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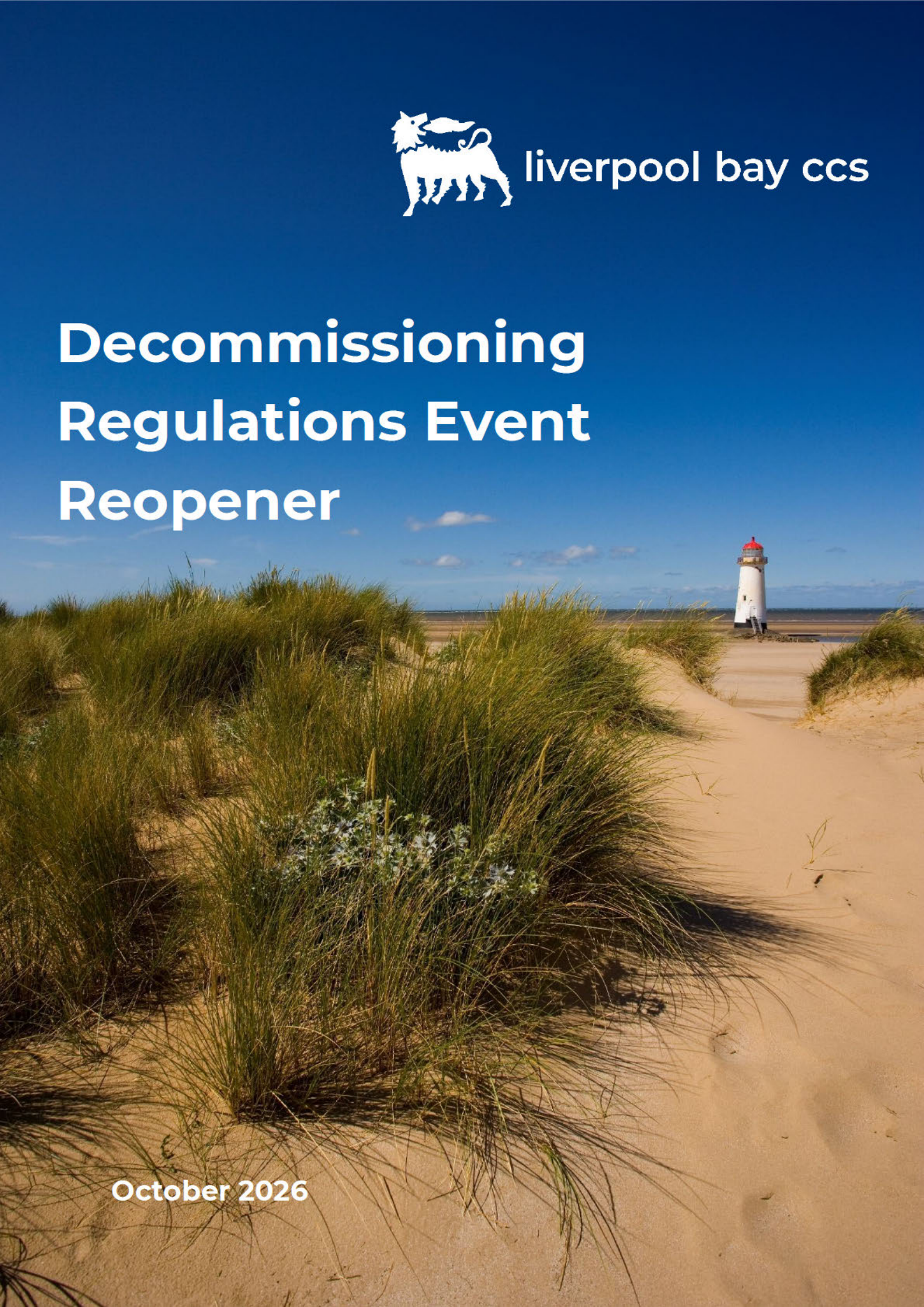
Decommissioning Regulations Event Reopener



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1. Executive Summary

This submission constitutes a Decommissioning Regulations Event (DRE) Reopener submission for the purposes of paragraph 8.6 of Schedule 10 following the occurrence of a Decommissioning Regulations Event, being the coming into force of The Carbon Dioxide Transport and Storage (Financing of Costs of Offshore Decommissioning) Regulations 2026 (Regulations).

The purpose of this submission is to provide the information required by paragraph 8.6 including:

1. **Limb (a)**: Describe the nature of the Decommissioning Regulations Event.
2. **Limbs (b) and (d)**: Set out (together with detailed justification) the Licensee's analysis of the likely impact of the Decommissioning Regulations Event on the arrangements relating to the Licensee's obligations pursuant to the Offshore Decommissioning Requirements as compared with the arrangements in place as at Licence Award relating to such obligations.
3. **Limbs (c) and (d):** Set out (together with detailed justification) the Licensee's analysis of the changes that the Licensee considers are appropriate to Standard Condition D2 as a result of the Decommissioning Regulations Event, including any changes to the arrangements referenced in Limb (b) above. Under paragraph 8.8(c) of Schedule 10, the Regulator will also determine what other adjustments are required to the Licence or any Project-Specific Documents to address any additional costs arising out of the Decommissioning Regulations Event – LBCCS therefore includes proposals on this to support the Regulator's determination.
4. **Limb (e):** Set out the Licensee's assessment and satisfactory evidence of any additional costs as a result of the Decommissioning Regulations Event, including any additional costs arising from changes to the arrangements referenced with respect to limb (b) above.

Whilst the Licensee's obligations pursuant to the Offshore Decommissioning Requirements (including post-closure monitoring activities and the need for a future decommissioning funding mechanism) were contemplated at Licence Award, the enacted Regulations now prescribe detailed requirements concerning the establishment, governance, administration, investment management, reporting, insolvency protection and ongoing oversight of the Offshore Decommissioning Fund. These costs were assumed to be minimal at the Licence Award, however these new requirements introduce additional implementation and operating requirements which were not fixed, nor costed at Licence Award.

