

Policies to support CCUS upscaling in Asia

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How policy can support CCUS deployment for industrial decarbonisation



Key Message

CCUS for industrial decarbonisation requires different business models and policy support from traditional single developer approaches. However, actual policy implementation may be delivered across a spectrum depending on the specifics of each case.



Key Question

What has to be true for an industrial CCUS project to get to FID?

CCUS does not scale on technology readiness alone – the role of policy

Where markets fail to adequately price emissions, policy is needed to address the gap between technical viability and investability.

Higher capex and operating costs

Lack of reliable revenue for storage

Viability

Long lead times for investments, especially storage

Counterparty risk and liability

- Permanent CO₂ storage typically has little direct commercial value without policy support.
- No one size fits all policy to support CCUS – a spectrum of laissez-faire capitalist to centralised economic planning – depending on the specifics.
- Policy can help to allocate risk between the full value chain of public and private players.

Traditional CCUS policy has helped, but industry needs something different



What early policy delivered

- Legal frameworks and early cost reduction measures moved first projects into operation.
- Public support (grants, loans etc) helped de-risk projects with no natural revenue for stored CO₂.
- Typically focused on large, single project developer, full value chain models (often oil and gas EOR).

Where it falls short for industry

- Single-site grants do not build shared transport and storage networks.
- Carbon prices are often too low to stimulate demand for first-of-a-kind industrial capture or diluted CO₂ streams.
- CCUS hubs involve multiple developers and part chain projects focused on capture, transport, storage etc...

- Which risks should remain private, which should be shared, and which must be socialised to start the market?
- How can climate policy “stop/start” uncertainty be derisked to allow large, long lead time investments?

Industrial users need a different policy package

Cement

Process emissions dominate

Strong structural case for CCUS where clinker process emissions remain after fuel switching.

Policy need: Given smaller and dispersed nature¹, support may focus on midstream facilitation and support. If cross border, legal, regulatory and permitting issues must be resolved.

Steel

Route-dependent choices

CCUS may be useful for existing integrated assets; policy should also keep options open for H₂-DRI and EAF routes.

Policy need: green public procurement (e.g. UK infrastructure, rail) with clear maximum embodied-carbon thresholds can support recovery of the green premium.

Petrochemicals

Cluster and molecule logic

Concentrated streams and industrial clustering can provide anchor volumes for hubs.

Policy need: support alignment of multiple stakeholders, for example, through source-sink matching and provide higher public support for earlier phases.

- Industrial CCUS needs shared infrastructure and demand-side value for low-emission products.
- Carbon prices remain key, but require between \$40-170/t, depending on CO₂ stream concentration.

Case studies: policy shifting from subsidy to system design

UK cluster sequencing model

- Sequencing clusters
- HyNet + East Coast Cluster selected as Track-1 – FID achieved
- Acorn and Viking selected as Track-2

- ✓ Public funding and grants
- ✓ Risk allocation and revenue support
- ✓ Government covering leakage risk insurance
- ✓ Legal and regulatory framework facilitation

US\$ 29bn Gov't committed over 25 years

Norway Northern Lights project



US\$ 1bn+ of phase 1 funding up to 80% of capex, support for phase 2 transport and storage buildout, subsidizing smaller industrial capture facilities.



London Protocol actively establishes bilateral agreements for x-border transport & storage on Norwegian Continental Shelf. Norwegian authorities routinely greenlight permits and FIDs, providing regulatory stability to the joint venture.



Open-access infrastructure enables international participation from plants in Netherlands, Sweden, and Denmark, sharing risk across many stakeholders.

Lessons for Asia:

- Identify the missing risk layer and design policy around it.
- Find the balance between stimulating investment and not over-regulating a new commercial market.
- Blend structural support with financial support and look across the value chain.
- Build frameworks to enable cooperation across borders to share risk.

Lessons learned for Industrial CCUS in Asia

There is no one-size-fits-all CCUS policy model; effectiveness sits on a spectrum from market-led incentives to state-directed, full-chain support, depending on the sector, infrastructure needs, and risk profile.

- 1 Blend broad hub-based approaches with sector-specific aspects, because cement, steel, and chemicals face different emissions profiles, abatement options, and investment barriers.
- 2 Industrial cluster/hub support through policy and PPP's is key they help industrial facilities to share infrastructure and create bankable volumes.
- 3 Cross-border policy frameworks can de-risk CCUS by clarifying rules while creating a larger regional market that supports scale-up.
- 4 Financial policy tools including blended finance, guarantees, contracts, and viability gap still needed to close the investability gap.
- 5 Demand creation is essential. Public procurement, standards, anchor projects and low-emission product mandates can create markets for decarbonized cement, steel, and chemicals.
- 6 Policy and MDB technical assistance can build critical enabling frameworks ahead of large project finance decisions.

Let's connect.

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