# Appendix 4 – Updated Financial Settlement Document

Publication date: 31 August 2026

This document is the Financial Settlement Document for the purposes of the carbon dioxide transport and storage licence granted to Net Zero North Sea Storage Limited (company number 12473084) (the **"Licensee"**) pursuant to section 7 (as modified by section 16 and Schedule 1) of the Energy Act 2023, relating to the "NEP CO2 Network" T&S Network (the **"Licence"**)

Any capitalised words and expressions used in this Financial Settlement Document have the meaning given to them in the Licence or the APDP, unless otherwise specified.

## Part 1: Financial Settlement Document

### General

| Item reference | Item | Details |
|---|---|---|
| Definitions | **Base Year** | The period from 1 April 2021 to 31 March 2022 inclusive (2021/22), with average CPIH INDEX 00: ALL ITEMS 2015=100 of 113.117. |
| Definitions | **Pre-Licence Award Devex** | £178.9 million in Base Year prices |
| Definitions | **Day1 SRAV** | The sum of:<br>a) Pre-Licence Award Devex (above); and<br>b) upfront Debt Fees incurred at financial close of £43.2 million in Base Year prices<br>c) Additional Pre-Licence Award Devex Costs of £1.1 million in Base Year prices<br>d) Pre-Licence Award Capex Costs of £14.9 million in Base Year prices |
| Special Condition F5 | **Re-Use Assets Valuation(s)** | None |
| Special Condition J4 | **Delay WACC** | [redacted]% real |

| Item reference | Item | Details |
|---|---|---|
| Special Conditions F12 and G15 | **PreCOD WACC** | 6.26% real |
| | **PreCOD Cost of Debt** | [redacted]% real |
| | **PreCOD Cost of Equity** | [redacted]% real |
| Special Condition H10 | **Notional Gearing** | 60% |
| | **PostCOD WACC** | 5.62% real |
| | **PostCOD Cost of Debt** | [redacted]% real |
| | **PostCOD Cost of Equity** | [redacted]% real |
| Schedule 10 Paragraph 7 | **Pre-Licence Award Capex Allowance** | £14.9 million in Base Year prices |

**<u>Ongoing Devex Allowance</u>**

| Item reference | Item | Details |
|---|---|---|
| Special Condition F9, G12 & H6 | **Ongoing Devex Allowance** | 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 £8.0 million in Base Year prices |

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| | Subject to the provisions of Schedule 10 and Ongoing Devex Re-Openers as noted in Special Condition J5, where applicable | The second Tranche of Humber Development Activities is:<br><br>£57.5 million in Base Year prices<br><br>+<br><br>**$HDD_{adj}$** (in Base Year prices)<br><br>Where:<br>**$HDD_{adj}$** = one of the following (as applicable):<br><br>• **$HDD_{base}$** or<br><br>• where a TCPA Permission is awarded: **$HDD_{awarded}$**;<br><br>**$HDD_{base}$** = £5.6 million (in Base Year prices); and<br><br>**$HDD_{awarded}$** = £21.2 million (in Base Year prices).<br><br>The second Tranche of CS006 Development Activities is:<br><br>£51.7 million (in Base Year prices)<br><br>+<br><br>**$FX_{adj1}$** (in Base Year prices)<br><br>+<br><br>**$RISOP_{adj}$** (in Base Year prices)<br><br>Where:<br><br>**$FX_{adj1}$** = $USD_{oby}$ / R (and being expressed in GBP in Base Year prices);<br><br>**$USD_{oby}$** - \$13.2 million in Base Year Prices (being originally £9.8 million in Base Year Prices);<br><br>**R** = the efficient FX rate, being the greater of the following (expressed as a decimal USD/GBP with GBP as 1): |

| Item reference | Item | Details |
|---|---|---|
| | | (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,<br><br>(b) the rate (USD[x] = GBP1) that is the net effective exchange rate achieved under one or more demonstrably efficient hedging transactions.<br><br>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)<br><br>AND<br><br>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;<br><br>$\mathbf{RISOP_{adj}}$ = one of the following (as applicable:<br><br>• $\mathbf{RISOP_{full}}$; **or**<br><br>• where Rig is shared: ($\mathbf{RISOP_{full}}$ x **Split**) + **INCENTIVE**; |

