

Climate VISION



Climate VISION: Partnership and Risk Sharing to Promote the Development of Clean Coal Power

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Building on the Current Technology Base to Provide Viable Options to Reduce Carbon Intensity

May 3-6, 2004
Alexandria, Virginia

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Near-Term Goal: Reduce GHG Emissions Intensity

- On February 14, 2002, President Bush set a goal to reduce U.S. GHG emissions intensity—i.e., GHG per unit of GDP—18% by 2012.
- Equivalent to about 500 million metric tons of cumulative carbon equivalent reductions from 2002 – 2012.



"My administration is committed to cutting our nation's greenhouse gas intensity . . . by 18 percent over the next 10 years"

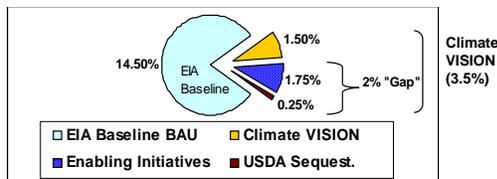
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Meeting President's 18% Goal by 2012

- Current Climate VISION commitments and BAU promise ~16% intensity reduction by 2012.
- Other partnerships will get us the rest.



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Program Launch

- Climate VISION—Voluntary Innovative Sector Initiatives: Opportunities Now—launched as a Presidential Initiative on February 12, 2003.



- Focuses on short- to medium-term voluntary approaches for addressing climate change.
- Is linked to long-term, transformational R&D programs: FutureGen, CSLF, FreedomCAR, Hydrogen Fuel Initiative, IPHE, GenIV, Industries of the Future.

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Voluntary Public-Private Partnership

- Climate VISION now works with trade associations from energy-intensive industrial sectors.
- Partnering associations represent thousands of companies and ~40% to 45% of total U.S. GHG.
- We're exploring opportunities to extend voluntary approach to end-use sectors.



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Partners

Alliance of Automobile Manufacturers	The Business Roundtable
Aluminum Association	International Magnesium Association
American Chemistry Council	National Mining Association
American Forest & Paper Association	Portland Cement Association
American Iron & Steel Institute	Power Partners
American Petroleum Institute	Semiconductor Industry Association
Association of American Railroads	

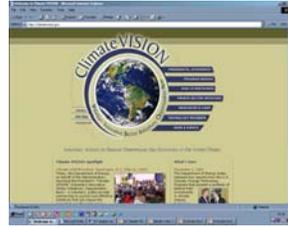
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Website

- Our web address: www.climatevision.gov
- Cleared through interagency process and by partnering associations.
- Announced December 10 during COP-9 to very positive reception.
- About 10,000 "hits" per month.



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Emissions Intensity Reductions

- We are encouraging industry to take voluntary actions using available, cost-effective technologies and systems to reduce GHG emissions intensity.
- Working with industry to develop strategies to speed the commercial adoption of advanced technologies.



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Accelerating Commercial Adoption

- Advanced coal technologies are nearly ready.
- Successful policy needs to consider intelligent sharing of the critical business risks.
- Focusing federal assistance on *only* these risks can accelerate deployment – at the lowest cost.
- Focused assistance could help business in a more efficient way.



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Clean Coal: Deployment Issues

- Market factors, business risk shifts since 2000 favor commercial clean coal plants (e.g., gas price volatility).
- Yet, few clean coal plants are being ordered.
- Which risks most deter construction of commercial clean coal plants? Primarily elevated capital costs? Other business risks (e.g., reliability)?
- Which policies could best encourage commercial use of "carbon capture ready" gasification (e.g., environmental regulations, state & federal financial support)?
- How could credit-based incentives targeted on key risks improve the prospects for clean coal plants?

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Risk Ratings: Highest Risks

Clean coal systems offer public benefits, but are not fully proven. High capital costs magnify risks. State policies are fragmented. Financing large plants poses challenges... risk-informed federal credit could make a difference.

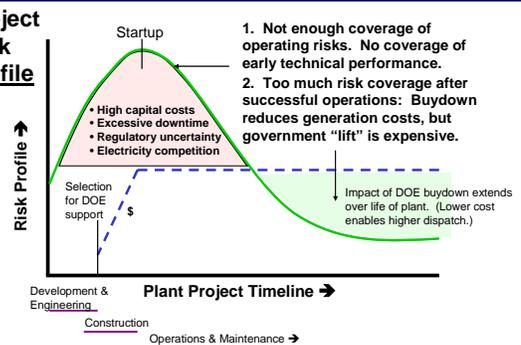
Risk Area for IGCC		A	B	A x B
Highest Risks		Probable	Severity	Rating-1
Technical	High capital cost	4.4	4.7	20.4
	3 Excessive downtime	3.7	4.4	16.5
	5 Lack of standardization	3.7	3.5	12.9
Regulatory	18 No state policies for IGCC	3.3	3.7	12.1
	19 Nat'l policy on IGCC lags	3.4	4.2	14.4
	26 PUC rate approval fails	2.9	4.6	13.2
Market	27 Financing difficult	3.7	4.5	16.5

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Project Risk Profile



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New Financing Approaches Needed?

- Risk-sharing is efficient, relatively inexpensive, and can be targeted effectively to specific risks.
 - Better allocates risks (e.g., higher capital cost on first units, technical performance uncertainties).
- Government risk-sharing offers clean coal buyers more flexibility on financing structures.
- Federal credit process could foster more healthy negotiation and independent credit analysis.
- Credit process adds rigor and improves project quality.

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Working with Our Industry Partners

SUMMARY

- Through the Climate VISION program we are evaluating different approaches, and how to develop federal policies that can enhance market outcomes.
- Risk-based incentives could accelerate commercial use via risk-sharing.
- Accelerating commercial use would help us meet the President's 18% GHG goal by 2012, and can help pave the way for adoption of carbon sequestration technologies.

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