

Framing CCS for success

Tom Mallows

Who we are and what we do



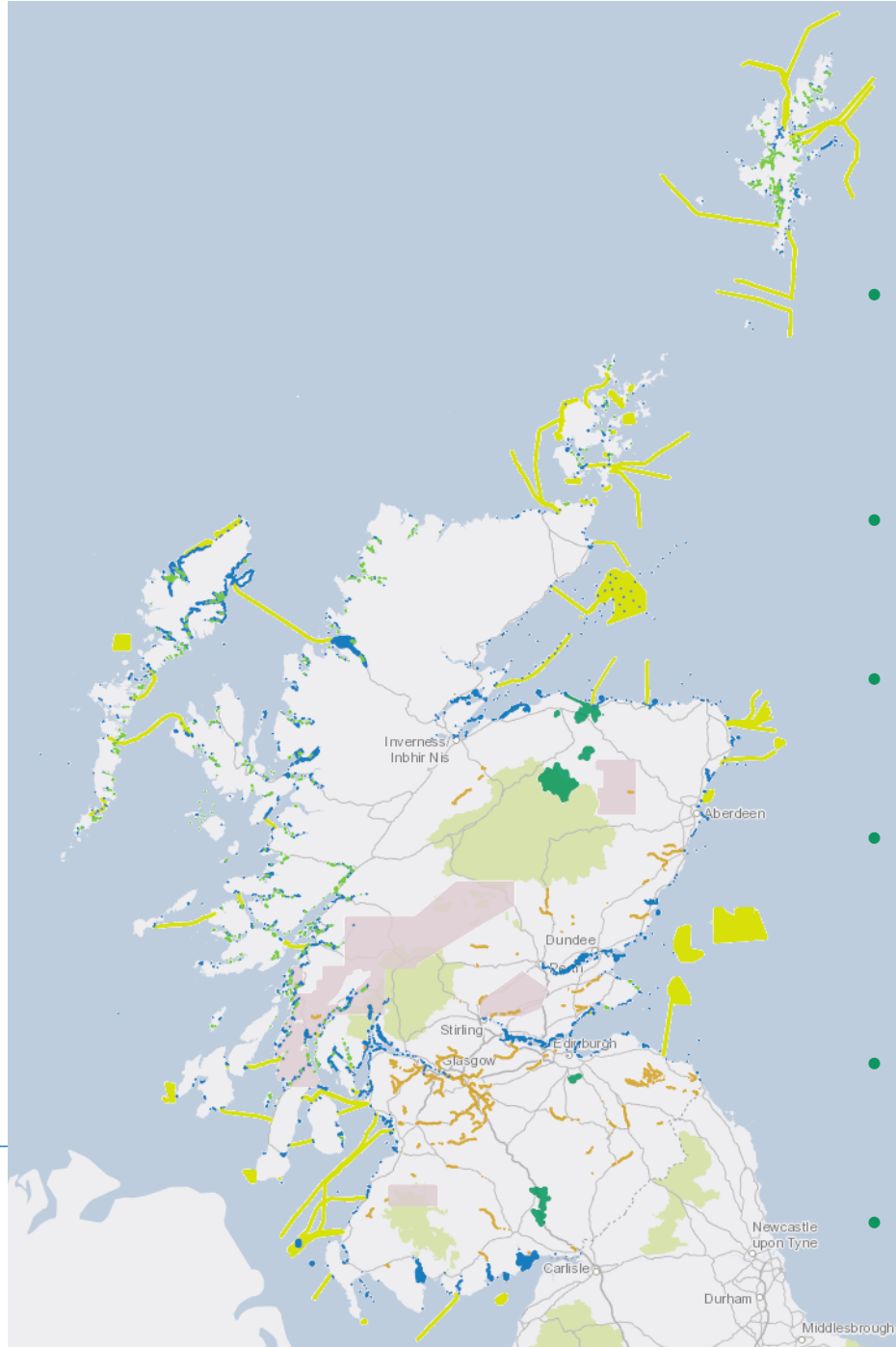
- Set up following the Scotland Act 2016 to manage land and property owned by the Monarch in right of the Crown.
- Crown Estate Act 1961 still tasks us with enhancing value and revenue ‘with due regard to the requirements of good management’
- We ensure the assets are developed and enjoyed sustainably to deliver benefits to communities and to Scotland as a whole.