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| Item reference | Item | Details |
|---|---|---|
| | | **$RISOP_{full}$** = £2.4 million in Base Year prices;<br><br>**Split** = **LDMOWC** / **TDMOWC**;<br><br>**TDMOWC** = Total duration (in days) of multi-operator well campaign; and<br><br>**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).<br><br>**INCENTIVE** = (1- **Split**) * 0.1 * **$RISOP_{full}$**<br><br><br>The second Tranche of CS007 Development Activities is:<br><br>£72.0 million (in Base Year prices)<br><br>+<br><br>**$FX_{adj1}$** (in Base Year prices)<br><br>+<br><br>**$RISOP_{adj}$** (in Base Year prices)<br><br>Where:<br><br>**$FX_{adj1}$** = $USD_{oby}$ / R (and being expressed in GBP in Base Year prices);<br><br>**$USD_{oby}$** - $12.39 million in Base Year Prices (being originally £9.2 million in Base Year Prices);<br><br>**R** = the efficient FX rate, being the greater of the following (expressed as a decimal USD/GBP with GBP as 1):<br><br>(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, |

| Item reference | Item | Details |
|---|---|---|
| | | (b) the rate (USD[x] = GBP1) that is the net effective exchange rate achieved under one or more demonstrably efficient hedging transactions.<br><br>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)<br><br>AND<br><br>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;<br><br>**$RISOP_{adj}$** = one of the following (as applicable:<br><br>• **$RISOP_{full}$; or**<br>• where Rig is shared: (**$RISOP_{full}$** x **Split**) + **INCENTIVE**;<br><br>**$RISOP_{full}$** = £2.4 million in Base Year prices;<br><br>**Split** = **LDMOWC** / **TDMOWC**;<br><br>**TDMOWC** = Total duration (in days) of multi-operator well campaign; and |

| Item reference | Item | Details |
|---|---|---|
| | | **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).<br><br>**INCENTIVE** = (1- **Split**) * 0.1 * $\mathbf{RISOP_{full}}$ |
| | | The third Tranche of Humber Development Activities is £24.6 million (in Base Year prices).<br><br>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 |
| | | The fourth Tranche of CS007 Development Activities is £32.1 million in Base Year prices |

**Early Development Activities Use-it-or-lose-it Allowance**

| Item reference | Item | Details |
|---|---|---|
| Special Condition J15 | **Early Development Activities Use-it-or-lose-it Allowance or EDA UIOLIA** | £5 million in Base Year prices per Regulatory Period (being the "**EDA UIOLIA Regulatory Period Limit**") with a respective limit of £2 million contributing to any potential Development Project (being the "**EDA UIOLIA Project Limit**") |

**Construction and Commissioning Period Allowances**

| Item reference | Item | Details |
|---|---|---|
| Special Condition F6 | **SRAV Capex and Opex Construction Period Allowance** | ~~£2178.6~~ 2173.7 million in Base Year prices<br><br>+ **$FX_{adj}$** (in Base Year Prices)<br><br>which excludes Pass Through Costs of £5.3 million but includes the following allowances subject to Uncertain Cost Event Reopeners as noted in Schedule 10:<br>Sand Pre-sweeping and Rock Placement Event at lower bound (50%) £[redacted] million<br>[***Note:*** *as shown in Schedule 10, the upper bound (100%) of the allowance is £*[redacted] *in Base Year prices.*]<br>Rig Rate Cost Event is **$FX_{adj}$**<br>Waiting on Weather Cost Event £[redacted] [***Note:*** *an additional £*[redacted] *in Base Year prices was added to standby facilities for debt sizing.*]<br><br>Where:<br><br>**$FX_{adj}$** = $USD_{oby}$ / R (and being expressed in GBP in Base Year Prices);<br><br>**$USD_{oby}$** - \$46.2 million in Base Year Prices (being originally £34.2 million in Base Year Prices) based on 386.8 days over regulatory years 2026/27 and 2027/28;<br><br>**R** = the efficient FX rate, being the greater of the following (expressed as a decimal USD/GBP with GBP as 1):<br><br>(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, |

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|---|---|---|
| | | (b) the rate (USD[x] = GBP1) that is the net effective exchange rate achieved under one or more demonstrably efficient hedging transactions.<br><br>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)<br><br>AND<br><br>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. |
| Special Condition G10 | **SRAV Capex and Opex Commissioning Period Allowance** | £60.2 million in Base Year prices which excludes Pass Through Costs of £0.8 million |
| Special Conditions F10 and G13 | **Debt Fee Allowance** | £[redacted] in Base Year prices, to cover Debt Fees during the Construction and Commissioning Period, but excluding upfront Debt Fees incurred at financial close, which are included in Day1 SRAV above. |

