



# Liverpool Bay CCS Limited

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*Dear Ofgem,*

*Thank you for the opportunity to respond to the consultation on the proposed modifications to the carbon dioxide (CO<sub>2</sub>) transport and storage (T&S) Licence Special Conditions relating to development expenditure.*

*As one of the licence holders directly affected by the proposed changes, Liverpool Bay CCS Limited welcomes the chance to contribute evidence and views to the consultation process to support the efficient and economic development of transportation and storage networks. We recognise the critical importance of a clear regulatory framework that enables timely investment while delivering value for users, consumers and supporting the government long-term decarbonisation targets.*

*Our response addresses each of the four consultation questions posed by Ofgem:*

- 1. Proposed changes to Special Condition J5.*
- 2. The introduction of a use-it-or-lose-it allowance for Early Development Activities.*
- 3. The proposed drafting of the new Special Condition J15.*
- 4. The proposed cap of £2 million per project, up to a total of £5 million per price control.*

*In addition to this response, we are submitting:*

- A technical note (Annex 1) providing further detail to support our position regarding the need to extend the activities covered by Special Condition J15.*
- A revised version of the proposed Licence drafting for Special Conditions J5 and J15 (Annex 2), including our suggested amendments (shown highlighted and in tracked changes for indicative purposes) reflecting our position on the four consultation questions.*



## Statutory Consultation Questions

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

*Liverpool Bay CCS Limited (Liverpool Bay CCS) supports the proposed modifications to Special Condition J5 and welcomes Ofgem's initiative to improve the flexibility and efficiency of the regulatory framework governing ongoing development activities (Devex).*

*From the Licensee's perspective, the ability to submit Ongoing Devex Re-opener applications before fully completing a development tranche is particularly valuable. The current drafting of J5 — which requires full completion of a tranche prior to any new submission — involves a stop-start dynamic that can undermine the efficient progression of complex infrastructure projects. This approach could delay certainty on future allowances, often by several months, while regulatory review processes are ongoing.*

*By enabling earlier submissions, the proposed changes would help smoothen the development process and resource utilisation, reduce administrative bottlenecks, and facilitate alignment between technical planning and regulatory timelines. This will improve the delivery schedule of CCS infrastructure, ultimately benefiting users by providing timely network connection.*

*In this context, we wish to raise an aspect of significance for LBCCS, as it relates to the applicability of these provisions to a critical and already approved development activity of the Liverpool Bay CCS project.*

*As part of our Approved Project Development Plan (APDP), Liverpool Bay CCS anticipates it will progress Phase 2 Tranche D, subject to applicable approvals and regulatory processes, which is the conversion of the Offshore Transportation and Storage System to operate in dense phase. This activity represents a key transition step from gas-phase to dense-phase operations, essential for adapting the system to evolving CO<sub>2</sub> conditions, thus securing the operational integrity of the system.*

*At the time of Licence Award, the scope of Phase 2 Tranche D activities was not fully defined, however this necessity was recognised and thus approved as part of the APDP, as section 3.2(l). This phase is expected to be developed through a stage-gated process, using Reopeners as set out in Schedule 10: Project Specific Conditions of the Licence, and following closely the sequence of the Stage Check Activities provided for in J5.*

*While Phase 2 Tranche D aligns well with the provisions of the Stage Check Activities in J5, it does not benefit from the flexibility and efficiency offered by the proposed J5 modifications.*

*For this reason, we request that the J5 modification be drafted so that the flexibility introduced also applies to the activities carried out according to Schedule 10: Project Specific Conditions, to the extent deemed appropriate by Ofgem.*



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

*Liverpool Bay CCS supports the proposed introduction of a use-it-or-lose-it allowance for Early Development Activities, as outlined in the new Special Condition J15. This new allowance would promote the economic and efficient development and operation of transport and storage networks.*

*We agree with Ofgem's rationale that early access to targeted development funding will improve the overall efficiency and quality of the project development process. In particular, we agree with the view that this allowance will:*

- Enable streamlining options and higher-quality re-opener submissions, expediting regulatory assessment and thus making the overall project development process more efficient.*
- Facilitate flexibility scenario planning in anticipation of User selection, thus optimising network development and maximise its use.*
- Provide a more streamlined and easier to manage funding route for early-stage work, without compromising regulatory controls.*

*This type of mechanism is both timely and necessary. In the current context of accelerated CCS deployment, early-stage activities - such as those included in Special Condition J15 - are critical to de-risking future investments. By addressing the existing funding gap ahead of a re-opener submission, the proposed allowance should enable more efficient and timely development, aligned with both regulatory expectations and the government-led user selection process.*

