

Kontor/afdeling
Undergrund og Beredskab

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/[HESU]

Note concerning the first phase deployment of the CCUS funds

Introduction

With the Danish Climate Agreement for Energy and Industry of 22 June 2020, a majority of the Danish Parliament decided that carbon capture and storage is to be an important element in achieving Denmark's climate policy objectives. The decision prompted the setting up of technologically neutral and market-based funds (the CCUS funds) of DKK 16 billion, which are scheduled for deployment between 2024-2048. The Danish Energy Agency (DEA) is responsible for the deployment of the CCUS funds.

The DEA's preliminary overall considerations regarding the deployment of the CCUS funds are outlined in this note. The DEA wishes to emphasize that no determinations and decisions have been made with respect to e.g. the legal framework and structure of the deployment of the funds and the foreseen bidding process.

This note is published in connection with the Prior Information Notice concerning the CCUS funds published by the DEA in the Supplement to the Official Journal of the EU (the TED database) (submitted for publication on 14 January 2022).

Current assumptions and considerations

The CCUS funds are to be deployed in two phases. The phase 1 deployment of the funds will be implemented by allocating funds with focus on the carbon capture facility/facilities. The carbon reductions must count as reductions in the Danish national climate accounts.

The funds shall cover the costs of capture, transport, and permanent storage of CO₂. Bidders are therefore assumed to be responsible for the whole value chain.

The DEA expects that the first phase of the deployment of the CCUS funds will take place through a negotiated bidding process with one or more negotiation rounds. The DEA further expects that the bidding process, including the bidding material,

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will be conducted in English. The DEA is considering whether the deployment of funds in the first bidding process will be split into one or more agreements.

It is expected that bidders will be required to deploy carbon capture and storage into operations no later than 2025.

The DEA is furthermore working under the assumption that funds are granted per ton captured, transported, and stored carbon. The DEA is considering the criteria for the bidding process, including matters such as price per ton CO₂ captured and stored, delivery schedule, project maturity, and total amount of CO₂ delivered and stored.

It is noted that the DEA will notify the CCUS funds to the European Commission as an aid scheme in accordance with the procedure prescribed by Article 108 of the Treaty on the Functioning of the European Union and that the deployment of the funds is dependent on the Commission's prior approval.

The market dialogue and the bidding process will be conducted subject to the necessary legislative changes.

Market dialogue regarding deployment of CCUS funds

The DEA has started an initial market dialogue regarding the first phase of deployment of the CCUS funds.

The market dialogue consists of short individual dialogue meetings with a number of market operators, including both operators of carbon capture plants and carbon storage operators, as well as the possibility for all market operators to provide input in writing.

The dialogue meetings were held during November and December 2021. In continuation, the DEA wishes to ensure that in particular other market operators are encouraged to contribute to the DEA's considerations regarding the preparation of the deployment of the CCUS funds by providing input in writing, preferably no later than 4 February 2022. Thus, all interested operators are welcome to provide input in writing. Further information on how to provide input in writing is also given below.

Following closure of the initial market dialogue, the DEA expects to start a second round of market dialogue in February 2022, where the market will be able to prepare and provide further written input based on specific topics/questions (which may potentially be elaborated on in writing and/or discussed (subsequently) at dialogue meetings if deemed relevant by the DEA).



The DEA expects that further information regarding the second round of market dialogue will be published on the site stated in the Prior Information Notice, section I.3) (*Digitale Udbud*). All interested operators are therefore encouraged to register themselves on the site.

Information about CCS in general is available on the DEA's CCS website:

<https://ens.dk/ansvarsomraader/ccs-fangst-og-lagring-af-co2>

All interested operators are encouraged to stay updated on the website.

Current market dialogue topics

The purpose of the initial market dialogue is for the DEA to get an update on the maturity of the carbon capture and storage market and to receive input for the bidding process.

The DEA's current market dialogue topics are described below. These topics were also the focus of the short dialogue meetings held in November and December 2021.

1. Political ambition of full-scale carbon capture and storage before the end of 2025
 - Potential bidding process timeline: Initiation in Spring 2022, first offer and negotiations in Q2/Q3 2022 (please also see item 3 below)
 - Structure: Funds are split in two phases, one targeted 2025 and one targeted 2030
 - Target: Funds will be allocated with focus on the carbon capture facility/facilities
2. Status on the market operator's CCUS ambitions
 - Main characteristics of the market operator's carbon capture and storage project, including expected CO₂ volume and expectations for managing transportation and storage.
 - Technical feasibility of the operator's carbon capture and storage project.
 - Project financing, including the operator's current access to and main conditions for project financing for a carbon capture project.
 - Carbon capture and storage/project timeline: When do you expect to be able to deliver carbon capture and storage? What is your preferred duration of an agreement for carbon capture and storage?
 - Other significant circumstances that the DEA is to consider regarding your project
3. The bidding process

- Input on time needed for preparation of the pre-qualification submission, including determination of legal entity, consortium or similar that will apply
- Input on time needed for preparation of the first bid

4. Financing and incentive model

- Input for preferred financing model (CAPEX/OPEX) throughout the project's lifetime
- Input for preferred incentive mechanisms for the project

Input from market operators

Interested market operators are invited to submit written contributions concerning the subject-matters of the initial market dialogue to the DEA through *Digitale Udbud* via the site stated in the Prior Information Notice, section I.3) – preferably no later than 4 February 2022.

Interested operators who are only able to provide input regarding certain parts of the topics (e.g. operators in the transportation and storage part of the CCUS market only) are also encouraged to submit contributions.

Preliminary timeline and next steps

At this time, the DEA expects that the timeline for a potential second round of market dialogue and the bidding process will be as follows:

- February 2022: Initiation of a potential second round market dialogue
- Spring 2022: Initiation of bidding process (publication)
- Summer 2022: First bids received from participants
- December 2022: Conclusion of agreement