Who we are and what we do



- Public corporation operating on an interim basis until new legislation sets out permanent arrangements
- Lease to 2000 individuals and businesses, working with them to help them succeed.
- Approx. 35 FTEs plus agents to provide specialist support
- Pay all revenue profit to the Scottish Government, capital reinvested.

The assets

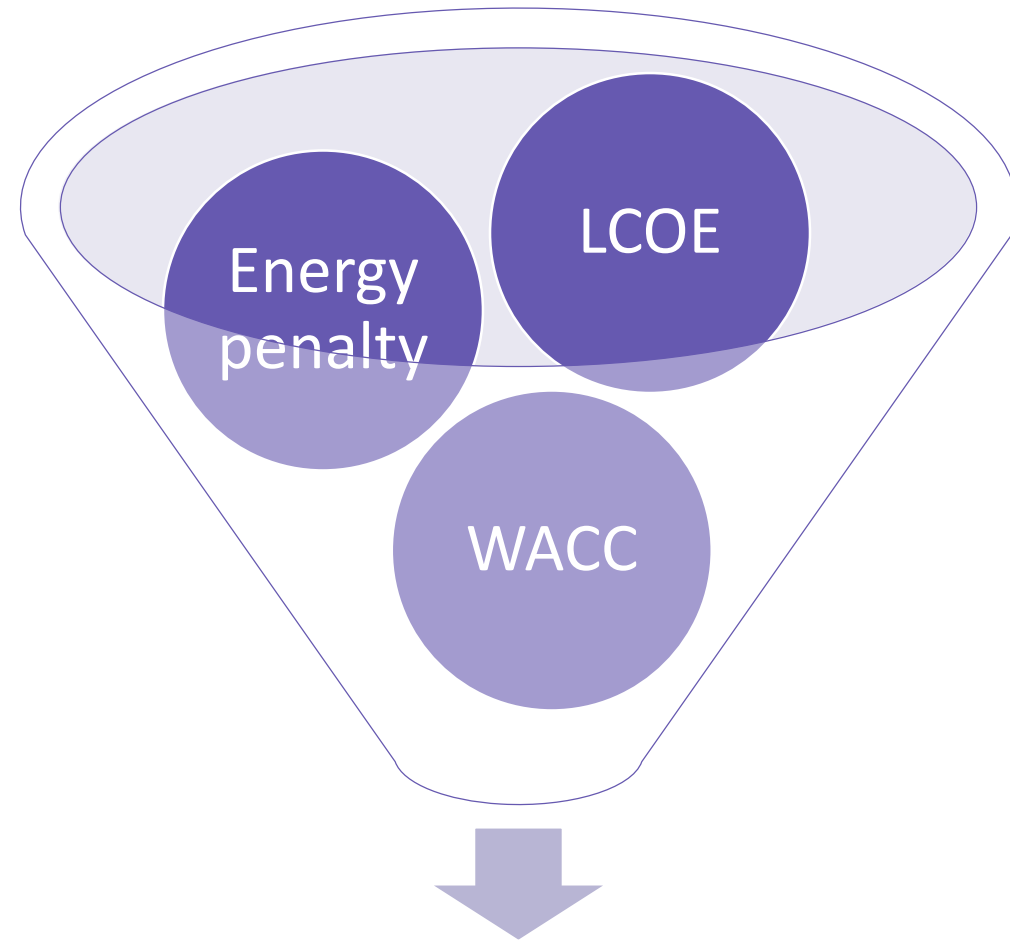


- 37,000 hectares across four rural estates (agricultural, residential & commercial properties, forestry)
- Rights to river salmon fishing and gold & silver across much of Scotland
- Around half the foreshore including 5,800 moorings and some ports and harbours
- Leasing of virtually all seabed out to 12 nautical miles covering approx. 750 fish farming sites and cables & pipelines
- The rights to offshore renewable energy and gas & carbon storage out to 200 nautical miles
- Retail and office units at 39-41 George St, Edinburgh

What we already know about CCS

- Technically feasible
 - Essential for industry
 - Great for domestic heating and transport
 - Lowest cost decarbonisation of power
 - Hasn't happened....
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- The 'right' evidence for the 'right' audience? Work in progress.

