

## Decision

# Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

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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.

**Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination**

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## Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

### Contents

<b>1. Introduction.....</b>	<b>4</b>
Our decision-making process .....	6
Decision-making stages .....	7
<b>2. Our Final Determination .....</b>	<b>8</b>
Summary.....	8
DESNZ Variation Decision .....	8
Consultation Response .....	10
Tranche Separation Request.....	11
Allowance .....	13
Adjustments .....	13
<b>3. Summary of Final Determinations .....</b>	<b>17</b>
<b>Send us your feedback .....</b>	<b>18</b>
<b>Appendices.....</b>	<b>19</b>
<b>Appendix 1: Updated Approved Project Development Plan.....</b>	<b>20</b>
<b>Appendix 2: Updated Financial Settlement Document .....</b>	<b>23</b>
<b>Appendix 3: Updated Technical Details Document .....</b>	<b>32</b>

## **Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination**

### **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 of work within a Development Project where the total costs or scope are uncertain at the outset.

## **Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination**

- 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 the second Tranche of Humber Development Activities (as detailed in the APDP). By way of background, the Humber Development Activities relate to development of the Humber Onshore and Offshore Transportation System. Tranche 2 is the stage of development that follows the completion of Tranche 1 activities.
- 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').
- 1.8 As defined in the APDP at Licence Award, activities within Tranche 2 of Humber Development Activities included the following activities in respect of the Humber Onshore Transportation System:
- DCO application, preparation and submission
  - FEED (other than FEED activities undertaken in the first Tranche of Humber Development Activities);
  - ground surveys including a horizontal directional drilling trial in relation to the Humber Crossing;
  - engineering studies for procurement of long-lead items;
  - supply chain procurement activities, including market engagement, expression of interest and request for proposal ('RFP') preparation;
  - DCO examination and approval process;
  - supply chain activities, including procurement process, bid evaluation, recommendation to award and contract finalisation; and

## Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

- decision on Humber Crossing method
- 1.9 Tranche 2 also included the following activities in respect of the Humber Offshore Transportation System:
- FEED revalidation;
  - environmental surveys revalidation;
  - undertaking of a Competent Person’s Audit; and
  - supply chain activities, including market engagement, expression of interest, RFP preparation, procurement process, bid evaluation and recommendation to award and contract; and
- 1.10 Tranche 2 also included the following activities in respect of the Humber Onshore and Offshore Transportation System:
- management and execution of legal, financial and technical due diligence (and any other related advisory activities) associated with the raising of capital in respect of the Humber Expansion.

## Our decision-making process

- 1.11 The table below sets out the stages through which we reached our Final Determination. Pursuant to Special Condition J5.4 of the Licence, the Licensee submitted a draft application for a re-opener in respect of the second Tranche of Humber 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

## **Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination**

amount to a Variation where conditions are met. In this event, the Ongoing Devex Re-opener application is considered to be a Variation, and the Licensee was 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 30 October 2025 with a condition applied, and the Licensee submitted an application for an On-going Devex Re-opener pursuant to Special condition J5.5 (Final Variation Submission) on 06 November 2025.
- 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 5 below.

### **Decision-making stages**

**Stage 1** Draft Re-opener Submission: 06 August 2025

**Stage 2** Provisional Variation Submission: 10 September 2025

**Stage 3** SoS Variation Approval: 30 October 2025

**Stage 4** Final Variation Submission: 06 November 2025

**Stage 5** Licensee consultation on draft determination: 24 November 2025

**Stage 6** Final Determination: 05 December 2025

## Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

## 2. Our Final Determination

### Summary

- 2.1 Our Final Determination is to approve a total Ongoing Devex Allowance of £63.1m (Base Year) for the amended second Tranche of Humber Development Activities. However, this Ongoing Devex Allowance is more specifically described below in the amendments to the FSD, and the associated development activities described below in the amendments to the APDP.
- 2.2 This allowance is £4.7m less than the Licensee requested in its Re-opener Submission, with £15.6m recoverable subject to an automatic adjustment mechanism to account for a condition of consent placed on the horizontal directional drilling ('HDD') trial activities by the SoS in their variation decision.
- 2.3 The Licensee also made an application under Special Condition J5.6(c) of the Licence for the creation of a new Tranche of Stage Check Activities and an associated reallocation of Ongoing Devex Stage Check Activities between the second Tranche and the requested new third Tranche of Humber Development Activities. We have accepted this application and have created a third Tranche of Humber Development Activities. We have also therefore adjusted the Ongoing Devex Allowances across the second Tranche and the new third Tranche. The second and third Tranches of Humber Development Activities will run sequentially. As such, and as per Special Condition J5.4-J5.6 of the Licence, the second Tranche of Humber Development Activities must be completed before an Ongoing Devex Re-opener application can be made for the third Tranche.

