Decision

Net Zero North Sea Storage Limited: BOC & H2T Discontinuation Final Determination

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Contact:	Tolulope Osinibi
Team:	Low Carbon RAB
Email:	ccus@ofgem.gov.uk

This document sets out our[1] Final Determination ('Final Determination') following a public consultation on our Draft Determination for Net Zero North Sea Storage Limited's (the 'Licensee') Carbon Dioxide Transport and Storage Licence (the 'Licence') Change in Scope (CiS) submission (the 'Re-opener Submission'). The consultation ran from 31 August 2026 until 28 September 2026.

Unless otherwise defined in this Final Determination, capitalised terms shall have the meaning given to them in the Licence.

[1] The terms "we", "our", "Ofgem", "the Regulator", and "us" are used interchangeably in this document

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1. Introduction

1.1 This Determination follows Ofgem's consultation on our draft position regarding the Licensee's Change in Scope ('CiS') Submission to us on 23 February 2026, made pursuant to Special Condition J2 (Supervening Event Re-openers, Insured Risk Events and Relief Events) of the Licence.

1.2 The consultation ran from 31 August 2026 until 28 September 2026. During our consultation we received three responses on our minded-to-position. Two were from industry stakeholders and one was from a member of the public. These were given due consideration in the formation of this final decision. One respondent requested greater clarity on the allocation of delivery responsibility and cost for the connection of future users. Another respondent presented a number of challenges to Ofgem's minded-to-position, with key representations on the CO2 wells system acceptance testing criteria, proposed cost reductions, and drafting of the project specific documents. The final respondent provided an overall review of the consultation documents raising multiple points for consideration.

1.3 The CiS Submission was in response to the following announcements:

- In September 2025, NEP received formal notification from DESNZ that the initial planned user Teesside Hydrogen CO2 Capture ('BOC') would no longer form part of the East Coast Cluster project.
- In December 2025, BP P.L.C ('BP') announced that it had withdrawn its Development Consent Order ('DCO') application for the H2Teesside ('H2T') project. Thus, it was also discontinued.

1.4 Accordingly, the Licensee made a CiS Submission to us on the basis that this constitutes a Change in Scope, as defined in Special Condition E1 of the Licence (specifically, limb (c) of that definition).

1.5 Unless otherwise stated, all costs referenced in this consultation are quoted in Base Year, as defined in the Financial Settlement Document ('FSD') as the period from 1 April 2021 to 31 March 2022 inclusive (2021/22).

1.6 The proposed Licence modifications arise from the need to ensure that the continued development of the Approved Transport and Storage ('T&S') Network proceeds efficiently, economically, and is able to respond to future changes in network configuration, consistent with our statutory duties.

Summary of modifications

1.7 Following notifications on the discontinuation of the BOC & H2T projects, the Licensee suspended works associated with developing the Spurlines to connect these users to the network and undertook analysis to understand the impact of removing these planned initial users on the existing system design to ensure it was still fit for purpose.

1.8 Accordingly, it was necessary to review and consider the Licence provisions that previously governed the connection of BOC & H2T and amend the revised configuration whilst ensuring the overall efficacy of the T&S network.

1.9 In parallel DESNZ began a Teesside selection process in March 2026, to identify new users to join the network. However, the timeline of this process is still unknown at the point of this Determination.

1.10 For the avoidance of doubt, this Determination does not represent an Ofgem position on the BOC & H2T users, nor on the selection of future users of the network. The intended effect is to ensure the Licence reflects the current situation and is able to respond to further changes in the network configuration.

1.11 The consequential amendments to the Licence and Project Specific Documents that we consider are required to implement the CiS are summarised as follows:

- **Approved Project Development Plan (APDP)**: The BOC Spurline and H2T pipeline will be removed from the definition of the "Approved T&S Network" and BOC and H2T be removed from the definition of "Planned Initial Users". The scope, milestones, and diagram sections associated with the BOC & H2T Spurlines will be removed.
- **Technical Details Document (TDD)**: Removal of all milestone dates (including for appointment of an Independent Certifier, reporting, Handover and acceptance), associated with the BOC & H2T Spurlines.
- **Financial Settlement Document (FSD)**: Amendment of the SRAV Capex & Opex construction period allowance to reflect the removal of the BOC & H2T Spurlines.
- **Section A of the T&S Licence (Project-Specific Conditions)**: Removal of references to users BOC & H2T, as well as removing activities associated with the BOC & H2T Spurlines.