**<u>Operational Period Allowances</u>**

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| **Item reference** | **Item** | **Details** |
|---|---|---|
| Special Condition H5 | **Ongoing Capex Allowance** | Total of £0 million in Base Year prices of which<br>Operational Charging Year 1 £0 million<br>Operational Charging Year 2 £0 million<br>Operational Charging Year 3 £0 million<br>Operational Charging Year 4 £0 million<br><br>Subject to Uncertain Cost Event Reopeners as noted in Schedule 10. |

| | | |
|---|---|---|
| Special Condition H12 | **Opex Allowance (provisional)** | Opex Allowance, on an annualised basis, including Variable Opex Allowance, but excluding Pass Through Costs and ETS Allowance, in Base Year prices<br><br>Operational Charging Year 1 £102 million pa<br>Operational Charging Year 2 £99 million pa<br>Operational Charging Year 3 £101 million pa<br>Operational Charging Year 4 £98 million pa<br><br>The underlying Variable Opex Allowance is based on Forecasted Thoughput Element ([redacted] $CO_2$) and the following Fixed Unit Cost Elements £/t$CO_2$ in Base Year prices<br><br>Operational Charging Year 1 £[redacted]/t$CO_2$<br>Operational Charging Year 2 £[redacted]/t$CO_2$<br>Operational Charging Year 3 £[redacted]/t$CO_2$<br>Operational Charging Year 4 £[redacted]/t$CO_2$<br><br>The Fixed Unit Cost Elements are based on:<br><br>a) The forecast energy relationship assumption in MWh/t$CO_2$<br>Operational Charging Year 1 [redacted]MWh/t$CO_2$<br>Operational Charging Year 2 [redacted]MWh/t$CO_2$<br>Operational Charging Year 3 [redacted]MWh/t$CO_2$<br>Operational Charging Year 4 [redacted]MWh/t$CO_2$<br>b) Indicative electricity prices £/MWh in Base Year prices<br>Operational Charging Year 1 £[redacted]/MWh<br>Operational Charging Year 2 |

| Item reference | Item | Details |
|---|---|---|
| | | £[redacted]/MWh<br>Operational Charging Year 3<br>£[redacted]/MWh<br>Operational Charging Year 4<br>£[redacted]/MWh<br>c) The Re-use Service Opex Allowance in £/$tCO_2$ in Base Year prices<br>Operational Charging Year 1<br>£[redacted]/$tCO_2$<br>Operational Charging Year 2<br>£[redacted]/$tCO_2$<br>Operational Charging Year 3<br>£[redacted]/$tCO_2$<br>Operational Charging Year 4<br>£[redacted]/$tCO_2$ |
| Special Condition H14 | **ETS Allowance(provisional)** | The ETS volume component of the ETS Allowance as a % of forecast throughput:<br>Operational Charging Year 1 [redacted]%<br>Operational Charging Year 2 [redacted]%<br>Operational Charging Year 3 [redacted]%<br>Operational Charging Year 4 [redacted]% |

# Part 2: The Mandated Financing Terms

The following terms are the Mandated Financing Terms referred to in Standard Condition B18 (*Financial Resilience and Credit Quality*), applicable to the Licensee.

## 1. Regulatory Asset Ratio

1.1 Subject to paragraph 1.2, in respect of any Scheduled Repayment Date on or following the First Actual Repayment Date, the Regulatory Asset Ratio must be equal to or less than 80 per cent.

1.2 There shall not be a breach of the Mandated Financing Term in paragraph 1.1 if Equity Cure Contributions have been applied on or within 10 Business Days (as defined in the Financing Documents) of the relevant Scheduled Repayment Date such that following recalculation of the Regulatory Asset Ratio, after receipt by the Licensee of such Equity Cure Contribution, in accordance with the Financing Documents, the Regulatory Asset Ratio is equal to or less than 80 per cent.

## 2. Lock-up

No Distribution shall be declared, made, paid or permitted by any Relevant Obligor and no amount shall be transferred or paid into the Distribution Account unless:

(a) (i) such Distribution or such transfer or payment into the Distribution Account is made in compliance with the Financing Documents, the Licence and the Government Support Package; and (ii) the Historic Debt Service Coverage Ratio and the next Projected Debt Service Coverage Ratio, as specified in the MFT Compliance Certificate delivered to the Regulator in respect of the Scheduled Repayment Date immediately preceding the date of the proposed Distribution or transfer or payment into the Distribution Account, are each equal to, or in excess of, 1.10:1 (and the Historic Debt Service Coverage Ratio shall not be applied in respect of the First Actual Repayment Date);

(b) such Distribution is (i) made in compliance with the Financing Documents, the Licence and the Government Support Package and (ii) made or paid by the Licensee from the Distribution Account and in an amount not exceeding the amount standing to the credit of the Distribution Account at the date of such Distribution; or

(c) such Distribution or transfer or payment into the Distribution Account otherwise constitutes a Permitted Distribution.

