

Decision

Early Padeswood Works Final Determination

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This document sets out our Final Determination in respect of a notification submitted by Liverpool Bay CCS Limited under Paragraph 4.1 of Schedule 10 of the carbon dioxide transport and storage Licence. Our determination is that Liverpool Bay CCS Limited may commence all of the Early Padeswood Works.

The Early Padeswood Works, as set out in the notice, are the entry into legally binding Options for Lease to secure land rights for the spur pipeline to connect the Heidelberg Materials UK Cement Works to the carbon dioxide transport and storage network. Liverpool Bay CCS Limited would otherwise be unable to undertake this activity before the Hanson Commitment Event, this being the entry by the Heidelberg Materials UK Cement Works, into legally binding agreements under the Carbon Capture and Storage Network Code.

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1.Introduction

- 1.1 The Licence held by Liverpool Bay CCS Limited (**'the Licensee'**) for the transport and storage of carbon dioxide and the Approved Project Development Plan (**'APDP'**), as a schedule to the Licence, define the approved scope of the carbon dioxide transport and storage network.
- 1.2 Part of the approved project, referred to as Phase 2B, relates to a spur pipeline required to connect the Heidelberg Materials UK (**'HMUK'**, previously referred to as Hanson) cement works, located in the vicinity of Padeswood in north Wales, to the network. The Phase 2B Handover Works are the works required to construct the spur pipeline connecting the cement works to the main trunk pipeline of the network, and include securing the necessary permits and land rights.
- 1.3 HMUK's connection to the network is subject to HMUK entering into a number of agreements. These agreements include the Code Accession Agreement, Construction Agreement and Connection Agreement. The unconditional entry into these agreements is defined in the Licence as the Hanson Commitment Event (**'HCE'**).
- 1.4 The Licence places a restriction on the Licensee commencing the Phase 2B Handover Works prior to the HCE. Under this mechanism the Licensee may submit a notice to Ofgem stating that they consider that it would be economic, efficient, and effective to commence any part of the Phase 2B Handover Works before the HCE. This could include a request to secure land rights as part of the Phase 2B Handover Works. Where the notice is submitted, these works are the Early Padeswood Works.
- 1.5 The purpose of this mechanism is to manage the risk of the Licensee spending money against allowances, which would then be recoverable under the Licence, during a period of uncertainty that exists between Licence Award and the HCE. This creates scope for Ofgem to balance these risks against potential benefits of commencing works prior to the HCE in line with our duties under the Energy Act 2023.
- 1.6 Following submission of the notice, Ofgem may determine either that the Licensee may commence all of the Early Padeswood Works, part of the Early Padeswood Works, or that the Licensee may not commence any of the Early Padeswood Works prior to the HCE.
- 1.7 The Padeswood spur pipeline already has an existing allowance associated with it in the Licence. However, the Licence provides a mechanism for this allowance to

be updated at a later stage via an Uncertain Cost Event Re-opener. This will allow Ofgem the opportunity to amend the allowance to reflect a more mature cost estimate.

Our decision-making process

- 1.8 The table below sets out the stages through which we reached our Final Determination.
- 1.9 Pursuant to Paragraph 4.1 of Schedule 10 of the License, LBCCS submitted a notice to Ofgem. The notice defined the Early Padeswood Works being the work required to secure legally binding Options for Lease on land required to construct the Padeswood spur pipeline (detailed in section 2 below).
- 1.10 In addition to this notice, regular engagement sessions have been held with the Licensee in the months leading up to the submission.
- 1.11 A public consultation stage was not included given that the scope of work for the pipeline was defined at Licence Award and the determination is not assessing costs.
- 1.12 The Licensee was offered a voluntary consultation.

Decision-making stages

Date	Stage description
13/06/2025	Stage 1: Draft Early Padeswood Works notification submitted
29/07/2025	Stage 2: Early Padeswood Works notification submitted
12/09/2025	Stage 3: Licensee consultation on draft determination
19/09/2025	Stage 4: Final determination

General feedback

We are keen to receive your comments about this report. 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.