*However, given the dynamic and evolving nature of the CCS sector — where project requirements and stakeholder expectations continue to develop as the industry matures — we believe that the success of this mechanism will ultimately depend on the range of activities considered eligible under its scope and how they are applied in practice. While the current drafting of J15 covers a useful subset of Early Development Activities, we believe it does not cover key categories of work that are critical to a timely and efficient project delivery. These include:*

- Managing connections for existing and future Users in accordance with the CCS Network Code.*
- Managing operational requirements generated by each User connecting to the network, through their Local Requirements.*
- Activities that are required to prepare Network Code Modification or Local Requirements as defined in the Network Code.*

*Further details are provided in our response to Question 3 and in Annex 1.*



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

*Liverpool Bay CCS welcomes the introduction of Special Condition J15 and broadly agrees with the proposed drafting. We consider the new allowance to be a valuable and pragmatic tool to support the early-stage development of carbon dioxide transport and storage infrastructure, with the ultimate objective of enabling efficient network delivery — to the direct benefit of its users.*

*However, as outlined in our response to Question 2, we believe it is essential to broaden the scope of activities explicitly covered by this mechanism. The drafting of the condition should reflect a more strategic and inclusive purpose — one that fully captures the range of early-stage work required to deliver a safe, flexible, and user-responsive T&S system. In particular, we request that the Special Condition J15 explicitly includes an allowance to cover any preparatory work related to Network Code Modifications and the management of Local Requirements (as defined in the Network Code).*

*This broader scope is strategically important for Liverpool Bay CCS, considering the diverse and evolving user profiles and the necessity to assess system-level impacts of integration scenarios early — ultimately ensuring safe and efficient integration for the benefit of all users.*

*With respect to the types of Early Development Activities listed under Special Condition J15.5, we support the inclusion of those currently identified in the proposed drafting. However, to avoid ambiguity during implementation, we recommend explicitly referencing the following additional elements:*

- Electrical connection studies initiated with SP Energy Networks (SPEN), which are prerequisites for future network development and require early engagement and planning.*
- Including Laboratory-based and facilities testing activities among the Research and Development studies.*

*Finally, while we acknowledge that Ofgem does not intend to provide approval to individual activities under the allowance, we look forward to ongoing engagement through Ofgem's formal consultation and Licence processes.*

*In conclusion, Liverpool Bay CCS supports the proposed introduction of Special Condition J15, provided that the drafting is refined to ensure the mechanism comprehensively covers broader network development needs, including the areas of Network Code Modification, Local Requirements and User's connection to the T&S Network.*

*We have included the suggested amendments in our Annex 2.*



#### **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?**

*Liverpool Bay CCS welcomes the introduction of a capped use-it-or-lose-it Allowance (UIOLIA) for Early Development Activities, as well as Ofgem's stated intention to keep the cap under review and adjust it if required, following stakeholder engagements. We consider this a valuable mechanism to support early-stage development and reduce inefficiencies associated with delayed re-opener submissions.*

*However, we have concerns that the current proposed cap of £2 million per project and £5 million in total per price control may prove insufficient for the HyNet cluster. Our concerns are twofold:*

##### **A. The cumulative cap of £5 million may not be fit-for-purpose for a large CCUS cluster with different planned development activities**

*The Liverpool Bay Cluster is expected to be required to undertake a wide set of early development activities in the short term. These include:*

- Support to DESNZ in the finalization of the Track-1 user selection process*
- Assessment of potential solutions required to manage Joule-Thompson effects*
- Power supply and connection studies*
- Potential development work for network expansion beyond the initial 4.5 Mtpa*
- Potential studies for potential storage expansion beyond the currently planned volumes to accommodate the expansion of the network*
- Activities that are required to prepare Network Code Modification or Local Requirements as defined in the Network Code (as listed in Annex 1)*

*In this context, a £5 million cumulative cap could create bottlenecks that limit the effectiveness of the mechanism and delay or reduce the scope of essential early work.*

##### **B. £2 million per project may be insufficient for multidisciplinary CCS activities**

*The technical, regulatory, and commercial complexity of CCS development requires cross-functional, iterative workstreams involving multiple disciplines. In this environment, a £2 million cap may be too restrictive to develop proposals with the level of maturity and certainty expected under future re-opener submissions. This is particularly relevant to potential studies required to support Government-led decisions, such as user selection or cluster expansion, that may entail different kinds of analysis to ensure the most efficient and economic development of the network.*

*We therefore recommend a cap of £4 million per project and £10 million per price control, which we believe would better accommodate the scale of early development work foreseen for Liverpool Bay CCS and support efficient outcomes for users.*



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*Finally, we recognise that this mechanism primarily accelerates expenditure that would otherwise be included within existing development allowances under other Licence provisions, and that the scope of work is carefully limited. Given the controlled nature and relatively low risk of this approach, we believe that raising the cap would deliver clear benefits to users and allow the T&SCo operator to develop and manage the system in the most efficient and effective manner.*