Context and related publications

1.12 For further information, please refer to the draft determination that underwent public consultation from 31 August 2026 to 28 September 2026.

Decision-making stages

1.13 The section below sets out the stages through which we have progressed our assessment of the Licensee's CiS Submission relating to the proposed discontinuation of the BOC & H2T Spurlines and the associated amendments to the Licence and Project Specific Documents as outlined in para 1.11.

1.14 Pursuant to Special Condition J2.3 of the Licence, the Licensee submitted a CiS Submission on 16 June 2026 in respect of the BOC & H2T discontinuation.

1.15 On receipt of the CiS Submission, we considered the materials provided by the Licensee in accordance with Special Condition J2, including:

- the grounds for the CiS;
- the Licensee's assessment of the impact on the Approved T&S Network;
- the Licensee's proposals for implementing the CiS; and
- the proposed modifications to the APDP, TDD, FSD and Section A of the Licence.

1.16 Having considered the CiS Submission, we formed a draft determination outlining our minded-to-position which went out on public consultation from 31 August 2026 to 28 September 2026.

1.17 During the consultation period we received three responses on our minded-to-position. Two were from industry stakeholders, and one from a member of the public. These were given due consideration in the formation of this final decision. The responses have been published separately to this Determination.

1.18 In accordance with Special Condition J2.9 of the Licence and following public consultation, we have formed a final position on the impact of the CiS on the Approved T&S Network and whether any adjustments are required, including whether consequential amendments to the Project Specific Documents are necessary to give full effect to the proposed CiS.

Consultation Stages

Stage 1 Consultation open: 31 August 2026

Stage 2 Consultation closes: 28 September 2026

Stage 3 Responses reviewed and published: 06 November 2026

Stage 4 Final Determination: 06 November 2026

2. Implementation of the Change in Scope

Questions from the Draft Determination

Q1. Do you agree with our determination that grounds for a Change in Scope under limb (c) of Special Condition E1 have occurred based on the evidence provided by the Licensee under their CiS submission?

Q2. Do you agree with our approval of a CiS?

Q3. Do you agree with our proposed amendments to the allowances for SRAV Capex & Opex as a result of the CiS?

Q4. Do you agree with our minded-to-position on the proposed modifications to the Approved Project Development Plan ('APDP'), Technical Details Document ('TDD'), Financial Settlement Document ('FSD'), and Annex A to Section A of the Licence, as detailed in the Appendices?

Q5. Do you have any other representations regarding the proposed Licence and Project Specific Document modifications and directions set out in this consultation?

Our minded-to-position

2.1 As outlined in our draft determination, Special Condition E1 (together with the associated Licence conditions as primarily set out at Special Condition J2) of the Licence permits us to approve a CiS where a part of the Approved T&S Network ceases to be justified or aligned with its configuration.

2.2 Our draft determination set out our minded-to-position that a CiS had occurred. Therefore BOC & H2T should be removed from the list of Planned Initial Users as outlined in the APDP and the construction and commissioning activities associated with the BOC & H2T Spurline connections should likewise be removed.

2.3 However, as part of our minded-to-position we chose to retain the Licensee's commitment to construct the main onshore CO2 gathering pipeline on the basis of it being better value for money for future users of the network when compared against cancelling pipeline construction and restarting once new users are confirmed.

2.4 In addition, the reduction in initial CO2 flowrate from the removal of two planned users resulted in the Licensee requesting amendments to the Obligated Network Capacity Maximum flow rate ('ONCi'), System Injection Capacity ('SIC'), as well as the Systems Acceptance Criteria. Our minded-to-position was to reject these proposed amendments.

2.5 Our minded-to-position regarding appropriate adjustments to the T&S Licence and Project Specific Documents are summarised below.

Approved Project Development Plan (APDP) Draft Amendments

2.6 Approve the removal of BOC & H2T from the list of Planned Initial Users and remove the construction and commissioning activities associated with the BOC & H2T Spurlines.

