

# Decision

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## Net Zero North Sea Storage Limited – Second Tranche of CS006/CS007 Development Activities Ongoing Devex Final Determination

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Publication date: 09 July 25

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This document sets out our Final Determination (**'Final Determination'**) following consideration of Net Zero North Sea Storage Limited's (the **'Licensee'**) Carbon Dioxide Transport and Storage Licence (the **'Licence'**) Ongoing Devex Re-opener submission (the **'Re-opener Submission'**). Unless otherwise defined in this Final Determination, capitalised terms shall have the meaning given to them in the Licence.

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## 1. Introduction

- 1.1 The Licence includes a range of uncertainty mechanisms ('**UMs**') that allow us to assess applications for further funding and adjust allowances in response to changing developments prior to any Periodic Review. This prevents setting allowances higher or lower than required. UMs ensure that Users fund projects only when there is clear evidence of benefit, and once we have clarity on likely costs and cost efficiency. Without UMs, Users may face higher costs than necessary and licensees may be exposed to an unreasonable level of financial risk.
- 1.2 Re-openers are a type of UM that allow us to adjust a licensee's allowances (both upwards and downwards), outputs and delivery dates in response to changing circumstances. For some re-openers we can do this by issuing a determination whilst for others this must be done by way of a modification of the licence conditions in accordance with section 13 of the Energy Act 2023 and this will require a statutory consultation period.
- 1.3 Under the Licence, where at Licence Award, the Secretary of State ('**SoS**') considered that not all of the relevant Development Activities were sufficiently certain (either in terms of cost or scope) to set a full and final Ongoing Devex Allowance in respect of all of the Development Activities related to a Development Project, the Development Activities were divided into Tranches of Ongoing Devex Stage Check Activities.
- 1.4 Special Condition J5 of the Licence outlines the process allowing the Licensee to request re-openers to its Ongoing Devex Allowances. An Ongoing Devex Re-opener must be promptly submitted to us by the Licensee following completion of each Tranche of Stage Check Activities and must detail the activities completed, actual incurred devex costs, proposed changes to subsequent tranches, and whether scope or project cancellation changes are required in respect of the Development Project. For clarity, a Tranche of Stage Check Activities is a defined phase or chunk of work within a Development Project where the total costs or scope are uncertain at the outset.
- 1.5 In accordance with Special Condition J5.9, we will then determine the impact and any positive or negative adjustments to any Ongoing Devex Allowance and any subsequent Tranches of Development Activities, any amendments to the Approved Project Development Plan ('**APDP**') that are required to reflect the Ongoing Devex Stage Check Activities that remain to be undertaken by the

Licensee and any additional stage checks to apply to the relevant Ongoing Devex Stage Check Activities to be undertaken by the Licensee.

- 1.6 This Final Determination is made pursuant to Special Condition J5.9 and relates specifically to the Licensee's application to undertake Tranche 2 of the Stage Check Activities for CS006/CS007 Development Activities (as detailed in the APDP). By way of background, the CS006 and CS007 Development Projects relate to development of offshore CO<sub>2</sub> storage systems licensed under the Carbon Dioxide Appraisal and Storage Licences CS006 and CS007 respectively. Tranche 2 is the stage of development that follows the completion of Tranche 1 activities. It includes significant appraisal and data collection work necessary to de-risk and design the storage systems.
- 1.7 Unless otherwise stated, all costs referenced in this Final Determination are quoted in Base Year, as defined in the Financial Settlement Document ('**FSD**') as the period from 1 April 2021 to 31 March 2022 inclusive (2021/22).
- 1.8 Activities within Tranche 2 include:
- pre-FEED in respect of the CS006 Storage System;
  - acquisition of seismic survey across the CS007 Storage System;
  - rig intake in respect of each of the CS006 Storage System and the CS007 Storage System;
  - drilling of appraisal well BC 37;
  - drilling of appraisal well BC 39;
  - well test, core and fluid sample analysis in respect of each of the CS006 Storage System and the CS007 Storage System; and
  - log interpretation in respect of each of the CS006 Storage System and the CS007 Storage System.
- 1.9 The goal of Tranche 2 is to:
- de-risk the subsurface aspects of the CS006 and CS007 storage systems;
  - provide the data necessary for confident progression to detailed design and permitting;
  - fulfil NSTA obligations under the licence terms; and
  - prepare for the subsequent FEED and permitting steps (particularly in Tranche 3 for CS006 and Tranche 5 for CS007).

