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DOI

[10.1016/B978-0-443-15274-0.50545-X](https://doi.org/10.1016/B978-0-443-15274-0.50545-X)

Publication date

2023

Document Version

Final published version

Published in

Computer Aided Chemical Engineering

Citation (APA)

Wiltink, T., Yska, S., Ramirez, A., & Pérez-Fortes, M. (2023). Evaluation of centralized/decentralized configuration schemes of CO₂ electrochemical reduction-based supply chains. In *Computer Aided Chemical Engineering* (pp. 3417-3422). (Computer Aided Chemical Engineering; Vol. 52). Elsevier.
<https://doi.org/10.1016/B978-0-443-15274-0.50545-X>

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Evaluation of centralized/decentralized configuration schemes of CO₂ electrochemical reduction-based supply chains

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Abstract

Electrochemical reduction of CO₂ (CO₂ER) is an emerging technology with the potential to limit the use of fossil-based feedstocks in the petrochemical industry by converting CO₂ and renewable electricity into useful products such as syngas. Its successful deployment will depend not only on the technology's performance but also on its integration into the supply chain. In this work, a facility location model is used to gain insights regarding the capacity of CO₂ER plants that produce syngas and the implications for the central/decentral placement of these CO₂-based syngas plants. Different optimal configurations are examined in the model by changing the syngas transport costs. In this exploratory case, the results indicate that centralization is only an option when the syngas and CO₂ transport costs are similar. When syngas transport is more expensive, decentralizing CO₂-based syngas plants in the supply chain appears more feasible.

Keywords: CO₂ electrochemical reduction; CO₂ utilization, supply chain modeling, optimization, supply chain configurations

1. Introduction

The European Green Deal includes the 2030 Climate Target Plan targeting a greenhouse gas (GHG) emission reduction of at least 55% in 2030 compared to 1990 levels and a net-zero GHG emissions target by 2050 (European Commission, 2019). This requires a drastic change in the petrochemical industry, which is challenging due to the industry's dependence on fossil fuels as its carbon feedstock. Currently, processes using CO₂ as an alternative feedstock are being developed. In the electrochemical reduction of CO₂ (CO₂ER), CO₂, water, and electricity are converted into a range of intermediates and final products that can be used for further chemical and fuel synthesis in multiple sectors. CO₂ER is not yet a mature technology, and ultimately it will be integrated into already existing supply chains (SCs), which affects the SC configurations in terms of implementation scale and (de)centralization of the technology. In order to study the impact of the CO₂ER technology in connection with its SC, a facility location optimization model was developed in the current work to understand the potential trade-offs of decentralized/centralized configurations when replacing fossil-based syngas with CO₂-based syngas from a CO₂ER process. Centralized/decentralized business cases for CO₂ER are explored from an SC perspective in the European petrochemical context using a hypothetical case study. Syngas is chosen as the product of interest, as it is a large-scale fossil-based industrial product, commercialized as a versatile commodity that can be used as a precursor for a wide range of processes in the petrochemical industry (Choe et al., 2022; Ebbehøj, 2015). Syngas is a mixture of hydrogen and carbon monoxide (CO). The CO molecule in syngas makes the mixture toxic, which adds safety requirements to the

transportation and handling of this feedstock. Alternative feedstocks for syngas production are described in SC literature; the primary focus has so far been on the upstream part of the SC (e.g., (Ahmadvand and Sowlati, 2022; Marufuzzaman et al., 2016)). In these studies, the current business model is employed where syngas is produced on-site (i.e., without storage and transport). Transporting syngas to establish a centralized market is not considered. This work investigates how an industrial scale CO₂-based syngas SC could look like for different syngas transportation costs in relation to CO₂ transport costs. The facility location model selects the optimal locations, the number of CO₂-based syngas plants, the plant capacities, and connections between echelons in a three-stage SC, see Figure 1A.

2. Mathematical model formulation of CO₂-based syngas supply chain

A fixed charge facility location problem (FLP) is formulated as a mixed integer linear program (MILP). This model is an uncapacitated multiple allocation FLP; the maximum size of the CO₂-based syngas plant is not constrained, and individual echelons can connect to multiple other echelons. The problem is formulated as a p-median problem, the foundations of which are laid by Hakimi (1964). The model is based on the SiLCaRD (simultaneous location of central and regional distribution facilities) model formulated in the work of Götzinger (2013).