### DESNZ Variation Decision

- 2.4 DESNZ consented to the Provisional Variation Submission on 30 October 2025. However, as part of that consent, DESNZ placed a condition on its approval. Namely, that the grant of the full allowance pertaining to the HDD trial that forms part of the second Tranche of Humber Development Activities is



## **Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination**

contingent on the Licensee obtaining the first of two consents<sup>1</sup> under the Town and Country Planning Act 1990 (or such equivalent consent as we require) (**‘TCPA Permission’**) which it is applying for to undertake the respective HDD activities. In the event of neither TCPA consent being awarded then the allowance is to be withheld. As part of this condition DESNZ has granted us the discretion to grant certain costs pertaining to the HDD trial that are incurred prior to the outcome of either TCPA consent being sought, for example, long lead items or advanced contracting requirements.

- 2.5 The Licensee has requested the inclusion of an adjustment mechanism to withhold the allowance related to certain activities of the HDD trial until the award of a TCPA Permission.
- 2.6 Our Final Determination includes an allowance for 26% of the full HDD costs in the Licensee’s Ongoing Devex Allowance. These are for advanced contracting requirements and cancellation costs we deem allowable in the event that no TCPA Permission is achieved, as permitted by DESNZ’s consent. In the event that the Licensee receives a TCPA Permission, the Licensee must serve notice to us and evidence the positive decision. Upon confirming the TCPA Permission, the allowance for the HDD trial will be automatically increased to the full amount minus the unused cancellation costs, as detailed in the FSD.
- 2.7 In the event of a rejection of the TCPA application(s)<sup>2</sup> such that there is not a TCPA Permission, the allowance shall not be adjusted, and upon request the HDD related activities in the APDP may be removed (the Licensee would be required to propose a Change in Scope).
- 2.8 Full details of the adjustment mechanism are included below in the FSD at Appendix 2 (Updated Financial Settlement Document).

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<sup>1</sup> There are two TCPA applications. One to the East Riding of Yorkshire Council and the other to the North Lincolnshire Council.

<sup>2</sup> There are two TCPA applications. One to the East Riding of Yorkshire Council and the other to the North Lincolnshire Council.

## Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

### Consultation Response

2.9 The Licensee responded to our consultation on 02 December 2025.

#### Contingency

2.10 In the Licensee’s consultation response, NEP requested we reconsidered their allowance for contingency based on three discrete allowances for risk:

- **Growth Allowance** is a budget placeholder for items that will be part of the base scope, but where details are still uncertain or under negotiation with subcontractors.
- **Contingency Reserve** is to cover for the most likely scope and pricing changes through the life of a contract.
- **Schedule Allowance** captures the schedule uncertainty, accounting for the difference between the more ambitious “control target schedule” and the most likely “performance target schedule”.

2.11 We allow a reasonable level of contingency to be included in the funding allowance to account for the funding risk. We accept there may be justification for separate contingency factors to co-exist for a single line item, however the respective contingency level must be set appropriately for each of them to recognise the cumulative cost impact. Having reviewed the entire scope of work, and taking into account the Licensee’s proposed methodology, we have applied what we assess to be the most appropriate contingency allowance for each line item resulting in an overall risk allowance of 16%. This is detailed in paragraphs 2.21 to 2.27. For the avoidance of doubt, included in the rationale for setting the contingency allowance at this level is the fact that these are first-of-a-kind and novel development activities and this should not be considered precedent for future decisions.