## **Our decision-making process**

- 1.10 The table below sets out the stages through which we reached our Final Determination.
- 1.11 Pursuant to Special Condition J5.4 of the Licence, the Licensee submitted a draft application for a re-opener in respect of the Tranche 2 of the Stage Check Activities for CS006/CS007 Development Activities ahead of its formal application for a re-opener (which, as detailed above, is required promptly following completion of such Tranche of Stage Check Activities).
- 1.12 Through engagement sessions and supplementary questions, we provided comments to the Licensee and received updated draft versions of its Re-opener Submission.
- 1.13 In addition to our own review of the Licensee’s draft Re-opener Submission, the Department for Energy Security and Net Zero (**‘DESNZ’**) completed its own review and governance process as part of the Licence Variation process (Special Condition J7). Certain decisions made under Special Condition J5 may amount to a Variation where conditions are met. In this event, the Ongoing Devex Re-opener application will be considered to be a Variation, and the Licensee is required to submit its application (a **‘Provisional Variation Submission’**) to the SoS and the SoS will either consent or reject such Provisional Variation Submission.
- 1.14 The SoS provided consent to the Provisional Variation Submission on 18 June 25 and the Licensee submitted an application for an On-going Devex Re-opener pursuant to Special condition J5.5 (Final Variation Submission) on 01 July 25.
- 1.15 A public consultation stage was not included given that the scope of work was defined at Licence Award and this re-opener primarily reflects the maturity of cost estimate the Licensee is now able to provide. A voluntary consultation on our draft determination with the Licensee was however included at Stage 7 below.

## **Decision-making stages**

<b>Date</b>	<b>Stage description</b>
11/12/2025	Stage 1: Initial Draft Re-opener Submission
24/01/2025	Stage 2: Updated Draft Re-opener Submission
03/03/2025	Stage 3: Updated Draft Re-opener Submission

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21/03/2025	Stage 4: Updated Draft Re-opener Submission
02/06/2025	Stage 5: Provisional Variation Submission
18/06/2025	Stage 6: SoS Variation Approval
24/06/2025	Stage 7: Licensee consultation on draft determination
01/07/2025	Stage 8: Final Variation Submission
Date of this paper	Stage 9: Final Determination

**General feedback**

We are keen to receive your comments regarding this Final Determination. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall quality of this document?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Are its conclusions balanced?
5. Did it make reasoned recommendations?
6. Any further comments.

Please send any general feedback comments to [ccus@ofgem.gov.uk](mailto:ccus@ofgem.gov.uk).

## 2. Our Final Determination

### Summary

- 2.1 Our Final Determination is to approve a total Ongoing Devex Allowance of **£147.5m (Base Year)**<sup>1</sup>. However, this Ongoing Devex Allowance is more specifically described below in the amendments to the FSD.
- 2.2 This allowance is £4.5m less than the Licensee requested in its Re-opener Submission. It represents a c. 20% increase to the provisional Ongoing Devex Allowance set at Licence Award.
- 2.3 The Ongoing Devex Allowance approved in this Final Determination is subject to two automatic adjustment mechanisms to account for Foreign Exchange ('**FX**') transactions and a variable rig intake cost.
- 2.4 The Licensee also made an application under Schedule 10 of the Licence to separate out CS006 and CS007. We have also accepted this and have therefore adjusted the Ongoing Devex Allowances based on upon this split. The Licensee has applied to proceed with a CS006 Tranche 2 and a CS007 Tranche 2 concurrently. We have permitted this and note that from this point forward CS006 and CS007 activities as described in the revised APDP will form separate groups of Tranches Stage Check Activities (namely separate applications can be made for Tranche 3 for both CS006 and CS007).

### Consultation Response

- 2.5 The Licensee responded to our consultation on 24 June 25. The Licensee requested the removal of the best endeavours obligation to find another operator to share the Rig Intake and Start-up Operating Practice ('**RISOP**') costs.
- 2.6 The Licensee did not agree with our proposed deduction of £1.0m (Base Year) for the unutilised 3D seismic cancellation fee from Tranche 1. The Licensee stated that Special Condition J12 (No double recovery) should not apply to the and that this liability remained if the campaign was not mobilised at the start of August.
- 2.7 The Licensee did not agree with our proposed deduction of £0.2m (Base Year) to account for insufficiently justified inflation costs.

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<sup>1</sup> This allowance is the anticipated total Ongoing Devex Allowance for the second Tranche of CS006 and CS007 Development Activities and is subject to the two adjustments detailed at Appendix 2. For the purposes of this Final Determination, this total (£147.5m) has been calculated on the basis that (i) the total FX adjustment (FX<sub>adj1</sub>) is £19m (Base Year Prices) and (ii) the full rig intake cost (RISOP<sub>adj</sub>) is £4.8m (Base Year Prices).



- 2.8 Having carefully considered all of the points raised we have decided to proceed with making our Final Determination as set out below.