This submission is prepared on the basis that the DRE Review is intended to align the Licence framework with the enacted Regulations and to place the Licensee in no better and no worse position than it would have been in had the relevant Decommissioning Regulations Event not occurred. In accordance with paragraph 8.8(c) of Schedule 10 to the Licence, this may include adjustments under the Licence or any Project-Specific Documents to address additional costs to be incurred by the Licensee as a result of the Decommissioning Regulations Event, including provision for new ex ante allowances.

At the date of this DRE Submission, the Licensee has not determined, and the Secretary of State has not yet approved, the Offshore Holding Arrangements. Discussions with the DESNZ, OPRED and other relevant stakeholders remain ongoing.

Therefore, the efficient implementation costs and ongoing operating costs associated with the Offshore Decommissioning Fund can only be estimated on the basis of our current working assumptions for the Offshore Holding Arrangements.

The Licensee's preferred approach is for the Regulator to address these cost adjustments through a new Uncertain Cost Event, to be triggered once the Secretary of State has approved the Offshore Holding Arrangements, at which point the Licensee would be able to present the Regulator with an evidenced assessment of the costs of implementing the approved structure. In the alternative, and to the extent the Licence is not amended to include this new Uncertain Cost Event, the Licensee has provided its best estimate of the relevant costs as at the date of this submission.

The Licensee expects the ongoing costs to support the maintenance of the Offshore Holding Arrangements to be addressed through future Opex cost assessments and to be funded to make contributions to the Fund through the Decommissioning Building Block.

While the Licence requires a DRE Submission to made within 60 Business Days of the occurrence of the Decommissioning Regulations Event, it is noted that the Regulator approved a short extension of this deadline until 26 October 2026, in accordance with correspondence dated 30 September 2026.

2. Limb (a): Nature of the Decommissioning Regulations Event

The Decommissioning Regulations Event has occurred, being the coming into force on 10 July 2026 of The Carbon Dioxide Transport and Storage (Financing of Costs of Offshore Decommissioning) Regulations 2026, which

constitute the Initial Decommissioning Regulations for the purposes of Schedule 10. Consequently:

- Standard Condition D2 now becomes operative;
- The offshore decommissioning fund regime has become legally prescribed;
- The governance, funding, administration and reporting requirements applicable to offshore decommissioning arrangements have become known and enforceable.

The enacted Regulations establish a mandatory framework governing:

- The establishment of an Offshore Decommissioning Fund;
- Legal segregation of fund assets;
- Insolvency protection arrangements;
- Fund governance;
- Fund administration;
- Investment management;
- Contribution arrangements;
- Reporting and audit requirements;
- Fund sufficiency assessments;
- Regulatory oversight;
- Secretary of State approval regime (including, amongst other things, approval of the fund estimate, the holding arrangement, changes to the Fund, the funding and investment strategy and Fund contracts);
- Restrictions on the activities and contracting capacity of the Fund (e.g. prohibitions on paying dividends, incurring debt, granting security, acting as guarantor, exercising rights of set-off, and entering into third-party contracts);
- Restrictions on withdrawals from the Fund.

3. Likely Impact and Justification

This section 3 sets out the Licensee's analysis of the likely impact of the Decommissioning Regulations Event on the arrangements relating to the Licensee's obligations pursuant to the Offshore Decommissioning Requirements as compared with the arrangements in place as at Licence Award relating to such obligations.

3.1 Licence Award Position

At Licence Award:

- Standard Condition D2 had not yet come into force;
- the detailed content of the Initial Decommissioning Regulations was unknown;

- a future decommissioning funding mechanism was anticipated, however Offshore Holding Arrangements and the related governance, fund administration model, investment management arrangements and regulatory oversight requirements applicable to that mechanism had not been prescribed; and
- governance, administration and investment arrangements were expected to be developed following enactment of the Regulations.

The Licence Award baseline therefore contemplated the Licensee's obligations pursuant to the Offshore Decommissioning Requirements, including post-decommissioning monitoring, and the need to establish a future Offshore Decommissioning Fund in accordance with any Regulations but material information with respect to the detailed requirements was only recently mandated by the Regulations.

The Licence Award baseline contemplated the existence of offshore decommissioning liabilities, post-closure monitoring activities and a future decommissioning funding mechanism. However, the detailed legal, governance, administration, investment management, insolvency protection, reporting and fund sufficiency requirements applicable to the Offshore Decommissioning Fund had not yet been prescribed. As such, while the underlying decommissioning and monitoring obligations were anticipated, it was not possible to design, evaluate and cost the operating framework at Licence Award in the absence of the detailed requirements.

The Licence Award cost assumptions did not quantify the detailed costs of establishing or operating an Offshore Decommissioning Fund. This is because the Regulations were not in place at that time and therefore the detailed statutory requirements governing the establishment, governance, administration, investment management, insolvency protection, reporting and sufficiency of the Offshore Decommissioning Fund had not been prescribed. In the absence of those requirements, a suitable structure could not be identified, scoped or quantified with sufficient certainty to form part of the Licence Award cost allowance. For the avoidance of doubt, no costs associated with designing, structuring or otherwise establishing the Offshore Holding Arrangements (whether in the form of implementation, set-up or one-off establishment costs) were identified, assessed or otherwise factored into the Licence Award cost assessment process, as the requirements necessary to design and cost such arrangements had not yet been prescribed.

3.2 Requirements of the Regulation

The enacted Regulations require the Licensee to establish an Offshore Decommissioning Fund held under Offshore Holding Arrangements that operate independently from the Licensee.

The Regulations further require:

- segregation of fund assets;
- insolvency-remoteness protections;
- independent governance arrangements;
- appointment of fund administration functions;
- a Secretary of State approved funding and investment strategy and ongoing investment management obligations, including a duty to manage the Fund with reasonable care and skill and to keep costs as low as possible consistent with efficient management;
- periodic fund sufficiency assessments operating on a five-yearly cycle linked to the periodic review date;
- regulatory reporting (e.g. annual statement of accounts and explanations of variances against the fund accrual profile); and
- restrictions on the activities and contracting capacity of the Fund (including prohibitions on paying dividends, incurring debt, granting security, acting as guarantor, exercising rights of set-off, and entering into third-party contracts).

