To: Net Zero North Sea Storage Limited
Liverpool Bay CCS Limited
Any other interested parties

Email: ccus@ofgem.gov.uk
Date: 30 July 2026

Determination issued by the Gas and Electricity Markets Authority (the "Authority") to the holders of a Carbon Dioxide Transport and Storage Licence (the "Licensee") granted under section 7 of the Energy Act 2023, being a determination issued under Special Conditions J13.9, J13.10 and J13.11 of the Carbon Dioxide Transport and Storage Licence, and Notice of reasons under section 31 of the Energy Act 2023 for the decision to issue the determination.

Introduction

1. References to the "Authority", "Ofgem", "we", and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work.

2. Capitalised terms used in this letter have the meanings given to them in the Licence, unless otherwise defined in this letter. We have restated some definitions in this letter for clarity.

3. The Authority is modifying the following documents:

- CO2 T&S Price Control Financial Model (PCFM)
- CO2 T&S Price Control Financial Handbook (PCFH)
- CO2 T&S Price Control Financial Guidance (PCFG)

4. This determination is issued under Special Conditions J13.9, J13.10 and J13.11.

5. The modified documents are enclosed with this determination:

- CO2 T&S PCFM
- CO2 T&S PCFH

- CO2 T&S PCFG

Changes to the PCFM

6. This section identifies the PCFM modifications, the issues addressed, the current PCFM treatment and the Authority's reasons for making the modification.

Treatment of the Early Development Activities Use-it-or-lose it (EDA UIOLI) Allowance in the PCFM

7. **Issue**: Special Condition J15, effective from 18 November 2025, requires expenditure incurred within the scope of the EDA UIOLI Allowance to be reflected within the SRAV/RAV Additions. The PCFM does not currently include a term or equivalent mechanism to capture such expenditure. Accordingly, the PCFM does not currently give effect to such licence requirement.

8. **Current PCFM position**: The relevant SRAV formulas do not include a UIOLI Allowance term. This would understate SRAV when UIOLI allowances arise.

9. **Modification required:** The modification does not introduce a new allowance or new policy. Rather, it ensures that the PCFM implements, in arithmetic terms, an obligation that already exists in the licence. The UIOLI Allowance was consulted on in July 2025 and came into effect on 18 November 2025.

10. Special Condition J13.9 (h) enables the Authority to amend the PCFM where it considers a modification is necessary to correct an error of functionality within the PCFM, the omission of SRAV additions subject to the EDA UIOLI Allowance from the SRAV calculations is identified as an error of functionality and as such the modification is made under Special Condition J13.9 (h).

SRAV allocation between phases

11. **Issue:** The PCFM allocates SRAV additions between construction, commissioning and operations phases on a time apportioned basis, using date-based inputs. This approach does not reflect the actual underlying costs incurred by the licensee in each regulatory phase.

12. **Current PCFM position:** Under the existing model logic:

- SRAV additions are apportioned between phases based on the proportion of time spent in each phase within a charging year; and,

- The model retains some functionality to adjust the way costs are allocated between phases, but it does not have the functionality to ensure costs are allocated to regulatory phases in line with the actual underlying cost profile.

This means that, in circumstances where actual expenditure is incurred unevenly across phases, the PCFM allocates costs on a time-apportioned basis rather than by reference to the actual expenditure incurred in each phase.

13. **Modification required:** The modification does not alter the SRAV framework, introduce new incentives, or modify the basis on which SRAV is determined. Instead, it corrects the way in which the PCFM processes and allocates existing cost inputs between phases. Ofgem considers this to be an error of functionality within the PCFM therefore the modification is made under Special Condition J13.9 (h).

Corrections to pass through costs subtotal

14. **Issue:** An error was identified in a subtotal used to calculate Pass-Through costs within the PCFM, whereby one eligible Pass-Through cost item was omitted from the subtotal.

15. **Current PCFM position:** Due to an error in the subtotal of the Pass-Through costs, one eligible Pass-Through cost item was omitted from the total Pass-Through cost calculation. While this omission had no impact on the value of the SRAV, the calculation did not include all qualifying Pass-Through cost items and therefore did not operate as intended.

16. **Modification required:** Under Special Condition J13.9 (f), which enables the Authority to amend the PCFM to correct a manifest error, this error has been corrected by updating the summation logic so that all items which qualify as pass through costs are appropriately included.

Update to debt fees

17. **Issue:** An inconsistency in price bases was identified within the debt fees calculation, arising from one variable not being converted from base prices to nominal prices.

18. **Current PCFM Position:** One variable within the debt fees calculation remained in base prices, while other inputs were expressed in nominal terms. This resulted in an inconsistency in price bases within the calculation.

19. **Modification Required:** Under Special Condition J13.9 (h) the PCFM has been corrected to convert this variable from base prices into nominal prices.

Removal of remediation works line items

20. **Issue: Within the PCFM, a line item relating to "remediation works" was identified within the Capex additions section and Opex additions section.** However, a review of the relevant licence provisions did not identify any corresponding remediation works mechanism, allowance or calculation that requires this line item to be included within the model.

21. **Current PCFM Position:** The PCFM currently contains a remediation works line item despite there being no corresponding licence provision, allowance or calculation associated with it. As a result, the remediation works line item remains within the model despite not serving a functional purpose within the PCFM calculations.

22. **Modification Required:** The modification does not introduce any new policy, methodology or calculation. Instead, it removes an unsupported legacy line item from the PCFM where no licence basis exists for its inclusion.