## **Separation Request**

### **Context**

- 2.9 Under the provisions of Schedule 10, Paragraphs 5.1 and 5.2, the regulatory framework allows for two main procedural adjustments to the development of the CS006 and CS007 Storage Systems: separation of their respective development activities and the possibility of accelerating their progress through concurrent execution of certain activities.
- 2.10 Paragraph 5.1 allows the Licensee, upon completing a Tranche of CS006/CS007 Development Activities, to apply for an Ongoing Devex Re-opener in accordance with Special Condition J5.4. As part of this application, the Licensee may request that the remaining, incomplete development activities for CS006 and CS007 be divided into separate Tranches of Stage Check Activities. This request, referred to as a CS006/CS007 Separation Request, must provide full particulars of how the Stage Check Activities are to be structured separately for the CS006 and CS007 Storage Systems.
- 2.11 If the Licensee submits a CS006/CS007 Separation Request, in making our determination under Special Condition J5.9, we will consider whether to accept the proposed separation. If accepted, we will impose any conditions deemed appropriate to facilitate the separation and will update the APDP accordingly. Furthermore, we will determine any necessary adjustments to the relevant financial allowances and will reflect these adjustments and any conditions in the updated APDP.
- 2.12 Paragraph 5.2 addresses the potential acceleration of the development process. Specifically, if the next Tranche of Stage Check Activities includes only CS006 Development Activities, and the subsequent Tranche includes only CS007 Development Activities (or vice versa), the Licensee may apply to carry out both Tranches concurrently. This request must be made as part of an Ongoing Devex Re-opener application under Special Condition J5.4(a), and the Licensee must comply with Special Conditions J5.5 to J5.7 for both Tranches.
- 2.13 Where such a request for concurrent execution is made, we will, as part our determination under Special Condition J5.9, decide whether the Licensee is permitted to undertake the relevant CS006 and CS007 Tranches of Stage Check Activities at the same time.

- 2.14 These provisions were designed to introduce procedural flexibility into the development process of the CS006 and CS007 Storage Systems, enabling separation of activities for administrative clarity or concurrent execution for potential efficiency gains, subject always to our approval.

## **Application**

- 2.15 As part of the Licensee's Re-opener Submission, the Licensee requested that the CS006 and CS007 Development Activities were separated. This CS006/CS007 Separation Request was made in accordance with the Licence, Schedule 10, at Paragraph 5.1, which permits the Licensee to request a separation of outstanding CS006 Development Activities and CS007 Development Activities into separate Tranches of Stage Check Activities as part of an Ongoing Devex Re-opener application.
- 2.16 We have accepted this CS006/CS007 Separation Request and have therefore updated the APDP at Appendix 1 (Updated Approved Project Development Plan) and the associated allowances in the FSD at Appendix 2 (Updated Financial Settlement Document). We note that from this point forward CS006 and CS007 activities as described in the revised APDP will form separate Tranches of Stage Check Activities (namely separate applications can be made for Tranche 3 for both CS006 and CS007).

## **Allowance**

- 2.17 The total Ongoing Devex Allowance, prior to the variable adjustments detailed below, for the second Tranche of CS006 Development Activities is **£63.9m (Base Year)<sup>2</sup>** and the total Ongoing Devex Allowance for the second Tranche of CS007 Development Activities is **£83.6m (Base Year)<sup>3</sup>**.

## **Foreign Exchange Adjustment**

- 2.18 Given the requirement to procure the offshore rig in USD, we have included an FX adjustment mechanism in our Final Determination and in the FSD. More specifically, the function of this adjustment is to ensure that aspects of the

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<sup>2</sup> This allowance reflects the anticipated total Ongoing Devex Allowance for the second tranche of CS006 Development Activities and is subject to the two adjustments described in this paper and detailed at Appendix 2. For the purposes of this Final Determination, this total for CS006 (£63.9m) has been calculated on the basis that (i) the total FX adjustment (FX<sub>adj1</sub>) is £9.8m (Base Year Prices) and (ii) the full rig intake cost (RISOP<sub>adj</sub>) is £2.4m (Base Year Prices).

<sup>3</sup> This allowance reflects the anticipated total Ongoing Devex Allowance for the second tranche of CS007 Development Activities and is subject to the two adjustments described in this paper and detailed at Appendix 2. For the purposes of this Final Determination, this total for CS007 (£83.6m) has been calculated on the basis that (i) the total FX adjustment (FX<sub>adj1</sub>) is £9.2m (Base Year Prices) and (ii) the full rig intake cost (RISOP<sub>adj</sub>) is £2.4m (Base Year Prices).

Ongoing Devex Allowance which unavoidably relate to expenditure in USD, reflect efficient costs for Users.