Cost of CCS – a blind alley?



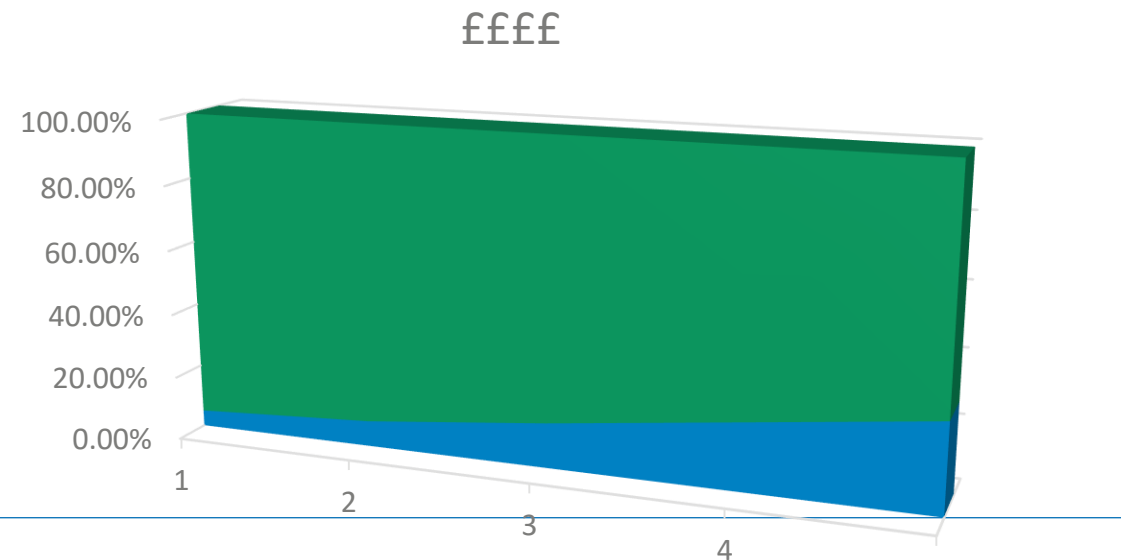
‘too expensive...’ PAC 2017

Value vs Cost

- PAC April 2017 - [BEIS] should set out in its Industrial Strategy the role that CCS can play, recognising the potential economic value of being a world leader in a globally expanding technology
- PAC April 2017 - The Treasury's decision to withdraw funding was based in part on it expecting the projects to require a 'strike price' of £170 per megawatt hour, which it considered to be too expensive
- CCSA website - 'economic impacts' from 2006
- CCC 2017 report and letter to SoS – 'lowest cost decarbonisation'
"The costs from ... a strategic approach [to CCS] would ... represent good value for consumers in the long run. [An average] ... annual electricity bill ... would rise to around £7 per year by 2030. That is good value given ... the estimated doubling of the cost of meeting the UK's 2050 target if CCS is not available"