3.3 Offshore Holding Arrangements

Based on our analysis to date, including work with our tax advisers, the structure that LBCCS currently expects to be most appropriate to ensure compliance with Decommissioning Regulations and draft guidance is a FundCo Structure. This would involve establishing a dedicated special-purpose company to act as a Fund Holder and hold legal title to Fund Assets. FundCo would operate through constitutional, governance and contractual arrangements specifically designed to comply with the Regulations. Drawing on comparable precedents and the requirements of the Decommissioning Regulations, one way of developing this structure would be to appoint independent shareholder directors to the FundCo. However, LBCCS continues to review the spectrum of available options to identify an effective and efficient solution.

Design and implementation of the Offshore Holding Arrangements will be the subject of a detailed legal workstream. A key aspect of this is expected to relate to the drafting and negotiation of a detailed contractual arrangement between the Licensee and a newly established FundCo to document the proposed structure. There may also be a separate services agreement between the Licensee and the FundCo to address FundCo costs and governance matters. In addition to these agreements, implementation of the structure will also require a number of ancillary documents such as:

1) FundCo's Articles of Association, which will need to entrench the fund-activity restrictions and independence framework;
2) a Shareholders' Agreement among the shareholders of FundCo (and, potentially, FundCo itself);

3) depending on the preferred structure, the appointment arrangements for FundCo's independent directors, including service agreements and independence criteria
4) contractual documentation to support the investment arrangements

The analysis set out above reflects the Licensee's current thinking and working assumptions regarding the proposed Offshore Holding Arrangements. This position may evolve as further legal, tax and structuring work is undertaken, and remains subject to the requirements ultimately approved by the Secretary of State.

The resulting implementation costs depend materially upon the structure ultimately adopted.

3.4 Fund establishment Cost Impact

Cost estimate - Current values (£'000)	Total
Advisors' fees (incl. legal and tax)	[redacted]
Administrator services (set-up/one-off costs)	
Support from [redacted] egal services)	
Total	
Contingency [redacted]	
Total current values	
2021-22 real values	

To the extent the Regulator does not agree with our proposal to introduce a new Uncertain Cost Event as described in section 3.7 below, the Licensee would request that the Regulator increases the SRAV Capex and Opex allowance included in the Financial Settlement Document by [redacted] to reflect the additional costs the Licensee's expects to incur in establishing the Fund as further detailed above.

3.5 Decommissioning Fund Contribution - quantum

The Regulations prescribe both the quantum and the payment mechanics of the Licensee's contribution to the Offshore Decommissioning Fund. In particular, Regulation 14 requires the Licensee to pay, on or before the last day of each month during the fund operational period, a monthly contribution equal to one-twelfth of the annual contribution specified in the Secretary of State-approved funding and investment strategy.

There is the potential for this to diverge with the approach taken in the Licence. In particular, Standard Condition D2.8 require, the Licensee to calculate an "Offshore Decommissioning Fund Allowance" by reference to the Offshore Decommissioning Fund Cost Estimate, the Decommissioning Regulations Financial Requirement, the Offshore Decommissioning Fund Accrual Profile and the Approved Offshore Decommissioning Funding and Investment Strategy, and to submit that Allowance to the Regulator for approval. The intent of these provisions was to allow the Offshore Decommissioning Fund Allowance to be aligned with the amounts required to be paid into the Fund by the Regulations.

However, Standard Condition D2.9 permits the Regulator either to approve the Allowance as calculated or to set it at a different level. This creates a residual risk of variance between the quantum approved by the Secretary of State and the Regulator. In order to ensure the Licensee is in a no better, no worse position and to avoid the Licensee being exposed to a funding gap in the event of a mismatch between the amounts set by the Secretary of State and the Regulator, the Licensee considers it necessary that:

(a) the Decommissioning Building Block mechanism in the Licence must recover in full the contributions that the Licensee is required to pay into the Offshore Decommissioning Fund in accordance with the funding and investment strategy approved by the Secretary of State under the Initial Decommissioning Regulations;

(b) the Standard Condition D2 approval mechanics for the Offshore Decommissioning Fund Allowance should be aligned with (and should not duplicate or override) the Secretary of State's approval of the annual contribution under the Regulations, and the terminology used in Standard Condition D2.

3.6 Decommissioning Fund Contribution - timing

Standard Condition D2.13 then requires the Licensee to pay one-twelfth of the Approved Offshore Decommissioning Fund Allowance into the Offshore Decommissioning Fund by the end of each calendar month of each Operational Charging Year. The OffDF Monthly Contribution may only be funded through the Decommissioning Building Block in accordance with Special Condition H16.2.6.

The Regulations and the Licence commence the Licensee's Fund contribution obligation by reference to two different triggers:

- **Regulations**: Regulation 14 requires the Licensee to pay a monthly contribution during the "fund operational period". The "fund operational period" is defined in paragraph 1 of Schedule 1 as beginning with "the first day that an activity mentioned in section 2(2) of the 2023 Act, and authorised by a section 7 licence, commences". The activities in section 2(2) of the Energy Act 2023 are (a) operating a site for the disposal of carbon dioxide by way of geological storage; and (b) providing a service of transporting carbon dioxide by a licensable means of transportation. It is therefore possible that the statutory trigger could be triggered on the first day that CO2 is transported through the network.

- **Licence**: Standard Condition D2.13 requires the Licensee to pay the OffDF Monthly Contribution "In each Operational Charging Year of the Allowed Revenue Period starting from the Commercial Operations Date". The "Operational Period" means the period commencing on the Commercial Operations Date and ending on the date of revocation of the Licence, and the first "Operational Charging Year" commences on the first day of the Operational Period. The "Commercial Operations Date" means the date when System Acceptance is achieved, as determined by the Regulator under the Licence.

The practical consequence is that the fund operational period under the Regulations may begin before the Commercial Operations Date under the Licence. If that occurs, the Licensee will be under a statutory obligation to pay monthly contributions into the Offshore Decommissioning Fund before it has an Allowed Revenue entitlement to support them. Put another way, the Licensee would be put in a ‘worse’ position as a result of the Decommissioning Regulations Event.