2.19 A portion of the Ongoing Devex Allowances, totalling **£19.0m (Base Year)** across both CS006 and CS007, was calculated as the GBP equivalent of **USD \$25.6m (Base Year)** (being the determined efficient cost) at an exchange rate of USD1.35 = GBP1 as at close of business on 2 June 2025 (being the date of the Provisional Variation Submission).

2.20 To adjust for FX movements, an FX adjustment will apply to the above mentioned USD-denominated portion of the Ongoing Devex Allowances. This will be calculated to reflect variance from the base exchange rate of USD1.35 = GBP1 as set on 2 June 2025 to the relevant date(s). The GBP equivalent will be recalculated using the greater (i.e. "greater" on the following basis: USD1.35 = GBP1 > USD1.25 = GBP 1) of:

2.20.1 the average of the prevailing ask rate (USD[x] = GBP1) of the relevant market on the day of the relevant currency transaction(s); or,

2.20.2 the rate (USD[x] = GBP1) that is the net effective exchange rate achieved under one or more demonstrably efficient hedging or spot transactions.

\*In the above (and elsewhere in this document):

- **"relevant market"** means the recognised interbank foreign exchange market, published by Bloomberg at close of business in London.
- **"the day of the relevant currency transaction(s)"** means the date on which an agreement was made to convert USD into GBP, whether through an actual currency trade or execution of a hedging instrument (or if there is no hedging instrument the date on which expenditure was committed).
- **"achieved"** means the actual exchange rate that was obtained or realised when the currency was converted or when a hedging instrument was executed.

2.21 Where multiple transactions are undertaken, the rate shall be calculated as a weighted average of the rates described in 2.20, with each rate weighted in proportion to the amount of expenditure covered by the corresponding transaction. Each transaction rate shall be adjusted to reflect any associated transaction costs, provided such costs are arm's length, efficient, reasonable

- and evidenced. The final net effective exchange rate, inclusive of such costs, must be clearly calculated and presented as part of the Licensee's submission.
- 2.22 Where a hedge has been used (as per Paragraph 2.20.2), the Licensee must notify us as soon as it is completed and provide documentation evidencing the hedge and its efficiency. More specifically, the Licensee must notify us of its FX transactions (including date, amount hedged, rate achieved, forward duration, method (competitive / spot, etc), ask rate on day of hedge, and hedging/transaction costs) and its calculation of the weighted average exchange rate achieved within 28 days of all FX transactions being executed.
- 2.23 As per the drafting, we acknowledge that multiple hedges may be executed over time in respect of the purchase of the offshore rig, resulting in multiple hedge execution dates and FX rates achieved.
- 2.24 This FX adjustment will be undertaken following the Licensee's submission of an application for a re-opener pursuant to Special Condition J5.5 of the Licence in respect of the third Tranche of CS006 or CS007 Development Activities (as applicable) (following completion of the second Tranche for CS006 and CS007 Development Activities (as applicable)). This final FX adjustment will be made as part of our determination pursuant to Special Condition J5.9 of the Licence following the Licensee's application for a re-opener under Special Condition J5.5 for a third Tranche or under Special Condition J5.10 or J5.11 where Special Condition J2 (Supervening Event Re-openers, Insured Risk Events and Relief Events) shall apply.
- 2.25 Full details of the adjustment mechanism are included in the FSD at Appendix 2 (Updated Financial Settlement Document). Where expenditure has been partially hedged and partially unhedged, the FX adjustment shall be calculated using a weighted average of the applicable FX rates under Paragraph 2.20 above, with each rate weighted in proportion to the USD amount it applies to.

## **Rig Intake**

- 2.26 The Licensee is procuring an independent rig for the appraisal well drilling campaign. However, it has informed us of the potential opportunity for cost savings by sharing the rig with another operator in the region. Cost sharing of rig intake costs is common for multi-operator well campaigns.
- 2.27 If the Licensee exercises this option, the cost for the RISOP would be split between the two operators according to the duration of each operators drilling campaign on the shared rig. To capture these potential cost savings for Users,

we expect the Licensee to use best endeavours to support the vessel owner in finding and securing another operator and have included an adjustment mechanism to both incentivise and reflect the potential change to RISOP costs in the Ongoing Devex Allowance. This mechanism looks to share any cost saving at a split of 90/10% between User and Licensee.

- 2.28 Our Final Determination includes an allowance for full RISOP costs in the Licensee's Ongoing Devex Allowance. In the event that the Licensee exercises an option to share the rig with a third party operator, the Licensee must serve notice to us following the agreement to hire the rig and provide an accurate and evidenced forecast of usage and benefit.
- 2.29 For example, if the total multi operator campaign is 200 days, of which the Licensee utilises the rig for 100 days, then the RISOP allowance will be reduced by 45%. This mechanism is reflected below in the FSD at Appendix 2 (Updated Financial Settlement Document).

