



bp response to Ofgem's consultation on proposal to modify the Special Conditions of the carbon dioxide transport and storage licences held by Net Zero North Sea Storage Limited

Introduction

As the UK's largest homegrown energy company, bp is working with Government and industry to provide energy now – and develop low-carbon products to support the UK's net zero goals. We strive to deliver value for the economy, customers, communities, and shareholders.

bp has been based in the UK for more than 100 years and operates in over 70 countries around the world. We have a primary listing on the London Stock Exchange and a secondary listing in the US, on the New York Stock Exchange.

In our UK Economic Impact Report for 2024, Oxford Economics found that:

- bp's direct contribution plus the impact of our supply chain spend supported £11.6 bn in gross value-added (GVA) contributions to UK GDP, equivalent to 0.41% of UK GDP.
 - In addition, bp paid and collected £3.4 billion in tax to the UK government.
- bp supported an estimated 75,000 jobs nationally, both directly and through the supply chain.
 - In total, that equates to 1 in every 450 UK jobs.
 - Of this number, around 15,675 people were employed directly by bp in the UK.
- bp spent a total of £4.6 bn with suppliers in the UK, which included £3.5 billion with 2,800 suppliers of operational goods and services and £1.1bn with 520 suppliers of capital goods and services.

bp is investing in 5-7 low carbon hydrogen projects. We have already announced FID on 4 projects: Lingen, Castellon, NEP and NZT. We continue to work with UK government to progress H2Teesside. On this basis we are happy to respond to this consultation and to discuss any of these points further.

H2Teesside

bp is developing H2Teesside which aims to be one of the largest blue hydrogen production facilities in the UK. H2Teesside aims to connect to the CO₂ transport and storage (CO₂ T&S) network being developed by Net Zero North Sea Storage Limited and is a project of national significance.

As set out in the Government's recent Hydrogen Update to Market, the delivery of hydrogen infrastructure- such as H2Teesside- has a fundamental role to play in not one but two of the Government's core Missions, supporting economic growth and the development of Teesside and the ability of the UK to become a Clean Energy Superpower.



bp has agreed a statement of principles with DESNZ and has signed front-end engineering design (FEED) contracts for H2Teesside. These milestones mark significant progress toward the realisation of one of the UK's largest low carbon hydrogen production facilities.

The statement of principles enables H2Teesside to proceed to the final stage of negotiations for a low carbon hydrogen agreement, which is intended to support the production of low carbon hydrogen on Teesside.

bp is supportive of the proposed modifications to the CO2 T&S Licence and believes that these are pragmatic steps that will support the development of CCUS in the UK.

Consultation questions

1. *Do you agree with the proposed modifications to J5?*

Yes, bp agrees with the proposed modifications to J5. The Ongoing Devex Reopener, which allows for the recovery of development expenditure, is a key mechanism to support the development expenditure required for H2Teesside to connect into the CO2 T&S network.

The proposed modification to streamline and reduce the risk of delays to approval of devex funding is welcomed. Connecting additional users into the CO2 T&S network requires both the emitters and the CO2 T&S network to align on their respective development schedules. The proposed amendments should help to mitigate the risk that Ofgem determinations unnecessarily delay or create uncertainty on the timing of the CO2 T&S led development activity.

2. *Do you agree with the proposed introduction of a use-it-or-lose-it allowance for Early Development Activities?*

Yes, bp is supportive of the introduction of the proposed use it or lose it allowance for Early Development Activities and believes this represents a pragmatic modification that should help to advance CCUS developments.

H2Teesside, as a future user of the CO2 T&S network, will benefit from Net Zero North Sea Storage Limited having a degree of flexibility to initiate early development work without having to wait for a formal re-opener submission for development activities. By enabling a more efficient and timely initiation of early development activity the UIOLIA may help catalyse CO2 T&S network users to progress their development work in parallel. This flexibility aligns with the UK's ambition to accelerate CCUS deployment and reduce emissions from industrial clusters.

3. *Do you agree with the proposed drafting of new Special Condition J15: Early Development Activities Use-it-or-lose-it Allowance?*

Yes, we agree with the proposed drafting of Special Condition J15.



4. For the Early Development Activities Use-it-or-lose-it Allowance, do you agree with the proposed cap of £2 million per project, up to a total of £5 million per price control?

It is hard to be definitive on whether the proposed cap of £2 million per project and up to a total of £5 million per price control period is set at the right level. CO2 T&S infrastructure is a new licensable activity in the UK and so there is no immediate precedence for the level of spend that is expected. Furthermore, there is also significant uncertainty on future HMG ambition on CCS deployment.

Given this uncertainty, while bp is supportive of the proposed cap levels there should be an opportunity for these to be reconsidered and potentially increased if in practice they are found to have been set too low.