Carbon capture in Canada still faces weak economics

IEEFA update on the Pathways carbon capture project



KEY FINDINGS

Taxpayers absorb the risk. Despite new policy measures and funding streams, carbon capture and storage (CCS) projects in Alberta still depend on government financial support, transferring risk to taxpayers.

Lower revenue ceiling. The revised carbon-price schedule lowers the potential revenue ceiling for CCS projects. Persistent credit oversupply, insufficient credit demand and long-term operating cost inflation leave the revenue model fragile.

No guaranteed revenue. Government-backed carbon contracts for difference may not guarantee revenue certainty, and commitments to regulate the market price for carbon credits could expose taxpayers to escalating financial liabilities.

A crowded carbon market. Investment credits and reduced stringency rates may add to an already saturated provincial carbon market, working against price-support goals and raising the cost of maintaining a price floor.

FOLLOW THE POLLUTER-PAYS PRINCIPLE

If governments proceed with CCS, support should depend on tangible, verifiable outcomes:

- **Actual emissions reductions**
- **Sustained capture performance**
- **Permanent CO_2 storage**

Under the polluter-pays principle, polluters should bear the burden of CCS deployment, keeping the benefits if projects succeed and absorbing the losses if they fail, rather than relying on subsidies for construction costs or operating deficits.

> **In short:** *Canada's taxpayers should be wary of assuming a growing share of project risks without a guarantee of lasting emission reductions or economic benefits.*

> ***"Large scale CCS deployment remains dependent on external subsidies. The revenue model is fragile and is exposed to material uncertainty due to persistent credit oversupply, insufficient credit demand and long-term operating cost inflation."***

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