## **Risk Allowance**

- 2.30 As part of its Re-opener Submission, the Licensee submitted a contingency of **£15.4m (Base Year)** as follows:
- 2.30.1 £1.1m was FX contingency related to the risk of currency exchange fluctuation from the point of determination to the point of contract execution. This has been removed from the Ongoing Devex Allowance given the inclusion of the FX adjustment mechanism described above.
- 2.30.2 £9.5m was contingency determined by using a probabilistic model. These were offshore activities with a high degree of risk and thus provisional costs associated with them.
- 2.30.3 £4.8m was contingency determined by applying 10% to the remaining Tranche 2 costs. This was selected due to the Class 3 accuracy of the costs. The Licensee provided evidence for using 10% as a standard deterministic contingency for a Class 3 estimate. We challenged the risks associated with these contingencies and deducted £0.4m (Base Year). This is due to our adjustments in the Base cost resulting in a reduced 10% contingency. We also removed any contingency that had been applied on top of base costs with baked in contingency such as removing the 10% applied to the existing wait on weather contingency allowance for the 3D Seismic Survey.

## **Other Adjustments**

- 2.31 We have excluded £0.5m (Base Year) from the Licensee's Re-opener Submission, as these were considered Pass Through Costs and should be dealt with under Special Condition H15 (Pass Through Costs Building Block) of the Licence.
- 2.32 We have made a negative adjustment of £1.0m (Base Year) to the Licensee's Ongoing Devex Allowance for Tranche 2 of CS006/CS007 Development Activities. We have made this adjustment pursuant to Special Condition J5.9(a)(ii). This adjustment reflects that there was a specific activity for which an allowance was provided in Tranche 1 that was not undertaken and has been replaced by an activity in Tranche 2. In issuing the efficient allowance for the activity for Tranche 2, we have deducted the allowance for the redundant activity already received in Tranche 1. More specifically, the adjustment accounts for a 3D seismic cancellation fee that was included in Tranche 1 and was not realised. i.e. cancellation of the activity was not required as the Licensee was able to reschedule from May to August. Tranche 2 includes the fee for rescheduling. The fee for rescheduling was however substantially higher than the original liability for cancellation. We have deducted the allowance attributed to the cancellation fee from the activities now provided for in Tranche 2 as they directly replace the original Tranche 1 activity in their totality – namely cancellation was not required as rescheduling took place.

## **CS006/CS007 Development Programme**

- 2.33 In accordance with the Licence, Schedule 10 (Project-specific conditions) at Paragraph 10.2, we are required to make a determination in respect of the proposed programme of the second Tranche of CS006/CS007 Development Activities as at Licence Award. We have accepted the schedule proposed by the Licensee at Table 1 and reasonable endeavours must now be used to conduct the relevant CS006/CS007 Development Activities in accordance with this Final Determination.
- 2.34 We have also updated the Technical Details Document ('**TDD**') at Appendix 3 (Updated Technical Details Document) of this Final Determination.

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<b>Serial</b>	<b>Description</b>	<b>Completion Date</b>
1	Pre-FEED in respect of the CS006 Storage System	Dec-26
2	Acquisition of seismic survey across the CS007 Storage System	Sep-25
3	Rig intake in respect of each of the CS006 Storage System and the CS007 Storage System	Oct-25
4	Drilling of appraisal well BC 37	Sep-26
5	Drilling of appraisal well BC 39	Jun-26
6	Well test, core and fluid sample analysis in respect of each of the CS006 Storage System and the CS007 Storage System	Mar-27
7	Log interpretation in respect of each of the CS006 Storage System and the CS007 Storage System	Mar-27
8	Any other activity pertaining to the NSTA Appraisal Stage in respect of each of the CS006 Storage System and the CS007 Storage System	June-27

**Table 1:** Schedule of CS006/CS007 Tranche 2 Activities

### **3. Summary of Final Determinations**

#### **3.1 In making this Final Determination:**

- 3.1.1 Pursuant to Licence Conditions B27.5 and J5.9, we have made a determination and adjustments in respect of Ongoing Devex Stage Check Activities. We have determined and made amendments to the APDP, FSD and TDD to reflect this. This update will take effect from and including the publication date of this Final Determination.
- 3.1.2 Pursuant to Licence Conditions B27.5 and paragraph 5 of Schedule 10 of the Licence, we have accepted the Licensee's CS006/CS007 Separation Request. We have allowed Tranche 2 of CS006 and CS007 to be undertaken concurrently and that in the future Tranches of CS006 and CS007 activities will progress on separate linear paths. We have determined and updated the FSD and APDP to reflect this. This update will take effect from and including the publication date of this Final Determination.