Mass balance constraints ensure that the amount of CO₂ captured in the system is in equilibrium with the amount of syngas at the demand locations and that mass conservation is guaranteed. Location constraints specify where to establish and open the CO₂-based syngas plants, while allocation constraints select and connect the different echelons in the system. The piecewise linear transport constraints allow for dealing with non-linearities in transport. The mathematical is elaborated below and the decision variables are emphasized in bold font:

H	set of CO ₂ source locations, indexed by h
J	set of potential CO ₂ -based syngas plant locations, indexed by j
K	set of syngas demand locations, indexed by k
Q	set of transport segments of the piecewise linear cost function, indexed by q
A_q	slope [€/2020/kilometer/Mtonne transported] of segment q in the piecewise linear transport cost function
B_q	intercept [€/2020] of segment q in the piecewise linear transport cost function
C_{hj}	distance [kilometers] from CO ₂ source h to CO ₂ -based syngas plant j
C_{jk}	distance [kilometers] from CO ₂ -based syngas plant j to syngas consumer k
CC_h	average carbon capture cost [€/2020/Mtonne] at the CO ₂ source (at cluster level)
CF_{st}	cost factor of syngas transport [€/2020 syngas transported /€/2020 CO ₂ transported]
SG_{Conf}	CO ₂ -to-syngas conversion factor [Mtonne syngas/Mtonne CO ₂]
yq_{hj}	1 if the CO ₂ -based syngas plant j is assigned to CO ₂ source h in segment q of the piecewise linear transport function, 0 if not
yq_{jk}	1 if the syngas consumer k is assigned to the CO ₂ -based syngas plant j in segment q of the piecewise linear transport function, 0 if not
z_{hjq}	size [in Mtonne of CO ₂ transported] from CO ₂ source h to CO ₂ -based syngas plant j in segment q of a piecewise linear function
$z_{j k q}$	size [in Mtonne syngas] transported from CO ₂ -based syngas plant j to syngas consumer k in segment q of a piecewise linear function

The objective function aims to minimize the yearly capture costs at the industrial cluster (1a), the yearly pipeline transport cost of CO₂ from CO₂ sources to CO₂-based syngas plants (1b), and the yearly (hypothetical) pipeline transport cost of syngas from CO₂-based syngas plants to syngas consumers (1c). The amount of CO₂ captured (z_{hjq}) and the size of the electrolyzer (z_{jkq}) is determined as a result of the minimization of the objective function to fulfill the syngas demand in the SC. A piecewise linear transport cost function is applied to all the transport links between the echelons in the model. The amount of CO₂ (from source to CO₂-based syngas plant) is multiplied with a CO₂-to-syngas conversion factor to calculate the plant's syngas production; see equation (2). Objective function - minimize:

$$\begin{aligned} & \sum_{h \in H} \sum_{j \in J} \sum_{q \in Q} z_{hjq} * CC_h \quad (1a) \quad + \sum_{h \in H} \sum_{j \in J} \sum_{q \in Q} A_q * z_{hjq} \quad (1b) \quad + \sum_{j \in J} \sum_{k \in K} \sum_{q \in Q} (A_q * z_{jkq} * C_{jk} + B_q * y_{qjk}) \quad (1c) \\ & * C_{hj} + B_q * y_{qhj} \quad * CF_{st} \\ & SG_{Conf} * \sum_{h \in H} \sum_{q \in Q} z_{hjq} = \sum_{j \in J} \sum_{q \in Q} z_{jkq} \quad \forall j \in J \quad (2) \end{aligned}$$

3. Case study – CO₂-based syngas supply chains

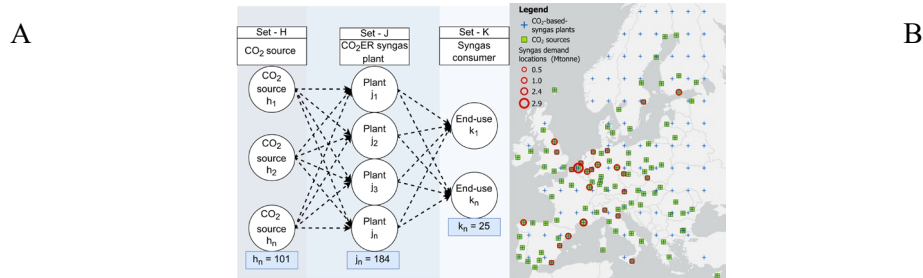


Figure 1 - A – Representation of the three-echelon supply chain model described in this case study. B – Industrial CO₂ sources in Europe, potential CO₂-based syngas plant locations, and syngas demand locations with sizes.

