
• the location of the CO2 compression equipment,
• the location of any chemical storage facilities,
• the exit point for CO2 pipelines from the site.

Calculations using the known volumes of CO2, which will have to be processed, should be included in the space description so as to justify the size and type of the chosen equipment.

---

2 CO2 capture as a factor in power plant investment decisions, report 2006/8, IEA GHG 2006
## Minimum Land Footprint for CO₂ Capture Installations

<table>
<thead>
<tr>
<th></th>
<th>CCGT with post-combustion capture</th>
<th>CCGT with pre-combustion capture</th>
<th>CCGT with oxy-combustion capture</th>
<th>USCPF with post-combustion capture</th>
<th>IGCC with capture</th>
<th>USCPF with oxy-combustion capture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site dimension</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- generation equipment</td>
<td>170x140</td>
<td>170x140</td>
<td>170x140</td>
<td>400x400</td>
<td>475x375</td>
<td>400x400</td>
</tr>
<tr>
<td>(m)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Site dimension</td>
<td>250x250</td>
<td>175x150</td>
<td>80x120</td>
<td>127x75</td>
<td>475x375</td>
<td>80x120</td>
</tr>
<tr>
<td>- CO₂ generation equipment(m)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total site footprint(m²)</td>
<td>62,000</td>
<td>50,000</td>
<td>34,000</td>
<td>170,000</td>
<td>180,000</td>
<td>170,000</td>
</tr>
</tbody>
</table>
ANNEX V
KEY RESPONSIBILITIES OF MEMBER STATES UNDER THE DIRECTIVE

Art. 2, par. 3: The storage of CO₂ in a storage site with a storage complex extending beyond the area referred to in paragraph 1 shall not be permitted.

Art. 2 par. 4: The storage of CO₂ in the water column shall not be permitted.

Art. 4, par. 1. - Member States shall retain the right to determine the areas from which storage sites may be selected pursuant to the requirements of this Directive. This includes the right of Member States not to allow for any storage in parts or in the whole of their territory.

Art. 4, par. 2. Member States which intend to allow geological storage of CO₂ in their territory shall undertake an assessment of the storage capacity available in parts or in the whole of their territory, including by allowing exploration pursuant to Article 5.

Art. 4, par. 3: The suitability of a geological formation for use as a storage site shall be determined through a characterisation and assessment of the potential storage complex and surrounding area pursuant to the criteria specified in Annex I.

Art. 6, par. 1: Member States shall ensure that no storage site is operated without a storage permit, that there shall be only one operator for each storage site, and that no conflicting uses are permitted on the site.

Art. 21, par. 1: Member States shall take the necessary measures to ensure that potential users are able to obtain access to transport networks and to storage sites for the purposes of geological storage of the produced and captured CO₂, in accordance with paragraphs 2, 3 and 4.

Art. 21, par. 4 Member States shall take the measures necessary to ensure that the operator refusing access on the grounds of lack of capacity or a lack of connection makes any necessary enhancements as far as it is economic to do so or when a potential customer is willing to pay for them, provided this would not negatively impact on the environmental security of transport and geological storage of CO₂.
Do you want to know more about Bellona’s work on CCS?
Visit www.bellona.org/ccs