23. Under Special Condition J13.9 (f), which enables the Authority to amend the PCFM to correct a manifest error, the remediation works line item has been removed from the model. This correction aligns the PCFM with the relevant licence provisions by removing a legacy line item for which no corresponding licence basis has been identified.

Changes to the PCFH

24. This section identifies the PCFH modifications, the issue addressed and the Authority's reasons for making the modification.

Change from CPI to CPIH for forecast inflation data

25. We have determined to move from CPI to CPIH forecast data now that CPIH forecasts are published by the Office for Budget Responsibility.

26. The current PCFH reflects an approach adopted at the time of awarding the first CCS Licence, when the OBR was not publishing CPIH forecasts. This has resulted in the use of mixed inflation indices within the regulatory framework.

27. The modification updates the PCFH to reflect this decision.

28. This modification is made under Special Condition J13.11.

Inclusion of EDA UIOLI Allowance in the SRAV Construction and Commissioning Period

29. We have determined to update the PCFH to reflect the inclusion of the EDA UIOLI Allowance in the SRAV Construction and Commissioning Period.

30. The current PCFH does not reference the EDA UIOLI Allowance, despite its inclusion within the License.

31. The modification updates the PCFH to ensure that the published guidance remains up-to-date and accurately reflects the treatment of the EDA UIOLI Allowance within the framework.

32. This modification is made under Special Condition J13.11.

Changes to the PCFG

33. This section identifies the PCFG modifications, the issues addressed and the Authority's reasons for making the modification.

Removal of references to remediation works

34. We have determined to remove references to remediation works from the PCFG.

35. The current PCFG includes references to remediation works that are no longer required within the guidance.

36. The modification updates the PCFG to ensure that the published guidance remains up-to-date and accurately reflects the current framework.

37. This modification is made under Special Condition J13.10.

Inclusion of the EDA UIOLI term in the formula

38. We have determined to update the formula in the PCFG to include the EDA UIOLI Allowance term.

39. The current formula does not include the EDA UIOLI Allowance term, resulting in the guidance not fully reflecting the intended calculation.

40. This modification updates the PCFG to ensure that the published guidance remains up-to-date and accurately reflects the calculation set out in the framework.

41. This modification is made under Special Condition J13.10.

Joe Bragg

Head of Carbon Capture and Storage

Duly authorised on behalf of the Gas and Electricity Markets Authority.

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Appendix 1 – Summarised Changes to the PCFM

1. The modified PCFM is attached to this determination. The changes have been summarised below.

Treatment of the EDA UIOLI Allowance in the PCFM

2. We have added or amended the following lines to give effect to the licence terms:

- Addition of UIOLI rows across relevant sheets to facilitate the calculation and allocation of UIOLI allowances (Capitalisation sheet, Scenarios sheet, Model input sheet, Licensee 1 & 2 sheet rows).
- Updates to summation formulas to ensure that UIOLI allowances are correctly included within relevant totals (Capitalisation sheet).
- Additional rows added for SRAV/RAV movements during a phase to ensure that asset value adjustments are appropriately captured when UIOLI applies (Licensee 1 & 2 sheets, Model Input sheet).

Other updates to the PCFM

3. SRAV allocation between phases:

- Updates to model logic where construction, commissioning and operations occur in the same Charging Year, such that where any phase value is not equal to 0 per the timing flag, the model extracts the relevant data from an alternative section of the Model Input sheet (Licensee 1 & 2, ModelInput, Capitalisation sheet, Revenue, Financial Statements).

4. Corrections to pass through summations:

- Pass-through costs are summed correctly where UIOLI-related adjustments apply (Licensee 1 & 2 sheets).

5. Update to the Inflation Values:

- Updates for the 2026 AIP to reflect actual and forecasted inflation for the 2026 AIP period (Model Input sheet).

6. Update to the debt fees:

- Conversion of values into nominal prices to ensure consistency of price bases across the model where required (Finance&Tax sheet).

7. Removal of Remediation works line items:

- Removal of a legacy remediation works line item where no corresponding licence provision, allowance or calculation exists, aligning the PCFM with licence provisions (Capitalisation, ModelInput, Licencee 1 & 2, Scenarios, Finance&Tax).

Appendix 2 – Changes to the CO2 Price Control Financial Handbook (PCFH)

1. The PCFH containing the modifications are attached as schedules to this determination. A summary of the changes follows below:

Move from CPI to CPIH forecast data

2. We have amended the following section in the PCFH:

- 2.17 (b) in the handbook has been updated to now reference CPIH rather than CPI.

Inclusion of the EDA UIOLI allowance in the SRAV Construction and Commissioning Period

3. We have amended the following section in the PCFH:

- 2.5 (g) in the handbook now mentions the Early Development Activity Cost (including Use It or Lose It allowance).

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Appendix 3 – Changes to the CO2 Price Control Financial Guidance (PCFG)

1. The PCFG containing the modifications is attached as a schedule to this determination. A summary of the changes follows below:

Removal of references to remediation works

2. We have amended the following section in the PCFG:
   - 3.5 in the guidance now no longer includes remediation works as line items in the actual expenditure for capex or opex.

Inclusion of the EDA UIOLI term in the formula

3. We have amended the following section in the PCFG:
   - 5.2 in the guidance is the formula which is used to calculate the SRAV additions in the construction and commissioning periods. The EDA UIOLI term has been added into this formula.

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