To mitigate the risk of a mismatch, the Licensee will use reasonable endeavours to submit a request to the Secretary of State under paragraph 3 of Schedule 1 to the Regulations request clarification that the fund operational period under the Regulations would not commence until the Commercial Operations Date under the Licence has been achieved. Such request must be accompanied by evidence that all relevant regulators have been notified of the clarification and that they have confirmed in writing that there is no objection. However, to the extent the Licensee’s is not able to obtain the consent of all relevant regulators or if its request is otherwise refused by the Secretary of State, the Licensee would request that the Decommissioning Building Block for the first Charging Year in the Operational Period is increased to cover any amounts that the Licensee was required to pay into the Fund in accordance with the Regulations prior to the Commercial Operations Date occurring.

3.7 Uncertain Cost Event

The Licensee's obligation under the Regulations and the Licence is to implement the Offshore Holding Arrangements once approved by the Secretary of State; it is not open to the Licensee to implement an alternative, unapproved structure. As this approval process has not yet taken place, the Licensee cannot confirm (with certainty) the structure that it will ultimately be required to adopt. It is only once this approval has been given that the Licensee will have certainty as to the structure it will be required to establish and this is the point at which it could provide the Regulator with its best estimate, and evidence for, the costs it will incur in complying with its legal requirements under the Regulations and the Licence to establish the FundCo.

The Licensee therefore proposes provision of a new Uncertain Cost Event in Schedule 10 referred to as the “Decommissioning Fund Uncertain Cost Event”. The Decommissioning Fund Uncertain Cost Event would be triggered by the Secretary of State's approval, in whole or in part, of the Offshore Holding Arrangements (including any FundCo structure) proposed by the Licensee under the Decommissioning Regulations.

Once that trigger has occurred, the proposed condition would allow the Licensee, in light of the approved structure, to present the Regulator with an evidenced assessment of the costs it expects to incur in implementing that approved structure (including, as applicable, FundCo Establishment Costs and FundCo Opex Costs), together with the Licensee's analysis of the adjustments considered necessary to the relevant cost allowances under the licence to support recovery of those costs. The Regulator would then determine the impact of the event and any resulting adjustments to those allowances and the Financial Settlement Document, subject to the economic, efficient and effective cost threshold applied elsewhere in Schedule 10.

For the reasons set out, the Licensee’s strong preference is to have the ability to return to the Regulator with further evidence of the costs associated with establishing the FundCo at this future point in time. However, to the extent the Regulator does not amend the Licence to include this new Uncertain Cost Event, LBCCS have provided its best estimate of the establishment costs as at the date of submission above.

4. Proposed amendments to the Licence and Project Specific Documents

This section addresses the changes to the Licence and Project Specific Documents that the Licensee considers appropriate in response to the Decommissioning Regulations Event.

Please refer to Annex 1 for a mark-up showing our proposed amendments to the Licence. A key focus of the mark-up is targeted modifications to Standard Condition D2 to align the Licence with the enacted Regulations (as contemplated by paragraph 8.6 of Schedule 10) as specified in the above sections (including on approval of the Offshore Decommissioning Fund Allowance). LBCCS also proposes targeted consequential modifications to Standard Condition C2 so that the onshore and offshore fund structuring and submission requirements remain aligned and can be administered efficiently through a single, consistent framework. The Licensee has engaged with the Regulator on this approach and understands that the Regulator is open to amending Standard Condition C2 on a consequential basis to ensure alignment between the onshore and offshore regimes and to keep the Licensee in a "no better, no worse" position following the Decommissioning Regulations Event.

Consequential amendments to defined terms are also set out in our proposed mark-up.

LBCCS also sets its proposal for the inclusion of a new Uncertain Cost Event in Schedule 10 referred to as the "Decommissioning Fund Uncertain Cost Event" (as further referenced above).

5. Conclusion

The coming into force of the Initial Decommissioning Regulations constitutes a Decommissioning Regulations Event under Schedule 10.

The principal effect of that event is the requirement to implement a prescribed Offshore Decommissioning Fund framework containing governance, administration, investment management, reporting and compliance obligations that were not fixed at Licence Award.

The underlying decommissioning and post-closure monitoring obligations were contemplated at Licence Award; the Decommissioning Regulations Event arises principally from the enactment of the detailed statutory framework through which those obligations must now be secured, funded, administered and overseen.

The Licensee therefore requests that, following the DRE Review, the Regulator implements the proposed amendments to the Licence Conditions and Project-Specific Documents set out at Annex 1.

This Submission is intended to align the Licence framework with the enacted Regulations, while ensuring that the Licensee is placed in no better and no worse position than would otherwise have applied.

Annex 1 – Proposed Standard Conditions C2 and D2 modifications

Presented as separate file.

Annex A

This Annex A sets out the Licensee's proposed amendments to the Licence.

Defined terms

Definitions to be amended

"Actual Opex Costs" means the actual Opex costs incurred by the Licensee, which, for the avoidance of doubt, includes any FundCo Opex Costs that have been incurred and funded by the Licensee, excluding any Excluded Project Spend

"Actual SRAV Capex and Opex Costs" means the actual SRAV Capex and SRAV Opex costs incurred by the Licensee (which, for the avoidance of doubt, includes any FundCo Establishment Costs and FundCo Opex Costs incurred and funded by the Licensee prior to the Commercial Operations Date), excluding any Excluded Project Spend

"Approved Offshore Decommissioning Funding and Investment Strategy" means the Offshore Decommissioning Funding and Investment Strategy approved by the Secretary of State under the Decommissioning Regulations (as revised from time to time)

"Decommissioning Regulations" means the Carbon Dioxide Transport and Storage (Financing of Costs of Offshore Decommissioning) Regulations 2026 (SI 2026/632) and any other regulations in respect of the decommissioning costs of carbon dioxide-related sites, pipelines or installations made under section 92 of the Act, in each case as amended, extended, supplemented or replaced from time to time

"Decommissioning Regulations Financial Requirement" means the fund sufficiency target or targets applicable to the Licensee's Offshore Infrastructure from time to time under and in accordance with the Decommissioning Regulations