2.7 Retain the full handover works and commissioning activities associated with the onshore CO2 Gathering Pipeline.

2.8 Reject NEP's proposed amendments to the ONCi and SIC, and maintain the current arrangements in the licence.

2.9 Reject NEP's proposed amendments to the System Acceptance testing criteria.

Technical Details Document Draft Amendments

2.10 Remove all technical dates associated with Phase 2 Tranche B (H2T Spurline). This includes removal of:

- Date of appointment of Independent Certifier for Phase 2 Tranche B.
- Reporting Commencement Date for Phase 2 Tranche B.
- Scheduled Phase 2 Tranche B Handover Date.
- Scheduled Phase 2 Tranche B Acceptance Date.

Section A of the T&S Licence Draft Amendments

2.11 Remove references to BOC & H2T Spurlines.

Financial Settlement Document Draft Amendments

2.12 Approve an amended SRAV Capex & Opex Construction period allowance of £2,207.9 million (Base Years). This allowance was £0.84m (Base Year) less than the Licensee requested in their Change in Scope Submission.

2.13 Full details of these amendments and the justification behind them can be found in the consultation documents.

Stakeholder Feedback

2.14 Our consultation invited responses on our draft determination from both Licensees, current and future network users, and anyone else interested in the topic, including members of the public. Key points raised by the consultation respondents have been summarised below.

Retention of main onshore gathering pipeline

2.15 The respondents were all supportive of Ofgem's proposal to retain construction of the onshore CO2 gathering pipeline and River Tees crossing infrastructure despite the removal of current north-bank users.

2.16 They agreed with Ofgem's assessment that preserving this infrastructure represents an efficient and prudent approach that protects future connection opportunities, avoids potentially significant future redesign and construction costs, and maintains strategic access across the River Tees for future industrial emitters.

Connection costs and access arrangements of future users

2.17 A respondent requested confirmation that the land access rights required for a future Spurline connection to the Tees Hydrogen site area would be retained, delivery responsibility of the connection would be clear, costs for constructing the connection would be fairly allocated between user and network, and the formula behind the calculation of network charges would be transparent to users.

Commissioning of the Onshore Gathering Pipeline

2.18 A respondent expressed concern with our draft amendments to the APDP in relation to the Phase 2 Tranche A commissioning activities. Particularly our proposal to use CO2 from the remaining planned initial user Net Zero Teesside to test and commission the Onshore Gathering Pipeline following the removal of BOC.

2.19 They outlined how the purpose of the acceptance testing was to demonstrate that the gathering network was resilient to a new user entering the network, which could not be proven without a new user being present. Further, they raised a process and safety risk arising from the proposed drafting. Namely that pressurising the gathering network with CO2 from Net Zero Teesside Power ('**NZT Power**') before a new user joins the network would result in an unnecessary large inventory 'dead leg' of pressurised CO2. A dead leg is a section of pipe connected to the main pipeline network where fluid flow is minimal or non-existent, leading to stagnation and increased risk of contamination or corrosion. That risk would need to be managed.

2.20 Their proposal was to reinstate the former wording but replace BOC with a new definition of Phase 2 User that would encompass future users added to the network.

Indexation Calculation Cost Adjustments

2.21 Respondents had no explicit views on our minded-to adjustment regarding the minor rounding errors in NEP's indexation calculation, which resulted in an increase in the Licensee's proposed allowance by £0.084m (Base Year).

Project Management Team (PMT) Cost Adjustments

2.22 A respondent expressed concern that the proposed £0.926m (Base Year) reduction to the SRAV Capex and Opex Construction Period Allowance resulting from the reduction in Project Management Team hours was too large, and outlined areas for further consideration, in the calculation of the reduction. These primarily included:

- Consideration of the date when the scope removal was due to be enacted.
- Consideration of a ramp down period once scope removal enacted; a 3-month ramp down period was proposed.
- Consideration of the mechanisms by which organisations can accommodate reductions.
- Consideration that different organisations have different service rates.