## Appendices

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## **Appendix 1 – Updated Approved Project Development Plan**

### **5. Development Activities**

*The development activities listed under paragraph 5.3 (f) of the NEP APDP shall be updated into separate CS006 & CS007 activities as detailed below:*

#### **5.3 CS006 Storage System and CS007 Storage System**

##### **(f) Second Tranche of CS006/~~CS007~~ Development Activities:**

The second Tranche of CS006/~~CS007~~ Development Activities shall comprise all development activities required to enable the Licensee to progress from the conclusion of the first Tranche of CS006/CS007 Development Activities to the commencement of the third Tranche of CS006/~~CS007~~ Development Activities, including the following activities in respect of the CS006 Storage System ~~and the CS007 Storage System~~ (as applicable):

- (i) Pre-FEED in respect of the CS006 Storage System;
- ~~(ii) acquisition of seismic survey across the CS007 Storage System;~~
- (iii) Rig intake in respect of the CS006 Storage System ~~and the CS007 Storage System~~;
- (iv) Drilling of appraisal well into ~~each of BC 37 and~~ BC 39;
- ~~(v) 3D seismic survey in respect of the CS007 Storage System;~~
- (vi) **Initial** well test, core and fluid sample analysis in respect of ~~each~~ of the CS006 Storage System ~~and the CS007 Storage System~~;
- (vii) **Initial** log interpretation in respect of the CS006 Storage System ~~and the CS007 Storage System~~; and
- (viii) any other activity pertaining to the NSTA Exploration and Appraisal Stage in respect of ~~each~~ of the CS006 Storage System ~~and the CS007 Storage System~~.

##### **(g) Second Tranche of CS007 Development Activities:**

~~The second Tranche of CS007 Development Activities shall comprise all development activities required to enable the Licensee to progress from the conclusion of the first Tranche of CS006/CS007 Development Activities to the commencement of the third Tranche of CS007 Development~~

Activities, including the following activities in respect of the CS007 Storage System (as applicable):

- (i) 3D seismic survey in respect of the CS007 Storage System;
- (ii) Rig intake in respect of the CS007 Storage System;
- (iii) Drilling of appraisal well into BC 37;
- (iv) Initial well test, core and fluid sample analysis in respect of the CS007 Storage System;
- (v) Initial log interpretation in respect of the CS007 Storage System; and
- (vi) Any other activity to progress the NSTA Appraisal Stage in respect of the CS007 Storage System."

*Paragraph 5.3 (g) of the NEP APDP shall be amended as outlined below.*

(h) **Third Tranche of CS006/~~CS007~~ Development Activities:**

The third Tranche of CS006/~~CS007~~ Development Activities shall comprise all development activities required to enable the Licensee to progress from the conclusion of the second Tranche of CS006/~~CS007~~ Development Activities to a point at which settlement can be reached in respect of Capex for the construction and commissioning of the CS006 Storage System, including the following activities in respect of the CS006 Storage System: ...

*Paragraph 5.3 (h) of the NEP APDP shall be amended as outlined below.*

(i) **Fourth Third Tranche of ~~CS006~~/CS007 Development Activities:**

The Third Tranche of ~~CS006~~/CS007 Development Activities shall comprise all development activities required to enable the Licensee to progress from the conclusion of the second Tranche of ~~CS006~~/CS007 Development Activities to the commencement of the fourth Tranche of ~~CS006~~/CS007 Development Activities, including the following activities in respect of the CS007 Storage System: ..."

*Paragraph 5.3 (i) of the NEP APDP shall be amended as outlined below.*

(j) **Fourth Tranche of ~~CS006~~/CS007 Development Activities:**

The fourth Tranche ~~CS006~~/CS007 Development Activities shall comprise all development activities required to enable the Licensee to progress from the conclusion of the third Tranche of ~~CS006~~/CS007 Development Activities to a point at which settlement can be reached in respect of

Capex for the construction and commissioning of the CS007 Storage System, including the following activities in respect of the CS007 Storage System: ...”