2.Our Final Determination

Summary

- 2.1 Our Final Determination is that the Licensee may commence all of the Early Padeswood Works (Option 1 as per the table in 2.10).
- 2.2 The Early Padeswood Works as defined in the Licensee’s notification are:
- 1) All necessary activities, including but not limited to technical, environmental, stakeholder engagement, legal, lands discipline and management to develop, negotiate and execute legally binding Option Agreements (Options for Lease) for the land required to construct and operate the Phase 2 Tranche B Handover Works.
 - 2) All necessary consideration payments associated with these Option Agreements to parties including but not limited to landowners and their professional advisors.
 - 3) All necessary support to LBCCS by key consultants and legal specialists to develop, negotiate and execute legally binding Option Agreements as described in item 1 above.
- 2.3 For clarity, the only works approved are those necessary to secure the Option for Lease. Any further consideration payable on taking entry to land for construction or on completion of the lease is not included.
- 2.4 The efficiency of costs has not been considered under this determination. If, under a subsequent re-opener, any costs incurred are determined to be inefficient or otherwise legitimately disallowable then Ofgem retains the right to reflect that in the allowances set as part of a determination on that re-opener.

Context

HMUK and the Hanson Commitment Event

- 2.5 HMUK have already obtained planning permission for the capture plant.
- 2.6 It is not clear at which point the Hanson Commitment Event will occur. The Hanson Commitment Event is defined as follows:
- means the entry by Hanson Padeswood into the following legally binding and unconditional agreements with the Licensee:
- (a) Construction Agreement;
 - (b) Connection Agreement; and

(c) Code Accession Agreement

- 2.7 The signing of these agreements is expected to be approximately aligned with the HMUK Final Investment Decision with DESNZ.
- 2.8 At the point of submission in July 2025, the Licensee informed us that they were negotiating Heads of Terms for land agreements.
- 2.9 The next stage of the process would be to negotiate and execute legally binding Option Agreements (the Option for Lease). This option would be exercisable by the Licensee, over a defined strip or area of land, either for an Above Ground Installation, or for the “below ground” pipeline. This would include rights for access to undertake surveys, construct under the option and then call for the lease to enable access for the operation and maintenance period.

Options considered

- 2.10 Ofgem considered 3 options. Under Paragraph 4.1(e) of Schedule 10 of the Licence, Ofgem may:

Option 1	(i) determine that the Licensee may commence all of the Early Padeswood Works before the occurrence of the Hanson Commitment Event;
Option 2	(ii) determine that the Licensee may commence part of the Early Padeswood Works before the occurrence of the Hanson Commitment Event; or
Option 3	(iii) determine that the Licensee may not commence any part of the Early Padeswood Works before the occurrence of the Hanson Commitment Event.

- 2.11 Option 2 is to determine the Licensee can commence part of the Early Padeswood Works. This option was dismissed as securing land rights may necessarily involve the Licensee securing the services of legal advisors and consultants to secure the Options for Lease. It is not practical or reasonable to separate these out. The Licensee can still be held accountable for spending efficiently on these items during a later re-opener in which their allowance is set.
- 2.12 Option 3 is to determine that the Licensee cannot commence any of the Early Padeswood Works before the occurrence of the HCE. This was considered but dismissed in favour of Option 1.

Option 1 Benefits

- 2.13 In reaching this determination we considered our duties under the Energy Act 2023 (**‘the Act’**). The Act places 3 principal objectives on Ofgem. These are to:

- (a) protect the interests of current and future transport and storage network users;
- (b) protect the interests of any consumers whose interests the Secretary of State or the economic regulator (as the case may be) considers may be impacted by the exercise of their respective functions under this Part;
- (c) promote the efficient and economic development and operation of transport and storage networks, having regard to the need for licence holders to be able to finance their licensable activities.

- 2.14 In considering our determination, it appears that (a) and (c) above are both most clearly engaged.
- 2.15 If Options for Lease are agreed at this stage, then LBCCS will be able to submit an Uncertain Cost Event Re-opener at a later point with greater certainty over both schedule and cost.
- 2.16 Option 1 offers the lowest risk to both cost and schedule. Maintaining low costs and protecting the project schedule are both beneficial to users. In addition, they are consistent with the efficient and economic development of the transport and storage networks. Having evaluated a range of available evidence we have concluded that Option 1 is consistent with both duty (a), and duty (c) when compared to Option 3. Reducing cost uncertainty at the stage of the Uncertain Cost Event Re-opener that will set the allowance for the Phase 2B Handover Works also appears beneficial to duty (c).
- 2.17 While there is an element of risk associated with Option 1, we do believe that, considering the consistency with duties (a) and (c), that the risk is proportionate and consistent with best regulatory practice.