Ofgem minded-to-position on the proposed amendments to the ONCi, SIC and System Acceptance Criteria

2.23 We received mixed responses on our minded-to-position. Some respondents were in favour of the rejection of NEP's proposed adjustments on the basis that these obligations were established to support the long-term development of the network over its operational life and should not be reduced solely because initial utilisation may be lower than originally anticipated.

2.24 Other respondents disagreed with our minded-to-position. They argued that with H2T and BOC projects discontinued, the CO2 likely available in the First Regulatory Period is materially reduced, and the number of wells activated with CO2 during system acceptance testing should reduce accordingly. They provided supporting evidence further highlighting the risk of exposing a saline aquifer well to CO2, followed by a water wash, but no on-going injection of CO2. While they acknowledge the ongoing Teesside selection process, which is planned to introduce new users to the network, they questioned the timing of users coming online. Their recommendation was to accept NEP's proposal to reduce the number of wells tested with CO2 at system acceptance while using an alternative method to establish the 4MTPA ONCi as agreed at licence award.

Our decision

2.25 We are grateful to all respondents for sharing their feedback on our draft determination and have summarised our final position regarding the key areas of concern below.

Retention of main onshore gathering pipeline

2.26 Following the positive response from the respondents to the consultation, our final decision is to approve the retention of the main onshore gathering pipeline.

Connection costs and access arrangements of future users

2.27 Regarding land access rights, the Licensee is developing the Teesside Onshore Transportation System under a DCO with defined boundaries for the pipeline corridor. The Licensee is only responsible for developing land rights for the Teesside Onshore Transportation System within that DCO boundary.

2.28 The land agreements within the DCO boundary were primarily arranged as option agreements. With our decision to maintain the onshore gathering pipeline the option would be exercised upon construction of the pipeline in each land area, and thus land access for the area within the DCO boundary which would be required for a future connection would be retained, according to the terms of the specific land agreement.

2.29 For any land access rights required outside of defined boundaries of the pipeline corridor, additional planning consents may need to be secured, with responsibility shared between NEP and the future network user seeking a connection.

2.30 For clarity on allocation of delivery responsibilities and network charging methodologies, we refer respondents to the CCS Network Code. This sets the rules for the safe and reliable transportation and storage of captured carbon dioxide in the UK. Developed by DESNZ and industry, it provides a framework for network access, CO2 quality and operations. The most relevant section in this case is Section C (Connection) which details the process by which a future user can connect to a T&S Network, as well as the Construction Agreement, Connection Agreement, and Code Accession Agreements (as defined in the CCS Network Code) that must be agreed and entered into by the Licensee and the User prior to connection. Currently the connection process, as outlined in the CCS Network Code, requires projects to enter into a government led Selection Process managed by DESNZ.

2.31 The method for allocating costs to Users is set out under Section H (Charges, Invoicing and Payment) of the CCS Network Code. Costs are broken down into different categories, with rates calculated using the Use of System Charging Methodology. Prospective Users should refer to this for details of how costs for

infrastructure forming part of the Approved T&S Network will be allocated to Users and recovered by the Licensee.

Commissioning of the Onshore Gathering Pipeline

2.32 In consideration of the process and safety risk raised by the respondents which result from our minded-to drafting, we have made further adjustments to the wording of the APDP, so that the onshore gathering pipeline will be tested and commissioned by a newly defined 'Expansion User.' This user can be any new user other than the Planned Initial Users, ensuring the pipeline is only used once there are active users on the network to transport CO2. In addition, we have further updated the description of the onshore CO2 gathering pipeline.

2.33 Further details of the Updated APDP wording can be found in Appendix 1.

Indexation Calculation Cost Adjustments

2.34 Our final position is to retain our amendments to the indexation calculation. Our final adjustment figure is an increase of £0.08m (Base Year).

Project Management Team (PMT) Cost Adjustments

2.35 Following review of the consultation responses we have decided to adjust our position regarding the PMT Cost Adjustments. While we are still including a reduction in cost allowance to reflect the reduction in project management hours as a result of the removal of the BOC & H2T Spurlines, we are adjusting how we calculate the reduction in three key areas:

- We have retained the allowance for PMT activities associated with BOC & H2T Spurlines up to June 2026 when the final Determination for discontinuation was issued.
- We have included a ramp down of the team over the course of three months.
- We have taken into the account the varying PMT rates between different roles.