The model uses geographical data from industrial clusters in Europe (EU-27+UK). It uses a discrete grid of potential CO₂-based syngas plant locations. A 100 x 100 grid was placed to create potential location sites for CO₂ER plants from the borders of Portugal to Finland. For the purpose of this study, plant locations over the sea were disregarded, and the industrial cluster locations were added as potential location sites, resulting in 185 potential electrolyzer locations, see Figure 1B. The current case study contains CO₂ emission data from 101 industrial clusters (with 944 individual plants within these clusters from 9 types of industries: ammonia, cement, lime, iron & steel, refining, petrochemical, oil & gas, power generation, and aluminum). Industry-specific CO₂ impurities were not considered, and it was assumed that CO₂ is in the same conditions irrespective of its source. The dataset is available via ArcGIS online (Boston Consulting Group, 2021) and is based on the European Pollutant Release and Transfer Register (European Environment Agency, 2020). The following considerations were taken into account:

- The worldwide syngas market was 150 Mtonne in 2018 (Jouny et al., 2018), with a CAGR of 9.5% it is estimated to reach 180 Mtonne in reference year 2020 (Inkwood Research, 2017). Europe uses approximately 22% of global syngas, with 51% in the

petrochemical industry (IMARC, 2021). The estimated syngas demand in Europe's petrochemical industry used in this work was 20.3 Mtonne/year. In the model, the demand needs to be assigned to specific locations. In order to assign different syngas demands to different (hypothetical) sites, a syngas plant size of 0.482 Mtonne/year was assumed based on the syngas demand of a standard methanol plant size of 0.4 Mtonne/year (Ebbehøj, 2015). To fulfill the syngas demand using this standardized size, 42 CO₂-based syngas plants would be necessary. 42 of the 84 petrochemical plants in the European dataset were randomly selected to serve as syngas demand locations. The demand was summed when the selected plants were part of the same cluster.

- The costs of CO₂ transport were based on (hypothetical) existing onshore pipelines (i.e., only operating costs are considered). A piecewise linearization is used based on the values by d'Amore (2021).
- This work assumes an existing syngas transportation infrastructure (i.e., only operating costs are considered). Currently, there is limited data available on the transportation of syngas. Direct use of syngas is the dominant business case causing the lack of existence of commercial-scale syngas transportation networks. The costs of syngas transport are therefore highly uncertain and likely more expensive than CO₂ transport due to additional safety requirements. For the latter, Knoope (2015) has shown how CO₂ transport costs increase with additional safety measures. In this study, the costs of syngas transport are based on the transport costs of CO₂ but were multiplied with different cost factors to investigate its effect on the centralized/decentralized deployment and the SC configuration.
- The capture costs of CO₂ were averaged at the cluster level based on the mass of CO₂ emissions of individual plants in that cluster and the capture costs per industry. These capture costs [in €₂₀₂₀] were based on the capture cost from Global CCS Institute (2021) and CO₂ compression costs from IEA (2020). The CO₂ coming from the petrochemical, oil, and gas industries was assumed to have the same capture and compression cost as from the oil refining industry.

4. Case study results

The problem formulation was formulated in GAMS (41.1) and optimized using the CPLEX 22.1.0.0 MIP solver. The system ran with an Intel®Core™ i7-1185G7 CPU 3GHz processor and 32GB RAM. The problem comprised 228,893 variables, of which 93,526 were binary and 350,303 equations. The model was solved for five different transport cost factors (CF) values (1-3) and took 11 minutes.

