Alberta moves to introduce carbon capture and storage “hubs”

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A recent announcement from Alberta Energy marks a significant development in using the province’s ample carbon capture and storage potential.

Through an Information Letter, the Alberta government shared preliminary information regarding a competitive process through which the government will award rights to develop carbon capture utilization and storage (CCUS) “hubs” in Alberta. This announcement follows the establishment of the Alberta-Canada CCUS Steering Committee and continued dialogue between the federal and provincial governments regarding the driving down of emissions of the Canadian energy sector through measures such as the carbon capture tax credit announced in the Federal Budget.

CCUS involves capturing carbon dioxide from industrial emitters, transporting it, and injecting it into carefully selected sites deep underground for safe, long-term storage. Alberta’s pre-existing energy infrastructure and expertise, paired with geology suited for long-term CO_2 storage, positions the province as a potential leader in the CCUS industry. Currently there are two commercial-scale carbon capture and storage projects in Alberta, with the collective potential to reduce industrial producer emissions by 2.76 million tonnes each year. CCUS technology is expected to play a central role in reconciling Canada’s economic dependence on the energy industry with the country’s GHG emission reduction targets.

Competitive process parameters still in development

The Information Letter stresses the fundamental role that CCUS projects will play in Alberta’s economic and environmental future, and the need for a strong regulatory scheme that would ensure the industry’s longevity. A key objective underlying the competitive process of issuing sequestration rights is the need for developing strategically-located carbon storage “hubs,” which will provide sequestration services to several industrial facilities.

Employing a hub-based model for sequestration is seen as a means of achieving greater economies of scale and minimizing the risk of pore space sterilization by limiting perforations and development in storage zones. The competitive process outlined in the Information Letter is specific to geologic storage hubs, and does not relate to projects

that utilize CO2 injection for enhanced oil and gas recovery (though such projects are not precluded).

The competitive process – expected to be released in the coming weeks – is still under development, but Alberta Energy has highlighted its general expectations for proposals, which should:

- Identify approximate geographic locations for injection operations;
- Identify a transportation system for captured carbon;
- Provide for open access to the hub;
- Provide fair service rates;
- Account for carbon offsets or future credits; and
- Provide Albertans the opportunity to realize fair economic benefit as operations advance.

A “highly qualified proponent” eligible for selection through the process will need to demonstrate the technical, financial and operational capacity to take on developing and managing a CCUS hub. The successful party will be expected to adhere to existing legislative and regulatory requirements and obtain the necessary approvals from the AER.

Alberta Energy reports that it has received “a very large number” of inquiries relating to sequestration opportunities, and thus it notes in the Information Letter that additional storage hubs may be solicited for approval in the future, pending market demand.

CCUS investments increasing; hydrogen production through CCUS to grow

Existing operations in Canada currently capture more than four megatonnes of carbon annually, while the recent Federal Budget has set a goal of capturing 15 megatonnes annually. The budget incorporated two measures to support further development of CCUS: $319 million over seven years to support research, development and demonstrations to improve the commercial viability of CCUS initiatives, and an investment tax credit for capital invested in CCUS projects.

Legislation implementing the tax credit is to be introduced following a 90-day consultation period, though the federal government has already signalled that the credit will not be available for projects that use captured carbon for enhanced oil recovery. It will, however, be available to support hydrogen production, an area of major growth potential. Existing uses of CCUS in Alberta produce “blue” hydrogen from fossil fuel operations, with the federal government having recently set a goal to increase CCUS for hydrogen production to capture 50 per cent of GHG emissions as soon as possible, and 90 per cent of GHG emissions through CCUS by 2030.

Reach out to any of the key contacts below if you have questions about Alberta’s CCUS strategy.

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