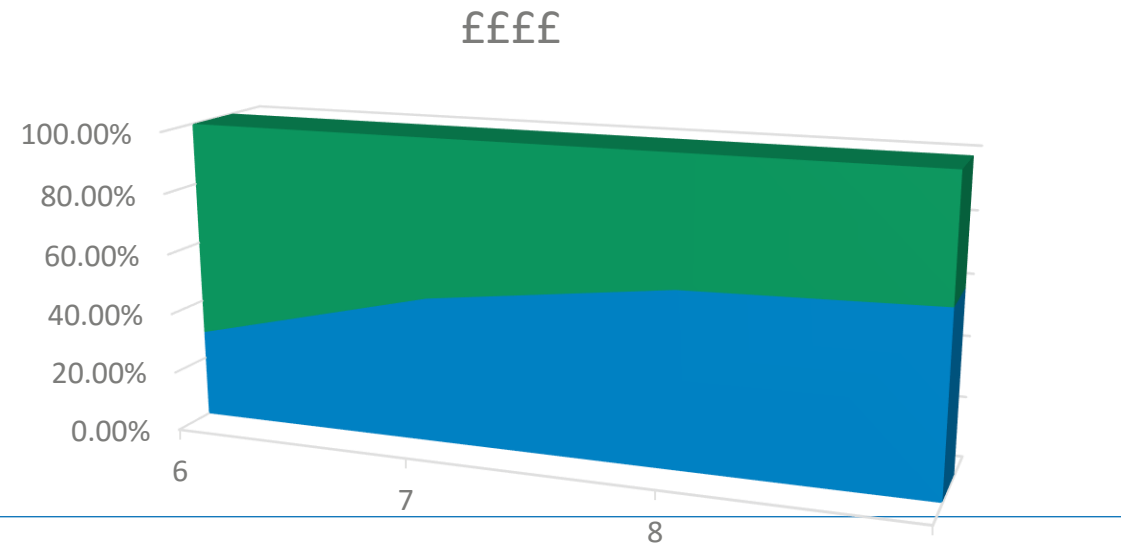
Value reframed – offsetting the ‘costs’

1. Carbon price
2. Electricity subsidy
3. Decarbonisation externality - ETI £32bn
4. WACC – scale and certainty
5. Project risk/ liability



Value reframed – realising the ‘value’

6. Jobs/ multiplier
7. Future-proofed/ globally attractive industrial clusters
8. Skills export – global demand
9. Low carbon product premium



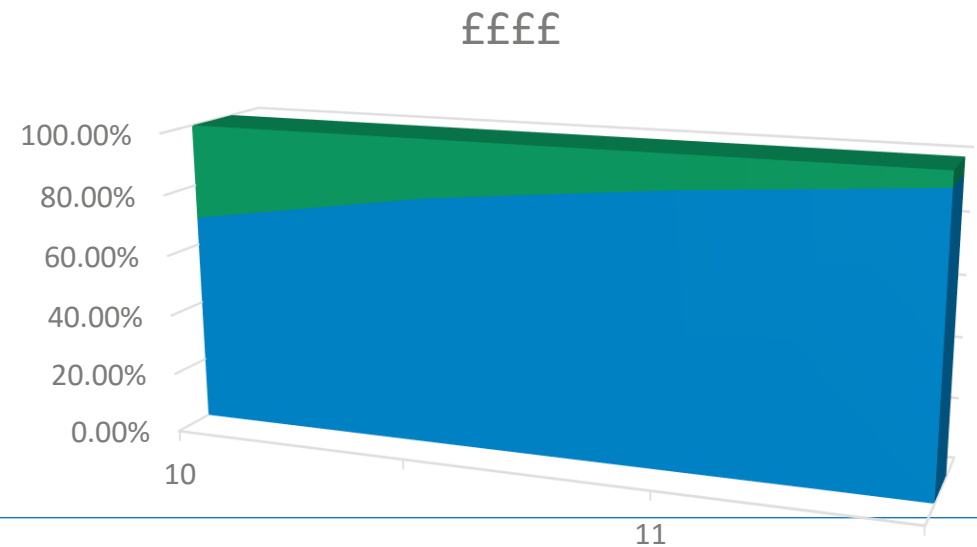
Value reframed – realising the ‘value’