2.12 As we have previously made clear in other sectors<sup>3</sup>, the methodology used for risk estimation to ensure that organisations are prepared for reasonable case

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<sup>3</sup> See Our Final Determination, paragraphs 5.18 and 5.19, 28 May 2024 in [Non-Operational IT Capex Final Determinations and Directions.pdf](#)

## **Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination**

scenarios and to account for optimism bias in forecasts must be clearly understood in the context of which the allowance is set.

- 2.13 When used by a commercial organisation, aside from potential opportunity cost (due to overcommitment of finite budgets) or some potential financing costs, there is no cost to an organisation of taking a conservative approach to risk estimation. However, when setting allowances such as in this re-opener, taking a conservative approach to risk allocation comes at a cost to users, whilst the regulated company financially benefits. This is because of the way overspend and under-spends are not shared between users and the network company through Special Condition F9 (Ongoing Devex during the Construction Period) and therefore a contingency allowance is funded by consumers whether the risk materialises or not. We therefore did not accept the Licensee's request to reconsider the contingency allowance.

### **Cancellation Fee**

- 2.14 We have accepted the recommendation from the Licensee that the contract cancellation fee for the HDD trial drilling and civil construction work packages should form part of the unconditional allowance in the event neither TCPA consent is awarded. The fee for the cancellation of the HDD trial drilling and civil works contracts is £1.1m (Base Year). We recognise that these are potentially unavoidable costs should neither TCPA consent be awarded. In the event that either TCPA consent is awarded the cancellation fee shall be netted off from the full HDD trial allowance granted.

## **Tranche Separation Request**

### **Context**

- 2.15 Under the provisions of Special Condition J5.6(c), the Licensee, upon completing a Tranche of Humber Development Activities, can apply for any changes that should be made to the subsequent Tranche(s) of Stage Check Activities, including whether any additional Development Activities should be

## **Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination**

included in such Tranche(s) of Stage Check Activities. This includes the ability to create a new Tranche of Stage Check Activities.

- 2.16 In making our determination under Special Condition J5.9(c), we will consider whether to accept the Licensee’s proposal for any additional stage checks to apply to the relevant Ongoing Devex Stage Check Activities, including the creation of any new Tranche of Stage Check Activities and/or reallocation of Ongoing Devex Stage Check Activities between Tranches of Stage Check Activities. If accepted, we will impose any conditions deemed appropriate to facilitate the creation of the new Tranche 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.

### **Application**

- 2.17 As part of the Licensee’s Re-opener Submission, the Licensee requested that a third Tranche of Humber Development Activities was created and that specific activities were reallocated from the second Tranche to the third Tranche. This application was made in accordance with Special Condition J5.6(c) of the Licence.
- 2.18 We believe that, given Humber users have not yet been confirmed, it is in the best interest of current and Future Users to accept this split and delay FEED related activities until there is greater certainty on the network design. We have therefore accepted this request and have (as part of this Final Determination) therefore amended 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, the second Tranche of Humber Development Activities and the third Tranche of Humber Development Activities as described in the revised ADPD will form separate Tranches of Stage Check Activities (namely separate applications can be made for the second Tranche and third Tranche of Humber Development Activities). As such, the allowances set for the third Tranche

## **Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination**

remain provisional and subject to an Ongoing Devex Re-opener determination at the end of the second Tranche in accordance with the Licence. The determination of the third Tranche provisional allowance was based on the allowances agreed at licence award for the specific Humber development activities now reallocated to the third Tranche.

### **Allowance**

- 2.19 The total Ongoing Devex Allowance for the second Tranche of Humber Development Activities (as now defined) is £63.1m (Base Year), subject to an automatic adjustment mechanism (as per Paragraph 2.6), and the total provisional Ongoing Devex Allowance for the third Tranche of Humber Development Activities is £24.6m (Base Year). The latter being subject to an Ongoing Devex Re-opener in line with Special Condition J5 of the Licence on completion of the second Tranche of Humber Development Activities.

### **Adjustments**

#### **Engineering DCO Support**

- 2.20 In its Re-opener Submission, the Licensee included an allowance of £2.7m (Base Year) to procure the services of an external engineering consultant to support the development of the existing pre-FEED scope and their DCO application. In particular, the progression of the Preliminary Environmental Information Report into Environmental Impact Assessment and land-related deliverables. Having reviewed the scope of work included by the external consultant, we identified that optional work had been included to accelerate the programme post-DCO submission. We have determined that this activity and associated cost should be reallocated to form part of the third Tranche determination. Thus, we have made a negative adjustment of £0.5m (Base Year).

