

Cost management of CCS must be improved

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In the period 2007-2012, the Norwegian State has spent NOK 7.4 billion on CCS at Kårstø and Mongstad. Substantial cost increases have occurred.

- It is important that the Ministry of Petroleum and Energy improves overall risk management in its work on CCS, says Auditor General Jørgen Kosmo.

Document 3:14 (2012–2013) *The Office of the Auditor General's investigation of the Norwegian State's work on CCS* was submitted to the Storting on 17 September 2013.

The investigation shows that the complexity of implementing CCS was underestimated in 2006. Among other things, it has proven very difficult to plan and build capture facilities on a large scale near a refinery and heat and power plant in operation. This has entailed high costs and a longer implementation period.

- High costs can entail a risk that the benefits will not be in proportion to the financial investment, says Kosmo.

There have been few instruments for ensuring sound cost management and rapid progress in the CCS projects. The agreements that the Ministry of Petroleum and Energy has signed with Statoil restrict the State's management options, and Gassnova has limited influence on the costs. Independent quality assurance of the technology centre at Mongstad was not carried out.

- Independent quality assurance could have helped ensure that the organisational solutions were appropriate, says Kosmo.

The technology centre came to fruition with a high ambition level and high standards. The Ministry and Statoil entered into an agreement on an investment budget (including a project reserve) that was about NOK 1.7 billion higher than was originally presented to Norway's parliament, the Storting. The Storting has subsequently been informed about costs and budget requirements.

The State will spend approximately NOK 3 billion on planning full-scale CO₂ capture at Mongstad. Statoil is both the project manager and chair of the management committee, while the State covers all the costs.

- Statoil has been given too few incentives for ensuring efficient implementation of the full-scale project. The Ministry must assess measures for exercising better cost management and contribute to efficient progress, says Kosmo.

A legal and organisational framework for transporting and storing captured CO₂ has not been determined. There is therefore a risk that a transport and capture solution will not be in place at the same time as the full-scale facility. The Office of the Auditor General (OAG) recommends that the Ministry step up its efforts to put the framework conditions for transport and storage of CO₂ in place.

In his response to the OAG, the Minister of Petroleum and Energy writes that the work of developing technology for CCS is demanding and entails high risk. The knowledge that has been acquired will help reduce the costs of CCS. The Ministry emphasises that the uncertainty of the cost estimates for CCS has been clearly communicated to the Storting. The Minister otherwise shares the OAG's assessment that it is important to establish a legal framework for transport and storage of CO₂.