The SC configurations with varying cost factors for syngas transport are presented in Figure 2, while the different SC characteristics are presented in Table 1. For all the CFs, the same 25 syngas demand locations were selected. Plants were co-located when the CO₂ source, the CO₂-based syngas plant, and the syngas consumer were within the same industrial cluster. Co-locating reduces transport dependency; however, in some cases, CO₂/syngas transport was still needed to fulfill the syngas demand or desired to optimize costs. Remote CO₂ capture and transport can be cheaper to (partly) fulfill the demand compared to on-site capture due to capture cost differences between clusters. When the transport of syngas was more expensive than CO₂ co-locating the CO₂ source with the CO₂-based syngas plant became more viable. In CF2.5, there remains a need for CO₂ transport to 5 clusters to fulfill syngas demand. The cost factors affect the capacity of the

Table 1 Supply chains characteristics for different syngas transport cost factors

Cost factor	Capacity CO ₂ -based syngas plants			CO ₂ sources	CO ₂ -based syngas plants	Co-located plants
[-]	[Mtonne syngas]			[#]	[#]	[#]
	Min	Max	Avg.			
1	0.24	3.5	0.99	21	21	15
1.5	0.24	3.5	0.87	24	24	18
2	0.24	3.5	0.87	25	24	20
2.5	0.50	3.0	0.83	26	25	21
3	0.50	3.0	0.83	26	25	21

individual plants, as the average capacity is higher at a lower cost factor. In other words, lower transport cost increase plant capacity leading to a more centralized SC.

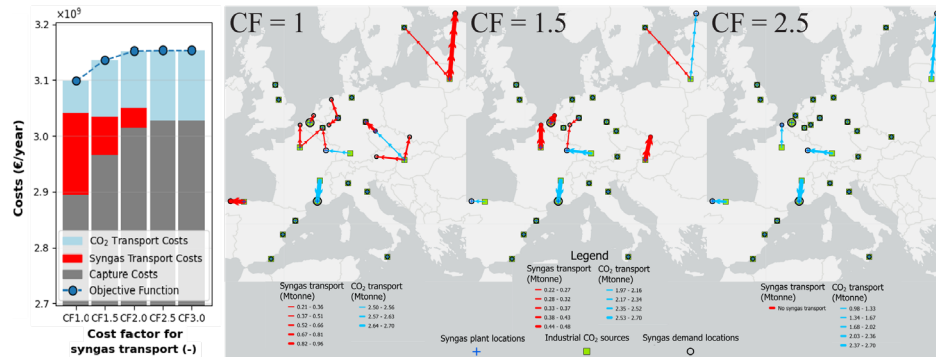


Figure 2 - Parts of the objective function for different syngas transportation costs factors and CO₂-based syngas supply chains with different syngas cost factors.

The total SC cost in the objective function is hardly affected by an increase in syngas transportation cost, see Figure 2. The CF1 SC can benefit from the cheapest CO₂ capture sources. When syngas transport becomes more expensive, the model chooses to pay more for capturing CO₂ at less favorable locations to avoid transportation. At a CF of 2.5, syngas transport is eliminated.

5. Conclusion and future work

A simplified CO₂-based syngas supply chain facility location model was developed in this work. The objective minimized the CO₂ capture, transportation, and syngas transport costs. In this case, when syngas transportation has the same price as CO₂ transport, there are options for centralization in the CO₂-based syngas SC. At higher syngas transportation costs, decentral SCs are preferred. When syngas transport is as expensive as CO₂ transport, syngas transport is favored due to its lower transport volume and potential to capitalize on clusters with lower capture costs. CO₂ transport is occasionally necessary for clusters with insufficient CO₂ to fulfill their syngas demand after CO₂ER conversion.

In the next iteration of the model, a sensitivity analysis will be performed by exploring different syngas demand locations and sizes, which will help generalize the findings of this specific case. The current model is a starting point for developing a more exhaustive CO₂-to-syngas-based SC model, focusing on enhancing transportation details and refining the objective function. With this exploratory case, the first insights were gained regarding the scale of CO₂-based syngas plants and the preference for a centralized/decentralized configuration of the SC.

Acknowledgments

This research receives funding from the project "Addressing the multiscale challenge of CO₂ electrochemical reduction", NWO ECCM tenure track grant (project number ECCM.TT.009), and "Sustainable design of multiscale CO₂ electrochemical conversion", MVI grant (ECCM.TT.MVITU.006).

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