#### **Risk Allowance**

- 2.21 As part of its Re-opener Submission, the Licensee submitted a contingency of £15.1m (Base Year) as follows:

## Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

- 2.22 £6.8m was contingency determined by applying 10% to the sum of all second Tranche activities, to cover growth and to account for no conditioning applied by the Licensee.
- 2.23 £3.6m was contingency determined by applying 25% specifically to the activities related to the HDD trial. We deem this acceptable to account for the high risk that the estimated drill rates are not achieved.
- 2.24 £4.7m was contingency determined by calculating the average four month burn rate of specific development activities over the 21 month duration of the second Tranche to capture risk to schedule, effectively applying 19% to the sum of these specific development activities.
- 2.25 We challenged the application of some of these contingency factors to specific activity line items and determined they did not reflect a suitably efficient risk profile. We thus adjusted the contingency factors applied to each activity line item. As a result, activities with specific contingency factors that better reflected their risk i.e. HDD Trials 25% contingency factor, were to be excluded from the blanket 10% applied to all activities. In addition, we determined that certain activities included in the four month average burn rate were unlikely to overrun for this duration and thus their risk was not best reflected by this contingency factor.
- 2.26 This resulted in an overall negative adjustment of £4.2m (Base Year) to contingency.
- 2.27 We have included a detailed breakdown on the adjustment in contingency applications in Table 1 below. Where there is a red strike through, we have removed contingency associated with the adjacent activity.

**Table 1 – Breakdown of contingency adjustments applied to Humber Tranche 2 Activities**

10% Contingency	25% Contingency	4 Months Duration Contingency	Tranche 2 Activities
<b>1) PMT &amp; IPMT</b>			
<del>¥</del>		Y	Project Management Team

## Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

10% Contingency	25% Contingency	4 Months Duration Contingency	Tranche 2 Activities
✗		Y	COSA IPMT Contractor
<b>2) Project Management and Engineering Related Studies</b>			
Y		✗	IPA Benchmarking Study
✗		Y	Communication Strategy Support
Y		✗	Local Community Funds
Y		✗	General IJV Insurance
Y		✗	Connexus Case: Network Infrastructure & Digital Security Review
Y		✗	Connexus Case: Operational Telecoms Design Review
Y		✗	Leak/JT cooling: Materials testing: mechanical properties : at low temperature
Y		✗	Kent: QRA, MAR, Process Safety Support
Y		✗	ConneXus Case: Consequence modelling and QRA support
Y		✗	Kent: CFD - PSV dispersion
Y		✗	Connexus Case: Rotating Equipment - BP solutions & I&E support
Y		✗	Telecoms: Humber - Teesside
Y		✗	Pump Station Power Supply Studies
<b>3) Engineering</b>			
✗		Y	Engineering Support: DCO Surveys; Transport and Logistics Study
<b>4) Geotech &amp; Archaeological</b>			
Y			DCO Archaeology: Trial Trenches
Y			GI Overland: Geotech & Geophys, SR
Y			GI Overwater: Geophys
Y			GI Overwater: Geotech
<b>6) HSE Contracts, Consenting, EIA</b>			
✗		Y	DCO Preparation (incl. Environmental Surveys)

## Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

10% Contingency	25% Contingency	4 Months Duration Contingency	Tranche 2 Activities
✗		Y	HDD TCPA Application Support
Y		✗	Provision of Onshore Humber Project HSE Compliance
<b>7) Land Agent &amp; Legal Services</b>			
Y			Land Agency Service and Reference Fees: DCO, HDD (DCO and Land)
Y			Land Access
Y			Humber Land/Property Legal Support
Y			Humber DCO Legal support
Y			Legal Council Representative - KC (3rd Party Spend)
Y			Tax Advice in relation to Property/Land Agreements
<b>9) Trial HDD</b>			
✗	Y		Trial HDD
✗	Y		Trial HDD Civil Construction
✗	Y		3rd Party Trial HDD Data Analysis
✗	Y		HDD Owners Rep
✗	Y		BNG (Biodiversity and Net Gain) for Trial HDD
✗	Y		Trial HDD Land/Property & Consenting Legal Work
<b>10) Water &amp; Roads</b>			
Y			Anglian Water
Y			Yorkshire Water
Y			Highway Authorities
<b>11) Humber Offshore Pipeline Route</b>			
Y			Preparation for FEED Revalidation
Y			Resampling for Environmental Permit
Y			EIA Scope for Offshore Pipeline Route
<b>12) Early DEVEX Studies</b>			



## Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

10% Contingency	25% Contingency	4 Months Duration Contingency	Tranche 2 Activities
Y		¥	Early DEVEX Studies - Network Optimisation

### 3. Summary of Final Determinations

- 3.1 In making this Final Determination, pursuant to Licence Condition J5.9 (and B27.5), 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. This update will take effect from and including the publication date of this Final Determination.

**Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination**

## Send us your feedback

We are keen to receive your comments about this decision. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to [stakeholders@ofgem.gov.uk](mailto:stakeholders@ofgem.gov.uk).

**Decision Net Zero North Sea Storage Limited – Second Tranche of Humber  
Development Activities Ongoing Devex Determination**

## Appendices

### Index

<b>Appendix</b>	<b>Name of appendix</b>	<b>Page no.</b>
1	Updated Approved Project Development Plan	20
2	Updated Financial Settlement Document	23
3	Updated Technical Details Document	32

## Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

# Appendix 1: Updated Approved Project Development Plan

## 5. Development Activities

*The Humber Development Activities listed under section 5 of the NEP APDP shall be updated as detailed below:*

### 5.2 Humber Onshore and Offshore Transportation System

- (e) The Humber Development Activities are divided into ~~two~~ **three** Tranches of Stage Check Activities (each a "Tranche of Humber Development Activities"), in respect of which Special Condition J5 (Ongoing Devex Re-opener) applies.

- (g) **Second Tranche of Humber Development Activities:**

The second Tranche of Humber Development Activities shall comprise all development activities required to enable the Licensee to progress from the conclusion of the first Tranche of Humber Development Activities to ~~a point at which settlement can be reached in respect of Capex for the construction and commissioning of the Humber Onshore and Offshore Transportation System, including the commencement of the third~~ Tranche of Humber Development Activities, including the following activities in respect of the Humber Onshore and Humber Offshore Transportation System (as applicable):

- (i) the following activities in respect of the Humber Onshore Transportation System:
  - (A) DCO application, preparation and submission;
  - ~~(B) FEED (other than FEED activities undertaken in the first Tranche of Humber Development Activities);~~
  - ~~(C)~~(B) ground surveys including a horizontal directional drilling trial in relation to the Humber Crossing;
  - ~~(D) engineering studies for procurement of long-lead items;~~
  - ~~(E)~~(C) supply chain procurement **for** activities **to be undertaken in the third Tranche of Humber Development Activities**, including market engagement, expression of interest and request for proposal ("RFP") preparation;
  - ~~(F) DCO examination and approval process;~~
  - ~~(G)~~(D) supply chain activities, including procurement process, bid evaluation, recommendation to award and contract finalisation; and
  - ~~(H)~~(E) decision on Humber Crossing method;

## Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

- (ii) the following activities in respect of the Humber Offshore Transportation System:
  - ~~(A) FEED revalidation;~~
  - ~~(B)(A) environmental surveys revalidation;~~
  - ~~(C) undertaking of a Competent Person's Audit in respect of:~~
    - ~~(aa) an expansion or enhancement of the Endurance Storage Site;~~
    - ~~(bb) the CS006 Storage System; or~~
    - ~~(cc) the CS007 Storage System;~~
  - ~~and provision to the Regulator of a Competent Person's Report in respect of the same which classifies:~~
    - ~~(a) Storage Capacity; or~~
    - ~~(b) Contingent Storage Resources as being in or above the classification "Development Pending" (as each such term is defined in the SRMS Guidelines);~~
  - ~~and in the case of an expansion or enhancement of the Endurance Storage Site, the total Storage Capacity and Contingent Storage Resources being in excess of the "Maximum Annual Cumulative Flow" (as identified in section 3.3(c) of this APDP, and which forms part of the Obligated Network Capacity); and~~
  - ~~(D)(B) supply chain activities, including market engagement, expression of interest, RFP reparation, procurement process, bid evaluation and recommendation to award and contract.; and~~
- ~~(iii) the following activities in respect of the Humber Onshore and Offshore Transportation System:~~
  - ~~(A) management and execution of legal, financial and technical due diligence (and any other related advisory activities) associated with the raising of capital in respect of the Humber Expansion;~~