"**OffDF Deficit**" means a material deficit in the Offshore Decommissioning Fund as such material deficit is defined in the Decommissioning Regulations

"Opex" – to be amended to include a reference to "and includes any FundCo Opex Costs and any FundCo Establishment Costs (as applicable)"

New Definitions to be inserted

"**Fund Documents**" means each document, agreement or other written instrument relating to the establishment or implementation of the Offshore Holding Arrangements approved by the Secretary of State under the Decommissioning Regulations, in each case as amended, novated, supplemented or replaced from time to time

"FundCo" means the person (or persons) appointed from time to time to hold the Offshore Decommissioning Fund in accordance with the Offshore Holding Arrangements (as approved by the Secretary of State under the Decommissioning Regulations), together with any successor or replacement entity so appointed

"FundCo Establishment Costs" means the one-off costs incurred, or forecast to be incurred, by or on behalf of the Licensee or FundCo in connection with the establishment of FundCo, including in connection with:

(a) the incorporation and structuring of FundCo;

(b) the negotiation, preparation, execution and initial implementation of the Fund Documents;

(c) the preparation and submission of, and obtaining of approvals in respect of, the Offshore Holding Arrangements under the Decommissioning Regulations and the Offshore Decommissioning Funding and Investment Strategy;

(d) the initial appointment and onboarding of directors, trustees, fund administrators, investment managers, custodians, auditors and professional advisers of FundCo (as applicable); and

(e) any other one-off costs reasonably incurred to establish FundCo prior to the Commercial Operations Date in accordance with the Decommissioning Regulations;

"FundCo Opex Costs" means any costs incurred, or forecast to be incurred, by FundCo in implementing its obligations and, if applicable, exercising its rights, under or in relation to any Fund Document, including (as applicable) fund administration costs, trustee and custodian fees, investment management fees, legal, audit, accounting and tax fees and director fees, in each case which the Licensee is required to fund, meet or reimburse under the Fund Documents

Standard Condition C2: Onshore Decommissioning Fund

Introduction

2.1 The purpose of this condition is to set out the Licensee's obligations to comply with the Onshore Decommissioning Requirements and to establish an Onshore Decommissioning Fund, where the T&S Network includes any Onshore Infrastructure.

Structure

2.2 This condition is structured as follows:

(a) Part A sets out the obligation to comply with Onshore Decommissioning Requirements;

(b) Part B sets out the obligation to establish and contribute to an Onshore Decommissioning Fund;

(c) Part C sets out obligations to submit information to the Regulator;

(d) Part D deals with the calculation of the Onshore Decommissioning Fund Allowance;

(e) Part E sets out the obligation to pay the OnDF Monthly Contribution into the Onshore Decommissioning Fund;

(f) Part F sets out the position regarding withdrawals from the Onshore Decommissioning Fund;

(g) Part G deals with review processes;

(h) Part H deals with deficits in the Onshore Decommissioning Fund;

(i) Part I restricts the creation of any security over the Onshore Decommissioning Fund; and

(j) Part J deals with audits.

Part A: Obligation to comply with Onshore Decommissioning Requirements

2.3 The Licensee must comply with all Onshore Decommissioning Requirements that apply to the Onshore Infrastructure.

Part B: Obligation to establish and contribute to an Onshore Decommissioning Fund

2.4 The Licensee must establish and contribute to an Onshore Decommissioning Fund, which must have accrued sufficient funds at the end of operations of the relevant Onshore Infrastructure to carry out the activities contemplated by the Onshore Decommissioning Plan, subject to and in accordance with this Standard Condition C2.

2.5 The Licensee must establish and administer the Onshore Decommissioning Fund in accordance with:

(a) this condition;

(b) the Onshore Decommissioning Requirements;

(c) the Approved Onshore Holding Arrangements; and

(d) the Approved Onshore Decommissioning Funding and Investment Strategy.

2.6 The Licensee must ensure that in complying with this condition, the Licensee takes into account any expansions to the T&S Network, so that any Onshore Decommissioning Plan and the Onshore Decommissioning Fund take account of any additional Onshore Infrastructure.

Part C: Submission of information to the Regulator

2.7 The Licensee must, by the date which is 18 months before Scheduled COD (or by such other date later date as may be agreed with the Regulator ~~may direct, provided in accepting such other directed date the Regulator agrees that the Licensee shall always be entitled to a full 18 months to implement and commence funding of the Onshore Decommissioning Fund), prepare and submit to the Regulator for approval:~~

(a) an onshore decommissioning plan in relation to the decommissioning of the Onshore Infrastructure (the **"Onshore Decommissioning Plan"**) which reflects the programme, measures and activities required (in accordance with the Onshore Decommissioning Requirements and Good Industry Practice) to decommission the Onshore Infrastructure (and carry out any related activities), including:

(i) what infrastructure will be left in-situ;

(ii) what infrastructure will be removed; and

(iii) the remediation and/or monitoring activities that will be carried out;

(b) an estimate of:

(i) the economic, efficient and effective cost of the measures referred to in Standard Condition C2.7(a); and

(ii) an estimate of the costs of operating and administering the Onshore Decommissioning Fund in the period after the Allowed Revenue Period,

which together constitute the "**Onshore Decommissioning Fund Cost Estimate**";

(c) the proposed structure for the Onshore Decommissioning Fund (the **"Onshore Holding Arrangements"**), which must meet the requirements set out in the CCS Onshore Decommissioning Fund Guidance (if issued) and any Legal Requirements (applicable to the relevant structure); and

(d) a funding and investment strategy (the "**Onshore Decommissioning Funding and Investment Strategy**"), which must meet the requirements set out in the CCS Onshore Decommissioning Fund Guidance (if issued), and that is designed to grow the value of the Onshore Decommissioning Fund through contributions, interest and investment returns such that by the relevant end of operations the assets are sufficient to cover the Onshore Decommissioning Fund Cost Estimate

2.8 Where the Licensee has provided the items referred to in Standard Condition C2.7 for approval by the Regulator, the Regulator will review these items and will:

(a) determine that the items provided for approval under Standard Condition C2.7 are approved; or

(b) determine that the items provided for approval under Standard Condition C2.7 are not approved and:

(i) provide its reasons for such non-approval; and

(ii) require the Licensee to re-submit for approval one or more of the items referred to in Standard Condition C2.7; or

(c) require further information from the Licensee to determine whether to approve the items provided for approval under Standard Condition C2.7.

