

Bonus Allowances for Carbon Capture and Storage

The price per ton of CO₂ that would be needed to make carbon capture and sequestration economically attractive is said to be around

\$35/ton

In order to limit the impacts to the economy that such a price could have, the Low Carbon Economy Act bridges the gap between the allowance price and this value with Bonus Allowances.

The bonus allowance set-aside can support the development of up to 150 GW of advanced coal with carbon capture and storage by 2030

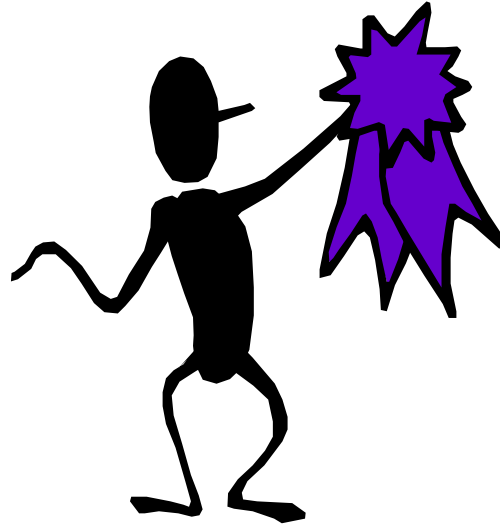
Bonus Allowances for Sequestration



Year	Auction			Allocation to Industry Sectors (Regulated and Non-regulated Entities)	Set-Aside Programs			Allocation to States
	Technology	Adaption	Low-Income Assistance		Agriculture Sequestration	Early Reduction	CCS Bonus Allowance	
2012	12	8	4	53	5	1	8	9
2013	12	8	4	53	5	1	8	9
2014	12	8	4	53	5	1	8	9
2015	12	8	4	53	5	1	8	9
2016	12	8	4	53	5	1	8	9
2017	13	9	4	51	5	1	8	9

8% of the total annual allowances are available as bonus allowances for Geological Sequestration in Section 207

Example



The cap in 2017 is approximately 6.4 billion metric tons of CO₂

8% of that is equal to 510,000,000 metric tons

Those allowances are set aside for bonuses

Bonus Allowance Rate

“Calendar Year	Bonus Allowance Rate
2012	3.5
2013	3.5
2014	3.5
2015	3.5
2016	3.5
2017	3.5
2018	3.3
2019	3.1

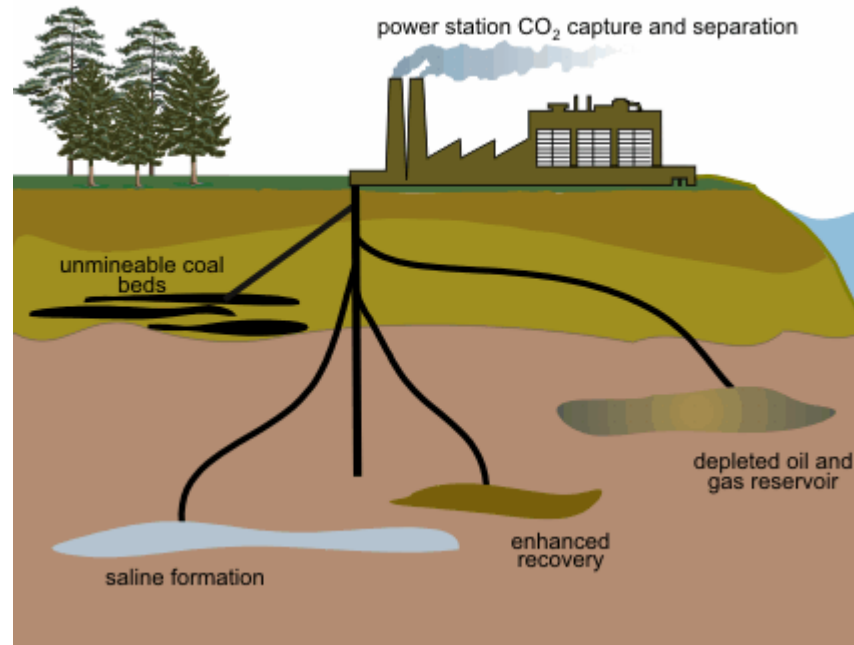
Facilities automatically receive 1 offset credit for every ton of CO₂ sequestered

In addition, facilities built by 2030 receive bonus allowances for each ton of CO₂ sequestered during the first 10 years of operation. Bonus allowances are distributed by a set rate shown above. The number of bonus allowances received depends on the year in which the CO₂ is sequestered (not the year in which the facility is built).

In 2017, the rate is 3.5

In 2017, every facility that sequesters CO₂ will receive 3.5 additional allowances for each ton of CO₂ sequestered

Example



This power station sequesters 100 tons of CO₂ in 2017.

It automatically receives 100 offset credits

In addition, it receives 100 x 3.5 allowances, or 350 bonus allowances

The facility receives a total of 450 allowances (offset credits + bonus allowances)

If the price of CO₂ is \$10/ton in 2017, this facility receives \$45 worth of allowances for every ton it sequesters

Insufficient Allowances or Surpluses

If the 8% pool is exceeded by sequestration projects, allowances are taken out of the auction to supplement the pool

If there are surplus allowances, those allowances are transferred to the auction