2.36 These amendments to our underlying assumptions have resulted in an amended cost reduction of £0.103m (Base Years). This is £0.823m less than our minded-to-position in our draft determination.

Ofgem final decision on the proposed amendments to the ONCi, SIC and System Acceptance Criteria

2.37 Taking into consideration the range of responses, we have decided to maintain our minded-to-position in this final Determination.

2.38 The consultation responses in favour of amending the Wells Systems Acceptance criteria and the additional evidence provided to support this view do not, in

Ofgem's view, provide sufficient new technical evidence to depart from Ofgem's minded-to-position.

2.39 NEP's recommendation to adjust the well configuration and systems acceptance testing is driven by the need to manage and mitigate the precipitation of halite (salt) within the reservoir rock formation surrounding the wellbores. Halite precipitation is caused by injected CO2 evaporating the highly saline formation water within the reservoir interval, resulting in halite forming within the pore space between rock grains. Without mitigation, repeated cycles of halite precipitation can impair injectivity.

2.40 However, the risk of halite precipitation was known at licence award, with mitigation activities and associated allowances agreed at licence award to manage it. The existing System Acceptance requirements were agreed with awareness that NZT Power could be the sole initial user of the network for a period, that lower and intermittent injection could increase the risk of halite precipitation, and that wells exposed to CO2 might subsequently spend periods offline. Water washing, and other operational measures were considered as mitigations, with associated allowances provided. The evidence provided by NEP to date supporting their technical position, and the evidence provided as part of the consultation responses do not identify a new risk that was unknown at licence award or demonstrate that the previously agreed mitigations are no longer technically credible.

2.41 The current testing scenario following the discontinuation of BOC & H2T is that of a well facing a short-duration System Acceptance performance test using CO2 followed immediately by a specified post-test water wash, and an extended period of shut-in. Sufficient evidence has not been provided to demonstrate that this specific scenario results in a material residual risk of halite precipitation above the risk levels agreed at licence award.

2.42 Similarly, accepting NEP's proposed amendment to well systems acceptance testing would reduce the injection capability demonstrated using CO2 before the Commercial Operations Date ('**COD**') and increase reliance on brine injectivity testing, inferred CO2 performance and future well activation. The material supplied to date does not demonstrate that these indirect forms of assurance are equivalent to testing the agreed well configuration with CO2.

2.43 However, Ofgem does acknowledge that halite precipitation is a genuine technical risk that NEP is seeking to reduce with its proposal. We therefore remain open to NEP strengthening the technical and economic evidence supporting this specific concern for Ofgem's consideration, including completing additional studies relevant to the specific shut-in scenario being faced, and providing a clearer breakdown of the additional costs beyond water-washing, greater technical support for the validity of the correlation of brine-CO2 injection testing,

and reflecting updated expectations for new user connection timings and the period during which NZT Power is expected to be the sole user.

Final Adjustments

2.44 Following the review of consultation responses, our final decision is to amend the cost allowances and licence drafting that was set out in our Consultation Draft Determination.

2.45 Thus, our Final Determination is to approve an amended SRAV Capex & Opex Construction period allowance of £2,208.7m. This allowance is £0.023m less than the Licensee requested in its Change in Scope submission.

2.46 Our Final Determination is to reject the licensee's proposed amendments to the Wells System Acceptance Criteria, and Obligated Network Capacity.

2.47 Our Final Determination is to approve the retention of the main onshore CO2 gathering pipeline.

2.48 Our Final Determination is to approve the relevant amendments to licence associated documents: Technical Details Document, Approved Project Development Plan, and Annex A to Section A of the Licence.

2.49 Full details of the final amendments can be found in the Appendices.

Send us your feedback

We believe that consultation is at the heart of good policy development. 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.

Appendices Index

- Appendix 1 - Updated Approved Project Development Plan (Published separately)
- Appendix 2 - Updated Licence (Annex A to Section A) (Published separately)
- Appendix 3 - Updated Technical Details Document (Published Separately)
- Appendix 4 - Updated Financial Settlement Document (Published separately)