Part D: Calculation and approval of Onshore Decommissioning Fund Allowance

2.9 Once the Regulator has provided its approval under Standard Condition C2.8, the Licensee must, by 1 July before the start of each Operational Charging Year of the Allowed Revenue Period (or by such other later date as may be agreed with the Regulator):

(a) calculate an amount (the "**Onshore Decommissioning Fund Allowance**") to represent the amount for that Operational Charging Year that the Licensee is required to contribute to the Onshore Decommissioning Fund, to enable the Licensee to discharge its obligations under Standard Condition C2.4, by reference to:

(i) the Approved Onshore Decommissioning Fund Cost Estimate;

(ii) the Onshore Decommissioning Fund Accrual Profile and the end of the operating period of the Onshore Infrastructure;

(iii) the Approved Onshore Decommissioning Funding and Investment Strategy;

(iv) any withdrawals from the Onshore Decommissioning Fund that have been authorised and made in accordance with this condition;

(v) the opening value of the Onshore Decommissioning Fund for the First Regulatory Period, and, for subsequent Regulatory Periods, the Approved OnDF Opening Value, and any subsequent contributions made; and

(vi) any Excluded OnDF Deficit and any Allowed OnDF Deficit, such that:

(A) any Allowed OnDF Deficit is to be recovered by way of the Onshore Decommissioning Fund Allowance; and

(B) any unpaid Excluded OnDF Deficit is not to be recovered by way of the Offshore Decommissioning Fund Allowance; and

(b) submit to the Regulator for approval:

(i) the Onshore Decommissioning Fund Allowance that the Licensee has calculated; and

(ii) details of how the calculation referred to in Standard Condition C2.9(a) has been made, including the basis of such calculation set out in Standard Condition C2.9(a).

2.10 When making a determination about whether to approve the Onshore Decommissioning Fund Allowance calculated by the Licensee, the Regulator may:

(a) approve the Onshore Decommissioning Fund Allowance calculated by the Licensee; and/or

(b) set the Onshore Decommissioning Fund Allowance at a different level to that calculated by the Licensee; and/or

(c) require the Licensee to:

(i) provide to the Regulator further information in relation to the matters required to be submitted to the Regulator under Standard Condition C2.9; and/or

(ii) make any necessary changes/corrections to the calculation of the Onshore Decommissioning Fund Allowance and re-submit the calculation for approval.

2.11 The Licensee must comply with any requirement issued by the Regulator pursuant to Standard Condition C2.10 within 30 days.

2.12 Any reference in this condition to the Onshore Decommissioning Fund Allowance (or Approved Onshore Decommissioning Fund Allowance, as the case may be) may be a reference to multiple Onshore Decommissioning Fund Allowances (or Approved Onshore Decommissioning Fund Allowances) where there are multiple Onshore Decommissioning Funds and separate Onshore Decommissioning Fund Allowances needs to be calculated and approved in accordance with this condition for each Onshore Decommissioning Fund.

2.13 The OnDF Monthly Contribution shall only be funded through the Decommissioning Building Block in accordance with Special Condition H16 (*Decommissioning Building Block*).

Part E: Obligation to pay OnDF Monthly Contribution into the Onshore Decommissioning Fund

2.14 In each Operational Charging Year of the Allowed Revenue Period starting from the Commercial Operations Date, or as provided by operation of Standard Condition C2.7, as the case may be, the Licensee must promptly pay one-twelfth of the sum representing the Approved Onshore Decommissioning Fund Allowance (the "**OnDF Monthly Contribution**") into the relevant Onshore Decommissioning Fund by the end of each calendar month of that Operational Charging Year.

2.15 Within one month of the end of each Operational Charging Year, the Licensee must provide to the Regulator a statement showing:

(a) the total assets held in the Onshore Decommissioning Fund;

(b) the payments made into the Onshore Decommissioning Fund;

(c) the withdrawals made from the Offshore Decommissioning Fund; and

(d) any deficit or surplus in the Onshore Decommissioning Fund (that is, the actual funds held versus the expected funds), together with the reasons for any such deficit or surplus.

Part F: Withdrawals from the Onshore Decommissioning Fund

2.16 During the Allowed Revenue Period:

(a) the Licensee must not make any withdrawals from the Onshore Decommissioning Fund other than for:

(i) the purpose of investment in accordance with the Approved Onshore Decommissioning Funding and Investment Strategy; and

(ii) with the approval of the Regulator, the purposes of carrying out any decommissioning of any part of the Onshore Infrastructure (or related activities) as required by any Onshore Decommissioning Authority and/or in accordance with the Onshore Decommissioning Plan (the "**Required Onshore Decommissioning Works**"); and

(b) before withdrawing any funds from the Onshore Decommissioning Fund for the purposes of carrying out the Required Onshore Decommissioning Works, the Licensee must provide evidence to the Regulator of the cost of the Required Onshore Decommissioning Works.

Part G: Reviews

2.17 As soon as it is reasonably possible in accordance with the requirements of any relevant Onshore Decommissioning Authority, the Licensee must actively engage with any relevant Onshore Decommissioning Authority to obtain the approval of the relevant Onshore Decommissioning Authority to the Onshore

Decommissioning Plan, which had earlier been submitted to the Regulator for approval in accordance with this condition.