## 3. Initial Shareholder Change of Control

Other than as a result of enforcement of the Transaction Security (in accordance with and as defined in the Financing Documents), where the Licensee otherwise remains in compliance with the Licence or unless the Secretary of State has provided its prior written consent:

(a) no transfer of shares in HoldCo is to occur or be made prior to the end of the Lock-in Period, other than a Permitted Initial Shareholder Change of Control; and

(b) HoldCo is to hold beneficially 100 per cent of the issued share capital in the Licensee (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital).

## 4. Operator Change of Control

Unless the Secretary of State has provided its prior written consent, at all times prior to completion of the Operator Transition, the BP Ultimate Parent is to hold beneficially at least

25 per cent of the issued share capital in HoldCo (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital).

## 5. [Not used]

## 6. Secretary of State consent to changes to the Financing Documents

6.1 **No change or any decision concerning any amendment, waiver, consent or approval which relates to or which would have a commercial effect which is equivalent to the following may occur without the prior written consent of the Secretary of State:**

(a) any amendments to a Humber Expansion Provision in each case in a manner that would adversely affect the ability of the Licensee to obtain consent under the Financing Documents to undertake or raise financing for the Humber Expansion (unless such amendment is required under applicable law); or

(b) prior to the Initial Project COD, any amendments that would adversely affect (i) the obligation to provide Base Equity Contributions or Standby Equity Contributions (each as defined in the Financing Documents) under the Shareholder Support Agreement or (ii) the credit support to be provided in respect of such obligations under the Shareholder Support Agreement (other than amendments, waivers or authorisations which are purely administrative or technical in nature or which are made to correct a manifest error).

## 7. Provision and content of MFT Compliance Certificate

7.1 **The Licensee must, on each date it is to deliver a Compliance Certificate under (and as defined in) the Financing Documents, deliver a MFT Compliance Certificate to the Regulator.**

7.2 **The MFT Compliance Certificate must:**

(a) set out in reasonable detail computations as to compliance with paragraph 1 (Regulatory Asset Ratio) and paragraph 2 (Lock-up) of the Mandated Financing Terms as at the most recent Scheduled Repayment Date; and

(b) confirm that:

(i) the contents of such certificate is accurate in all material respects; and

(ii) no breach of the Mandated Financing Terms has occurred that has not been waived or remedied in accordance with the Liaison Agreement and the Licence; and

(c) be signed by two directors or a director and the company secretary of the Licensee.

## 8. Definitions and Interpretation

8.1 **Defined terms**

Subject to paragraph 8.2, in these Mandated Financing Terms:

**Acceptable Operating Arrangement means, any of:**

(a) a new construction, operations and services agreement substantially on equivalent terms to the NEP COSA;

(b) an arm's length operating agreement (risk based with operating fee); or

(c) the Licensee self-performing the operation of the T&S Project,

**and (i) such arrangements have been approved by (A) the Secretary of State under the Government Support Package and (B) the NSTA under the Storage Permit and (ii) the arrangements are sufficient to enable the Licensee to issue a Certificate 1R or Certificate 2R for the purpose of Standard Condition B14;**

**BPEOC means BP Exploration Operating Company Limited or any other Shareholders' Affiliate of bp plc appointed as Operator at any time;**

**BP Ultimate Parent means BP p.l.c.;**

**Distribution** means any payment (other than payments made to such persons pursuant to arrangements entered into for the provision of management and other services incurred in connection with the T&S Network and the Financing Documents and Support Documents which are entered into on bona fide arm's length terms in the ordinary and usual course of trading), including any payment of dividends, bonus issues, return of capital, fees, interest, principal or other amounts whatsoever (by way of loan or repayment of any loan or otherwise) (in cash or in kind) to any person who has an interest, directly or indirectly, in the Licensee or any subsidiary or a holding company of such person or any other subsidiary of that holding company, and, for the purposes of the term Distribution only **holding company** and **subsidiary** shall have the meaning given to them in section 1159 of the Companies Act 2006;