### (h) **Third Tranche of Humber Development Activities:**

The third Tranche of Humber Development Activities shall comprise all development activities required to enable the Licensee to progress from the conclusion of the second Tranche of Humber Development Activities to a point at which settlement can be reached in respect of Capex for the construction and commissioning of the Humber Onshore and Offshore Transportation System, including:

- (i) the following activities in respect of the Humber Onshore Transportation System:

**Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination**

- (A) FEED (other than FEED activities undertaken in the first Tranche of Humber Development Activities);
  - (B) engineering studies for procurement of long-lead items;
  - (C) supply chain procurement for activities to be undertaken during the construction and commissioning of the Humber Onshore Transportation System, including market engagement, expression of interest and request for proposal ("RFP") preparation;
  - (D) DCO examination and approval process;
  - (G) supply chain activities to be undertaken, including procurement process, bid evaluation, recommendation to award and contract finalisation;
- (ii) the following activities in respect of the Humber Offshore Transportation System:
  - (A) FEED revalidation;
  - (B) supply chain activities, including market engagement, expression of interest, RFP preparation, procurement process, bid evaluation and recommendation to award and contract; and
- (iii) the following activities in respect of the Humber Onshore and Offshore Transportation System:
  - (A) management and execution of legal, financial and technical due diligence (and any other related advisory activities) associated with the raising of capital in respect of the Humber Expansion.

**Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination**

## Appendix 2: Updated Financial Settlement Document

*Original*

**Ongoing Devex Allowance**

Item reference	Item	Details
Special Condition F9, G12 & H6	<b>Ongoing Devex Allowance</b>	Devex in respect of Phase 1 Activities £0 (zero) in Base Year prices
	Combined allowances to include devex during Construction, Commissioning and Operational Periods and any Additional Pre-Licence Award Devex.	The first Tranche of Humber Development Activities is £12.8 million in Base Year prices
		<p>The second Tranche of Humber Development Activities is £70.2 million in Base Year prices</p> <p>The second Tranche of CS006 Development Activities is:</p> <p>£51.7 million (in Base Year prices)</p> <p>+</p> <p><b>FX<sub>adj1</sub></b> (in Base Year prices)</p> <p>+</p> <p><b>RISOP<sub>adj</sub></b> (in Base Year prices)</p> <p>Where:</p> <p><b>FX<sub>adj1</sub></b> = <math>\text{USD}_{\text{oby}} / R</math> (and being expressed in GBP in Base Year prices);</p> <p><b>USD<sub>oby</sub></b> - \$13.2 million in Base Year Prices (being originally £9.8 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>

**Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination**

Item reference	Item	Details
		<p>(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,</p> <p>(b) the rate (USD[x] = GBP1) that is the net effective exchange rate achieved under one or more demonstrably efficient hedging transactions.</p> <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 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:  <math display="block">(\text{RISOP}_{\text{full}} \times \text{Split}) + \text{INCENTIVE};</math> </li> </ul> <p><b>RISOP<sub>full</sub></b> = £2.4 million in Base Year prices;</p> <p><b>Split</b> = <b>LDMOWC</b> / <b>TDMOWC</b>;</p> <p><b>TDMOWC</b> = Total duration (in days) of multi-operator well campaign; and</p>



**Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination**

Item reference	Item	Details
		<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> = <math>(1 - \text{Split}) * 0.1 * \text{RISOP}_{\text{full}}</math></p> <p>The second Tranche of CS007 Development Activities is:</p> <p>£72.0 million (in Base Year prices)</p> <p>+</p> <p><b>FX<sub>adj1</sub></b> (in Base Year prices)</p> <p>+</p> <p><b>RISOP<sub>adj</sub></b> (in Base Year prices)</p> <p>Where:</p> <p><b>FX<sub>adj1</sub></b> = <math>\text{USD}_{\text{oby}} / R</math> (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 (<math>\text{USD}[x] = \text{GBP}1</math>) of the relevant market on the day of the relevant currency transaction(s); or,</li> <li>(b) the rate (<math>\text{USD}[x] = \text{GBP}1</math>) 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</p>

# Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

Item reference	Item	Details
		<p>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 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:  <math display="block">(\text{RISOP}_{\text{full}} \times \text{Split}) + \text{INCENTIVE};</math> </li> </ul> <p><b>RISOP<sub>full</sub></b> = £2.4 million in Base Year prices;</p> <p><b>Split</b> = <b>LDMOWC</b> / <b>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> = <math>(1 - \text{Split}) \times 0.1 \times \text{RISOP}_{\text{full}}</math></p>
		<p>The third Tranche of CS006 Development Activities is £49.6 million in Base Year prices and the third Tranche of CS007 Development Activities is £73.8 million in Base Year prices</p>

## Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

Item reference	Item	Details
		The fourth Tranche of CS007 Development Activities is £32.1 million in Base Year prices

### *Amended (Following this Determination)*

#### **Ongoing Devex Allowance**

Item reference	Item	Details
Special Condition F9, G12 & H6	<b>Ongoing Devex Allowance</b>	Devex in respect of Phase 1 Activities £0 (zero) in Base Year prices
	Combined allowances to include devex during Construction, Commissioning and Operational Periods and any Additional Pre-Licence Award Devex.	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
	Subject to the provisions of Schedule 10 and Ongoing Devex Re-Openers as noted in Special Condition J5, where applicable	<p>The second Tranche of Humber Development Activities is:</p> <p><del>£57.570.2</del> million in Base Year prices</p> <p>+</p> <p><b>HDD<sub>adj</sub></b> (in Base Year prices)</p> <p>Where:</p> <p><b>HDD<sub>adj</sub></b> = one of the following (as applicable):</p> <ul style="list-style-type: none"> <li>• <b>HDD<sub>base</sub></b> or</li> <li>• where a TCPA Permission is awarded: <b>HDD<sub>awarded</sub></b>;</li> </ul> <p><b>HDD<sub>base</sub></b> = £5.6 million (in Base Year prices); and</p> <p><b>HDD<sub>awarded</sub></b> = £21.2 million (in Base Year prices).</p>

## Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

The second Tranche of CS006 Development Activities is:

£51.7 million (in Base Year prices)

+

**FX<sub>adj1</sub>** (in Base Year prices)

+

**RISOP<sub>adj</sub>** (in Base Year prices)

Where:

**FX<sub>adj1</sub>** = USD<sub>oby</sub> / R (and being expressed in GBP in Base Year prices);

**USD<sub>oby</sub>** - \$13.2 million in Base Year Prices (being originally £9.8 million in Base Year Prices);

**R** = the efficient FX rate, being the greater of the following (expressed as a decimal USD/GBP with GBP as 1):

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

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)

AND

## Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

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;

**RISOP<sub>adj</sub>** = one of the following (as applicable:

- **RISOP<sub>full</sub>**; or
- where Rig is shared:  
**(RISOP<sub>full</sub> × Split) + INCENTIVE;**

**RISOP<sub>full</sub>** = £2.4 million in Base Year prices;

**Split** = **LDMOWC / TDMOWC;**

**TDMOWC** = Total duration (in days) of multi-operator well campaign; and

**LDMOWC** = 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).

**INCENTIVE** =  $(1 - \text{Split}) * 0.1 * \text{RISOP}_{\text{full}}$

The second Tranche of CS007 Development Activities is:

£72.0 million (in Base Year prices)

+

**FX<sub>adj1</sub>** (in Base Year prices)

+

**RISOP<sub>adj</sub>** (in Base Year prices)

Where:

**FX<sub>adj1</sub>** =  $\text{USD}_{\text{oby}} / R$  (and being expressed in GBP in Base Year prices);

## Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

**USD<sub>oby</sub>** - \$12.39 million in Base Year Prices  
(being originally £9.2 million in Base Year Prices);

**R** = the efficient FX rate, being the greater of the following (expressed as a decimal USD/GBP with GBP as 1):

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

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)