2.18 The Onshore Decommissioning Plan, the Approved Onshore Decommissioning Fund Cost Estimate, the Approved Onshore Decommissioning Funding and Investment Strategy and the Onshore Decommissioning Fund Accrual Profile may be subject to review by the Regulator and re-determination of the matters previously approved by the Regulator pursuant to this condition:

(a) at each Periodic Review;

(b) outside of a Periodic Review if the Onshore Decommissioning Plan prepared by the Licensee no longer accurately reflects the estimated cost and/or scope of the relevant measures or works that will need to be undertaken, as a result of:

(i) any material changes to the Onshore Decommissioning Plan required to be made by the relevant Onshore Decommissioning Authority, as part of the approval process referred to in Standard Condition C2.17;

(ii) any material new requirements imposed by any Onshore Decommissioning Authority in accordance with the Onshore Decommissioning Requirements; or

(iii) any material Change in Scope to the Onshore Infrastructure, and

(c) at each Periodic Review or outside of a Periodic Review if there has been a revision to the Offshore Holding Arrangements and/or the Offshore Decommissioning Funding and Investment Strategy pursuant to the ~~Offshore~~ Decommissioning Regulations, and the Licensee ~~considers,~~ or the Regulator considers that such revision may be relevant to the Approved Onshore Holding Arrangements and/or the Approved Onshore Decommissioning Funding and Investment Strategy.

2.19 As soon as reasonably practicable, upon the occurrence of any of the circumstances referenced in Standard Condition C2.18(b) and/or (c), the Licensee must:

(a) notify the Regulator, and submit to the Regulator details of any of the circumstances contemplated in Standard Condition C2.18(b) and/or(c) as well as the Licensee's analysis of the changes required to address this; and

(b) where relevant, obtain the approval of the relevant Onshore Decommissioning Authority to any changes to the Onshore Decommissioning Plan.

2.20 Following the receipt of the submission referred to in Standard Condition B2.19, the Regulator will review the submission and:

(a) determine that changes are required to the items submitted by the Licensee pursuant to Part C of this condition, to address the impact of the occurrence of any of the circumstances referenced in Standard Condition C2.18(b) and/or (c); or

(b) determine that no changes are required to the items submitted by the Licensee pursuant to Part C of this condition, to address the impact of the occurrence of any of the circumstances referenced in Standard Condition C2.18(b) and/or (c).

2.21 Where the Regulator has determined, in accordance with Standard Condition C2.20(a) that any changes are required to the items referred to in Part C of this condition, then the Licensee must re-submit the items referred to in Part C for approval by the Regulator pursuant to Part C.

Part H: Deficit in Onshore Decommissioning Fund

2.22 The Licensee must submit an OnDF Deficit Submission to the Regulator in either of the following circumstances:

(a) where there is a material deficit in the Onshore Decommissioning Fund ("OnDF Deficit"), having regard to:

(i) the amount actually in the Onshore Decommissioning Fund at the time of the assessment of whether there is a deficit, including the mark to market value of any fund investments;

(ii) the Approved Onshore Decommissioning Funding and Investment Strategy;

(iii) the Onshore Decommissioning Fund Accrual Profile; and

(iv) the Approved Onshore Decommissioning Fund Cost Estimate as at the date of the assessment of whether there is a deficit; - or

(b) following receipt of a notice from the Regulator notifying the Licensee that the Regulator considers that there is an OnDF Deficit.

2.23 An OnDF Deficit Submission must give particulars of:

(a) the quantum of the OnDF Deficit; and

(b) the reason(s) why the Licensee considers that there is OnDF Deficit.

2.24 Following submission of an OnDF Deficit Submission by the Licensee, the Licensee must provide to the Regulator any additional documents or information that the Regulator considers appropriate and requests from the Licensee in respect of the OnDF Deficit.

2.25 Following receipt of an OnDF Deficit Submission and any additional documents or information required under Standard Condition C2.24, the Regulator will review the OnDF Deficit Submission and the Regulator will:

(a) determine whether there is an OnDF Deficit that needs to be remedied and the quantum of that OnDF Deficit; and

(b) where the Regulator has determined that there is an OnDF Deficit, determine whether the OnDF Deficit is an Excluded OnDF Deficit or an Allowed OnDF Deficit, where:

(i) an OnDF Deficit (in whole or in part) is an "**Excluded OnDF Deficit**" to the extent that it has arisen because of a failure by the Licensee to comply with this condition and/or the Approved Onshore Decommissioning Funding and Investment Strategy (including failing to use its reasonable endeavours to ensure that any other person (where relevant) complies with the Approved Onshore Decommissioning Funding and Investment Strategy); and

(ii) an OnDF Deficit (in whole or in part) is an "**Allowed OnDF Deficit**" to the extent that it is not an Excluded OnDF Deficit.

2.26 Where the Regulator determines that there is an Excluded OnDF Deficit then:

(a) the Licensee must pay a sum equal to the Excluded OnDF Deficit into the Onshore Decommissioning Fund as soon as reasonably practicable having regard to the quantum of the Excluded OnDF Deficit but subject to the Onshore Decommissioning Requirements and, in any case, by the end of the operations of the assets to which the Onshore Decommissioning Fund relates;

(b) where the payment of the Excluded OnDF Deficit in accordance with Standard Condition C2.26(a) is made more than 12 months from the Regulator's determination of the Excluded OnDF Deficit, then the Licensee (at the same time as paying the Excluded OnDF Deficit) must also pay the estimated interest and/or investment returns (as calculated by the Licensee based on the Approved Onshore Decommissioning Funding and Investment Strategy and approved by the Regulator) that would have been earned in relation to the Excluded OnDF Deficit had it been paid into the Onshore Decommissioning Fund on the date of the Regulator's determination of the Excluded OnDF Deficit; and

(c) the payment of the Excluded OnDF Deficit by the Licensee shall be at the Licensee's own expense.

2.27 Where the Regulator determines that there is an Allowed OnDF Deficit then the Licensee must, where required to do so by the Regulator, re-submit one or more of the items referred to in Part C of this condition for approval by the Regulator pursuant to Part C.

Part I: No security

2.28 The Licensee must not grant, or allow to be granted, security over the Onshore Decommissioning Fund or any OnDF Monthly Contribution to any person.

Part J: Audits

2.29 When required to do so by the Regulator (but not more frequently than once every Regulatory Period) the Licensee must procure an audit of its Onshore Decommissioning Fund in accordance with the CCS Onshore Decommissioning Fund Guidance (if issued), and provide to the Regulator a report summarising the findings of that audit.