**Distribution Account** has the meaning given in the Financing Documents;

**Equinor Ultimate Parent means Equinor ASA;**

**Equity Cure Contributions has the meaning given in the Financing Documents;**

**First Actual Repayment Date has the meaning given in the Financing Documents;**

**Historic Debt Service Coverage Ratio has the meaning given in the Financing Documents;**

**HoldCo** means Net Zero North Sea Storage Holdings Limited, the direct and 100 per cent shareholder of the Licensee;

**Humber Expansion** has the meaning given in the Financing Documents;

**Humber Expansion Provision** has the meaning given in Schedule 2 Annexure A of the Discontinuation Agreement;

**Initial Project** has the meaning given in the Financing Documents;

**Initial Project COD** means the date on which the Commercial Operations Date in relation to the Initial Project is achieved;

**Intercreditor Agent** has the meaning given in the Financing Documents;

**Issuer** means (if applicable) a limited liability company incorporated as an Affiliate of the Licensee for the purposes of the issuance of any listed bonds or notes in connection with the financing of the T&S Network and the on-lending of the proceeds thereof to the Licensee;

**Licence** means the licence granted to the Licensee by the Secretary of State, pursuant to section 16 and schedule 1 of the Act;

**Lock-in Period** means the date falling 24 months after the Initial Project COD;

**MFT Compliance Certificate** means a certificate delivered in accordance with paragraph 7 (Provision and content of MFT Compliance Certificate) of the Mandated Financing Terms;

**NEP COSA** has the meaning given in the Financing Documents;

**Operator** means any person appointed by the Licensee as an operator under the NEP COSA or any Acceptable Operating Arrangement from time to time;

**Operator Transition** means the replacement of BPEOC as Operator with an Acceptable Operating Arrangement;

**Permitted Distribution has the meaning given in Schedule 2 Annexure A of the Discontinuation Agreement;**

**Permitted Initial Shareholder Change of Control has the meaning given in Schedule 2 Annexure A of the Discontinuation Agreement;**

**Project Account** means a project account under and as defined in the Financing Documents;

**Projected Debt Service Coverage Ratio has the meaning given in the Financing Documents;**

**Regulatory Asset Ratio has the meaning given to "RAR Net Debt-to-RAV" in the Financing Documents;**

**Relevant Obligor means each of the Licensee and (if applicable) the Issuer;**

**Scheduled Repayment Date has the meaning given in the Financing Documents;**

**Secretary of State Direct Agreement** means the agreement of that name entered into between the Secretary of State, LCCC (or any successor entity) and the Licensee dated on or around Licence Award;

**Shareholder means each of:**

(a) BP CCUS UK NEP Ltd, the direct and 45 per cent. shareholder in HoldCo;

(b) Equinor Low Carbon UK Limited, the direct and 45 per cent. shareholder in HoldCo; and

(c) TotalEnergies CCS UK Limited, the direct and 10 per cent. shareholder in HoldCo,

in each case, for so long as it owns shares in HoldCo (the **Initial Shareholders**); and

(d) any subsequent owner of shares in HoldCo;

**Shareholder Support Agreement** has the meaning given in the Financing Documents;

**Shareholders' Affiliates** means, in relation to any person, a Subsidiary of that person or a holding company of that person or any other Subsidiary of that holding company;

**Subsidiary** means a subsidiary within the meaning of section 1159 of the Companies Act 2006 and for the purpose of determining if an entity is a subsidiary within that section, the existence of any security over any shares in an entity which would otherwise be a subsidiary shall be ignored; and

**Support Documents** means the Government Support Package, the Revenue Support Agreement and the Secretary of State Direct Agreement.

8.2 **Interpretation**

(a) In this Part 2 of the Financial Settlement Document, except to the extent otherwise defined in paragraph 8.1 or as the context otherwise requires, words and phrases shall bear the respective meanings given to them in the Licence.

(b) In this Part 2 of the Financial Settlement Document, where the terms used (and set out in paragraph 8.1) have been assigned meanings given to corresponding terms or definitions in the Financing Documents, those corresponding terms or definitions shall be as set out in the Financing Documents as at Licence Award, unless the Secretary of State has expressly consented to any amendment to any such definition.

For the purpose of paragraph 8.2(b), the Secretary of State shall be deemed to have expressly consented to any amendment to any such corresponding term or definition if it has provided its consent or approval of such amendment by way of the approval in accordance with any entrenched rights under the Financing Documents