AND

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;

**RISOP<sub>adj</sub>** = one of the following (as applicable:

- **RISOP<sub>full</sub>**; or
- where Rig is shared:  
**(RISOP<sub>full</sub> x Split) + INCENTIVE;**

**RISOP<sub>full</sub>** = £2.4 million in Base Year prices;

## Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

		<p><b>Split</b> = <b>LDMOWC</b> / <b>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> = (1- <b>Split</b>) * 0.1 * <b>RISOP<sub>full</sub></b></p>
		<p>The third Tranche of Humber Development Activities is £24.6 million (in Base Year prices).</p> <p>The third Tranche of CS006 Development Activities is £49.6 million in Base Year prices and the third Tranche of CS007 Development Activities is £73.8 million in Base Year prices</p>
		<p>The fourth Tranche of CS007 Development Activities is £32.1 million in Base Year prices</p>

**Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination**

## Appendix 3: Updated Technical Details Document

### *Original Section*

Licence reference	Item	Details
Special Conditions F2.4 and G2.4	<b>Project Programme</b>	<p><u>Development Activities</u></p> <ul style="list-style-type: none"> <li>• Humber Expansion (anticipated date of related CiS Submission – [REDACTED]): <ul style="list-style-type: none"> <li>○ <b>Humber Offshore Transportation System</b> <ul style="list-style-type: none"> <li>▪ commence Humber Development Activities relating to Humber Offshore Transportation System (i.e. commence FEED revalidation) – [REDACTED]</li> <li>▪ anticipated date of conclusion of Humber Development Activities relating to Humber Offshore Transportation System – [REDACTED]</li> <li>▪ anticipated date of completion of construction and commissioning activities for Humber Offshore Transportation System – [REDACTED]</li> </ul> </li> <li>○ <b>Humber Onshore Transportation System</b> <ul style="list-style-type: none"> <li>▪ commence Humber Development Activities relating to Humber Onshore Transportation System (i.e. commence FEED) – [REDACTED]</li> <li>▪ conclusion of Humber Development Activities relating to Humber Onshore Transportation System – [REDACTED]</li> <li>▪ anticipated date of approval of DCO – [REDACTED]</li> <li>▪ completion of construction and commissioning activities for Humber Onshore Transportation System – (i) northbank of Humber – [REDACTED]; and (ii) southbank of Humber – [REDACTED]</li> </ul> </li> </ul> </li> </ul>



## Decision Net Zero North Sea Storage Limited – Second Tranche of Humber Development Activities Ongoing Devex Determination

### Amended Section

Licence reference	Item	Details
Special Conditions F2.4 and G2.4	<b>Project Programme</b>	<p><u>Development Activities</u></p> <ul style="list-style-type: none"> <li>• Humber Expansion (anticipated date of related CiS Submission – [REDACTED]):             <ul style="list-style-type: none"> <li>○ <b>Humber Offshore Transportation System</b> <ul style="list-style-type: none"> <li>▪ commence Humber Development Activities relating to Humber Offshore Transportation System (i.e. commence pre-FEED revalidation) – [REDACTED]</li> <li>▪ anticipated date of conclusion of Humber Development Activities relating to Humber Offshore Transportation System – [REDACTED]</li> <li>▪ anticipated date of completion of construction and commissioning activities for Humber Offshore Transportation System – [REDACTED]</li> </ul> </li> <li>○ <b>Humber Onshore Transportation System</b> <ul style="list-style-type: none"> <li>▪ commence Humber Development Activities relating to Humber Onshore Transportation System (i.e. commence FEED) – [REDACTED]</li> <li>▪ conclusion of Humber Development Activities relating to Humber Onshore Transportation System – [REDACTED]</li> <li>▪ anticipated date of approval of DCO – [REDACTED]</li> <li>▪ completion of construction and commissioning activities for Humber Onshore Transportation System – (i) northbank of Humber – [REDACTED]; and (ii) southbank of Humber – [REDACTED]</li> </ul> </li> </ul> </li> </ul>