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**CCS Liability and Accounting Working Group  
Conference Call Summary  
30 November 2006**

**Participants:**

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Judith Bradbury, Battelle/PNNL  
Andrea Disch, WRI  
Andrew Gibbons, University of Minnesota  
Sallie Greenberg, Illinois State Geological Survey  
Dave Hawkins, NRDC  
Randy Helmen, Indiana Office of Utility Consumer Council  
Gardiner Hill, BP  
Kate Larsen, University of Texas  
Jeff Logan, WRI  
Liz Martin, NRDC  
George Peridas, NRDC  
Darlene Radcliffe, Duke Energy  
Sarah Wade, AJW, Inc.  
Elizabeth Wilson, University of Minnesota

**The call addressed six topics:**

- (1) Status of draft state reports on CCS liability regulations
- (2) Potential to interact/support California AB 1925
- (3) Priorities for future working group activities
- (4) Final recommendations and guidelines for CCS
- (5) Paper on CCS liability and financial responsibility
- (6) Insurance sub-group activity

**Introductory Exchanges:**

- Another set of CCS guidelines from the Interstate Oil and Gas Compact Commission are coming out later next year; update at the conference in Houston on 4-5 Dec.
- Duke Energy Indiana received word from the IRS and U.S. Dept. of Treasury today that it qualified for a \$133.5 million tax credit for a brownfield IGCC plant.. The project is going through permitting and could be online in 2011. (see <http://carboncapture.wri.org> for the press release)
- The MIT Coal Study will come out in late January 2007. It urges that 6 large-scale integrated CCS projects are needed worldwide to gather the information we need to determine if CCS is viable in the long-run. The demos need to take place within a “regulatory environment” to confirm adequacy.

**(1) Draft state reports on CCS regulations**

The case studies on existing regulatory frameworks for CCS in 8 states developed by this group are now nearing completion. Andrew Gibbons will reformat the findings, providing a matrix of key results for easy comparison and contrast. Several paragraphs of synthesis will also be provided. WRI will post this on its website when complete. (carboncapture.wri.org)

**(2) Potential to interact/support CA AB 1925**

In September 2006, California signed into law assembly bill 1925, requiring the California Energy Commission (CEC) to deliver recommendations on CCS by November 2007. We discussed how the WRI process might leverage efforts in California on CCS regulations and requirements. CEC will need to coordinate input from many state agencies. Our potential strength is that we represent a diverse group of stakeholder capacity and have notable expertise in liability issues. We will speak further with Lary Myers, Sally Benson, and Julio Friedmann in California to brainstorm options.

**(3) Potential future activities for the Liability Working Group**

We discussed how the working group should prioritize future efforts and activities (beyond the liability policy paper and insurance subgroup noted below).

- We might want to consider the long-term needs of stakeholders in a matrix, focusing on federal, state, and operator liability.
- Another approach might be to look at different models for liability regimes including public, public/private, and private systems.
- We might also consider different types of instruments as well as evaluation of those instruments for CCS purposes.
- What's critical here is that we look at this from a public policy perspective and weigh the tradeoffs of different approaches in managing long-term liability.
- We should be prepared to help provide something functional and acceptable compared to something perfect and perhaps unworkable. But we need to make sure that a phased approach to regulation doesn't get locked-in early on. The phased approach might include a road map for what will be required in the future.
- But there is concern about having a first regulatory regime which will set a bad precedent. Is adequate and timely better than perfect and untimely?
- Yet there was disagreement as to whether we can speak with one voice regarding basic liability framework principles regarding issues like responsibility, liability, and indemnification. We need to define these first and then see if we can come to an agreement on these issues.

**(4) Final recommendations and guidelines for CCS**

The ultimate goal of this phase of the project is to produce recommendations and guidelines for CCS with large buy-in from the group. To help direct our future activities, we might consider producing an outline of what the guidelines should address and work

backwards from there. Kate Larsen and WRI will work on this outline for the next conference call.

**(5) Policy Paper on liability and financial responsibility**

Elizabeth and Mark have produced a draft of a paper entitled “The Impact of Liability on the Adoption and Diffusion of Carbon Capture and Sequestration Technologies”. WRI would like to add to this paper and build on our discussions in the 29 September workshop on liability. Chiara Trabucchi from Industrial Economics, Inc. has agreed to add a component on financial responsibility. WRI will help further refine and direct content in the paper, which will be published by WRI early next year. The paper should advance policy decisions on how to deal with long-term CCS liability.

**(6) Insurance sub-group**

- One recommendation from the 29 September workshop on liability was to create a special subgroup on CCS operational liability. The insurance community needs to begin thinking more carefully about CCS project risk and how risk changes over time. WRI is putting together a group of approximately 10 experts to build capacity for this effort and accelerate the creation of workable actuarial tables. Gathering analogous data is probably the best starting point, although EOR data might not be similar enough to base the construction of actuarial tables. There was also the question of how prospective modeling might be used to develop these tables.
- An important aspect of this is educating the insurance industry on how the risk profile changes over the phases of a project.
- There are questions relating to whether this will be group or individual insurance, or perhaps a layered insurance structure such as the Price Anderson Act. Looking at these different layered insurance structures might also be useful when considering the difference between chronic and acute risk.

**Next Steps:**

- Andrew Gibbons will reformat the state regulation document into a chart. After this chart is reviewed by liability working group members we will post it on the WRI website.
- Elizabeth Wilson will work on developing a straw matrix considering long term liability issues.
- Jeff Logan, Andrea Disch, and Kate Larsen will work on developing an outline for the CCS liability recommendations.