## Appendix 2 – Updated Financial Settlement Document

### *Original*

#### Ongoing Devex Allowance

Item reference	Item	Details
Special Condition F9, G12 & H6	<b>Ongoing Devex Allowance</b>  Combined allowances to include devex during Construction, Commissioning and Operational Periods and any Additional Pre-Licence Award Devex.  Subject to the provisions of Schedule 10 and Ongoing Devex Re-Openers as noted in Special Condition J5, where applicable	Devex in respect of Phase 1 Activities £0 (zero) in Base Year prices
		The first Tranche of Humber Development Activities is £12.8 million in Base Year prices and the first Tranche of CS006/CS007 Development Activities is £9.1 million in Base Year prices
		The second Tranche of Humber Development Activities is £70.2 million in Base Year prices and the second Tranche of CS006/CS007 Development Activities is £122.3 million in Base Year prices
		The third Tranche of CS006/CS007 Development Activities £49.6 million in Base Year prices
		The fourth Tranche of CS006/CS007 Development Activities £73.8 million in Base Year prices
		The fifth Tranche of CS006/CS007 Development Activities is £32.1 million in Base Year prices

### *Amended*

#### Ongoing Devex Allowance

Item reference	Item	Details
Special Condition F9, G12 & H6	<b>Ongoing Devex Allowance</b>  Combined allowances to include devex during Construction,	Devex in respect of Phase 1 Activities £0 (zero) in Base Year Prices
		The first Tranche of Humber Development Activities is £12.8 million in Base Year Prices and the first Tranche of CS006/CS007

**Decision** – Net Zero North Sea Storage Limited – Second Tranche of CS006/CS007 Development Activities Ongoing Devex Final Determination

Item reference	Item	Details
	Commissioning and Operational Periods and any Additional Pre-Licence Award Devex.  Subject to the provisions of Schedule 10 and Ongoing Devex Re-Openers as noted in Special Condition J5, where applicable	<p>Development Activities is £9.1 million in Base Year Prices</p> <p>The second Tranche of Humber Development Activities is £70.2 million in Base Year Prices</p> <p><b>The second Tranche of CS006 Development Activities is:</b></p> <p><b>£51.7 million (in Base Year Prices)</b></p> <p><b>+</b></p> <p><b><math>FX_{adj1}</math> (in Base Year Prices)</b></p> <p><b>+</b></p> <p><b><math>RISOP_{adj}</math> (in Base Year Prices)</b></p> <p><b>Where:</b></p> <p><b><math>FX_{adj1}</math> = <math>USD_{oby} / R</math> (and being expressed in GBP in Base Year Prices);</b></p> <p><b><math>USD_{oby}</math> - \$13.2 million in Base Year Prices (being originally £9.8 million in Base Year Prices);</b></p> <p><b><math>R</math> = the efficient FX rate, being the greater of the following (expressed as a decimal USD/GBP with GBP as 1):</b></p> <ul style="list-style-type: none"> <li><b>(a) the average of the prevailing ask rate (<math>USD[x] = GBP1</math>) of the relevant market on the day of the relevant currency transaction(s); or,</b></li> <li><b>(b) the rate (<math>USD[x] = GBP1</math>) that is the net effective exchange rate achieved under one or more demonstrably efficient hedging transactions.</b></li> </ul> <p><b>Where multiple transactions are undertaken, the rate shall be calculated as a weighted average of the net effective rates achieved, with each rate weighted in proportion to the amount of expenditure covered by the corresponding transaction. Each transaction rate shall be</b></p>

**Decision** – Net Zero North Sea Storage Limited – Second Tranche of CS006/CS007 Development Activities Ongoing Devex Final Determination

Item reference	Item	Details
		<p>adjusted to reflect any associated transaction costs, provided such costs are efficient, reasonable, and evidenced. The final net effective exchange rate, inclusive of such costs, must be clearly calculated and presented as part of the Licensee's submission)</p> <p>AND</p> <p>Where expenditure has been partially hedged and partially unhedged, the FX adjustment shall be calculated using a weighted average of the applicable FX rates under (a) and (b) above, with each rate weighted in proportion to the USD amount it applies to;</p> <p><b>RISOP<sub>adj</sub></b> = one of the following (as applicable:</p> <ul style="list-style-type: none"> <li>• <b>RISOP<sub>full</sub></b>; or</li> <li>• where Rig is shared: <b>(RISOP<sub>full</sub> × Split) + INCENTIVE</b>;</li> </ul> <p><b>RISOP<sub>full</sub></b> = £2.4 million in Base Year Prices;</p> <p><b>Split</b> = <b>LDMOWC / TDMOWC</b>;</p> <p><b>TDMOWC</b> = Total duration (in days) of multi-operator well campaign; and</p> <p><b>LDMOWC</b> = Combined duration (in days) of Licensee well activities across CS006 and CS007 Tranche 2 appraisal as part of a multi-operator well campaign (based on actual usage and benefit).</p> <p><b>INCENTIVE</b> = <b>(1- Split) * 0.1 * RISOP<sub>full</sub></b></p> <p>The second Tranche of CS007 Development Activities is:</p> <p>£72.0 million</p> <p>+</p>

**Decision** – Net Zero North Sea Storage Limited – Second Tranche of CS006/CS007  
Development Activities Ongoing Devex Final Determination