10. MER

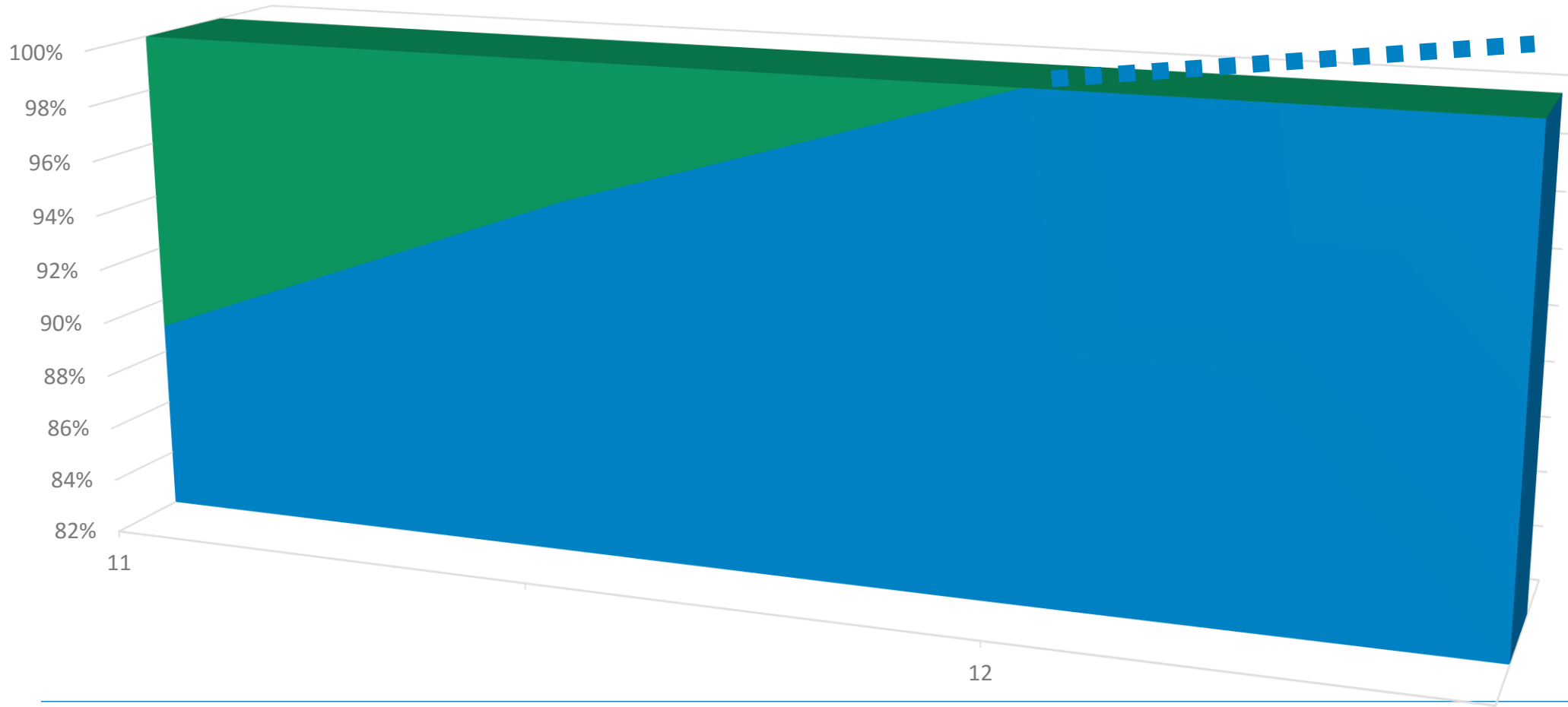
- Miscible gas EOR
- Regional scale pressure support

11. Decommissioning

- £52bn -> £39bn?
- Discount rates/ timing offset?
- Reuse?
- Fiscal regime?



?????



Who might listen?

- The usual suspects.... or
- £££?
- Voters?/ Politicians?
- Industry?



HM Treasury



Oil & Gas
Authority

- So what language will have impact?



**Crown Estate
Scotland**
Oighreachd a' Chrùin Alba

Next steps

- Already much happening
- Ensure proper valuation of the opportunity
- Communicate with the right listeners