Item reference	Item	Details
		<p><b>FX<sub>adj1</sub></b></p> <p>+</p> <p><b>RISOP<sub>adj</sub></b></p> <p>Where:</p> <p><b>FX<sub>adj1</sub></b> = USD<sub>oby</sub> / R (and being expressed in GBP in Base Year Prices);</p> <p><b>USD<sub>oby</sub></b> - \$12.39 million in Base Year Prices (being originally £9.2 million in Base Year Prices);</p> <p><b>R</b> = the efficient FX rate being the greater of the following (expressed as a decimal USD/GBP with GBP as 1):</p> <ul style="list-style-type: none"> <li>(a) the average of the prevailing ask rate (USD[x] = GBP1) of the relevant market on the day of the relevant currency transaction(s); or,</li> <li>(b) the rate (USD[x] = GBP1) that is the net effective exchange rate achieved under one or more demonstrably efficient hedging transactions.</li> </ul> <p>Where multiple transactions are undertaken, the rate shall be calculated as a weighted average of the net effective rates achieved, with each rate weighted in proportion to the amount of expenditure covered by the corresponding transaction. Each transaction rate shall be adjusted to reflect any associated transaction costs, provided such costs are efficient, reasonable, and evidenced. The final net effective exchange rate, inclusive of such costs, must be clearly calculated and presented as part of the Licensee's submission)</p> <p>AND</p> <p>Where expenditure has been partially hedged and partially unhedged, the FX adjustment shall be calculated using a weighted average of the</p>



**Decision** – Net Zero North Sea Storage Limited – Second Tranche of CS006/CS007 Development Activities Ongoing Devex Final Determination

Item reference	Item	Details
		<p>applicable FX rates under (a) and (b) above, with each rate weighted in proportion to the USD amount it applies to;</p> <p><b>RISOP<sub>adj</sub></b> = one of the following (as applicable):</p> <ul style="list-style-type: none"> <li>• <b>RISOP<sub>full</sub></b>; or</li> <li>• where Rig is shared: <b>(RISOP<sub>full</sub> X Split) + INCENTIVE</b>;</li> </ul> <p><b>RISOP<sub>full</sub></b> = £2.4 million in Base Year Prices;</p> <p><b>Split</b> = <b>LDMOWC / TDMOWC</b>;</p> <p><b>TDMOWC</b> = Total duration (in days) of multi-operator well campaign; and</p> <p><b>LDMOWC</b> = Combined duration (in days) of Licensee well activities across CS006 and CS007 Tranche 2 appraisal as part of a multi-operator well campaign (based on actual usage and benefit).</p> <p><b>INCENTIVE</b> = <b>(1- Split) * 0.1 * RISOP<sub>full</sub></b></p>
		<p>The <b>third</b> Tranche of CS006 Development Activities is £49.6 million in Base Year Prices and the <b>third</b> Tranche of CS007 Development Activities is £73.8 million in Base Year Prices</p>
		<p>The <b>fourth</b> Tranche of CS007 Development Activities is £32.1 million in Base Year Prices</p>

## Appendix 3 – Updated Technical Details Document

### Original Section

Licence reference	Item	Details
Special Conditions F2.4 and G2.4	<b>Project Programme</b>	<u>Development Activities</u> <ul style="list-style-type: none"> <li>• <b>CS006 Storage System:</b> <ul style="list-style-type: none"> <li>○ Commence CS006 Development Activities (with BC39 appraisal well drilling commencement) – 1 February 2026</li> <li>○ Conclusion of CS006 Development Activities – 28 April 2028</li> </ul> </li> <li>• <b>CS007 Storage System:</b> <ul style="list-style-type: none"> <li>○ Commence CS007 Development Activities (with CS007 3D seismic acquisition) – 1 May 2025</li> <li>○ Commence BC 37 appraisal well drilling – 1 June 2026</li> </ul> </li> </ul>

### Amended Section

Licence reference	Item	Details
Special Conditions F2.4 and G2.4	<b>Project Programme</b>	<u>Development Activities</u> <ul style="list-style-type: none"> <li>• <b>CS006 Storage System:</b> <ul style="list-style-type: none"> <li>○ Commence CS006 Development Activities (with BC39 appraisal well drilling commencement) – 1 <b>April</b> 2026</li> <li>○ Conclusion of CS006 Development Activities – <b>30 June 2029</b></li> </ul> </li> <li>• <b>CS007 Storage System:</b> <ul style="list-style-type: none"> <li>○ Commence CS007 Development Activities (with CS007 3D seismic acquisition) – 1 <b>August</b> 2025</li> <li>○ Commence BC 37 appraisal well drilling – 1 <b>July</b> 2026</li> </ul> </li> </ul>