Standard Condition D2: Offshore Decommissioning Fund

Introduction

2.1 The purpose of this condition is to set out the Licensee's obligations to comply with the Offshore Decommissioning Requirements (including to establish an Offshore Decommissioning Fund in accordance with any Decommissioning Regulations), where the T&S Network includes any Offshore Infrastructure.

Structure

2.2 This condition is structured as follows:

(a) Part A sets out the obligation to comply with Offshore Decommissioning Requirements;

(b) Part B sets out the obligation to establish and contribute to an Offshore Decommissioning Fund;

(c) Part C sets out obligations to submit information to the Regulator;

(d) Part D deals with the calculation and approval of the Offshore Decommissioning Fund Allowance;

(e) Part E sets out the obligation to pay the OffDF Monthly Contribution into the Offshore Decommissioning Fund;

(f) Part F sets out the position regarding withdrawals from the Offshore Decommissioning Fund;

(g) Part G deals with review processes;

(h) Part H deals with deficits in the Offshore Decommissioning Fund;

(i) Part I restricts the creation of any security over the Offshore Decommissioning Fund;

(j) Part J deals with audits;

(k) Part K deals with the CCS Offshore Decommissioning Fund Guidance; and

(l) Part L sets out when this condition comes into force.

Part A: Obligation to comply with Offshore Decommissioning Requirements

2.3 The Licensee must comply with all Offshore Decommissioning Requirements.

Part B: Obligation to establish and contribute to an Offshore Decommissioning Fund

2.4 The Licensee must establish, contribute to and administer the Offshore Decommissioning Fund pursuant to and in accordance with:

(a) the Offshore Decommissioning Requirements;

(b) the Offshore Holding Arrangements; ~~and~~

(c) the Approved Offshore Decommissioning Funding and Investment Strategy; and

~~(c)~~(d) any approval, notice or direction given by the Secretary of State under the Decommissioning Regulations. ~~.~~

2.5 The Licensee must ensure that in complying with this condition, the Licensee takes into account any expansions to the T&S Network, so that the Offshore Decommissioning Programme and the Offshore Decommissioning Fund take account of any additional Offshore Infrastructure.

Part C: Submission of information to the Regulator

2.6 The Licensee must, by the date which is 18 months before Scheduled COD (or by such ~~other~~ later date which may be agreed with ~~as~~ the Regulator, ~~may direct, provided in accepting such other directed date the Regulator agrees that the Licensee shall always be entitled to a full 18 months to implement and commence funding of the Offshore Decommissioning Fund),~~ submit to the Regulator:

(a) for reference:

(i) the Offshore Holding Arrangements;

(ii) the total cost estimate approved by the Secretary of State that the Licensee is required to include and make provision for in the Offshore Decommissioning Fund pursuant to the Decommissioning Regulations (the "**Offshore Decommissioning Fund Cost Estimate**");

(iii) the amount of funds that the Licensee is required to have accumulated in the Offshore Decommissioning Fund (whether by way of contribution, interest and/or investment returns) from time to time, as determined pursuant to the Decommissioning Regulations (the "**Decommissioning Regulations Financial Requirement**");

(iv) any Offshore Decommissioning Fund Accrual Profile, to the extent that one has been determined pursuant to the Decommissioning Regulations;

(v) the forecast of the Asset Life of the Offshore Infrastructure (including any assumptions about it made in respect of the Offshore Decommissioning Fund Accrual Profile (if applicable)), as determined pursuant to the Decommissioning Regulations;

(vi) the Offshore Decommissioning Funding and Investment Strategy approved by the Secretary of State pursuant to the ~~Offshore~~ Decommissioning Regulations; ~~and~~

(vii) evidence of the items referred to in paragraphs (i) to (vi) having been approved under the Decommissioning Regulations; and

~~(vii)~~(viii) details of any other lawful payments made or to be made into the Offshore Decommissioning Fund in accordance with regulation 15 of the Decommissioning Regulation.

2.7 [NOT USED]

Part D: Calculation and approval of Offshore Decommissioning Fund Allowance

2.8 For the first Operational Charging Year only, where the Commercial Operations Date occurs after 1 July in that Operational Charging Year, the Licensee must submit the calculation outlined in Standard Condition D2.9 as soon as reasonably practicable following the later of:

(a) the Commercial Operations Date; and

(b) the date on which the Regulator has been provided with the information required under Standard Condition D2.6, and

the Regulator shall determine the Offshore Decommissioning Fund Allowance applicable to the remainder of that Operational Charging Year~~.~~ by pro-rating the annual contribution amount that would otherwise apply for a full Operational Charging Year to reflect the shorter duration of that first Operational Charging Year.

Subject to Standard Condition D2.8 and D2.9A, once the Regulator has been provided with the items under Standard Condition D2.6, or as provided by operation of Standard Condition D2.6, as the case may be, the Licensee must, by 1 July before the start of each Operational Charging Year of the Allowed Revenue Period (or by such other later date which may be agreed with the Regulator),

~~2.9 calculate~~ provide the Regulator with an amount (the "Offshore Decommissioning Fund Allowance") to represent the amount for that Operational Charging Year that the Licensee is required to contribute to the Offshore Decommissioning Fund, which should be equal to the annual contribution specified in the Offshore Decommissioning Funding and Investment Strategy approved by the Secretary of State pursuant to the Decommissioning Regulations, and the Regulator must approve such Offshore Decommissioning Fund Allowance provided by the Licensee.~~by reference to:~~

2.9

2.9A If under the Decommissioning Regulations the Licensee is required to commence monthly payments into the Offshore Decommissioning Fund prior to the Commercial Operations Date, the Regulator shall increase the Offshore Decommissioning Fund Allowance included in the Decommissioning Building Block for the first Charging Year in the Operational Period by the aggregate amount of any such payments. ~~the Offshore Decommissioning Fund Cost Estimate submitted to the Regulator pursuant to Standard Condition D2.6;~~

~~the Decommissioning Regulations Financial Requirement, submitted to the Regulator pursuant to Standard Condition D2.6;~~

~~the Offshore Decommissioning Fund Accrual Profile and the Asset Life of the Offshore Infrastructure;~~

~~the Approved Offshore Decommissioning Funding and Investment Strategy;~~

~~any withdrawals from the Offshore Decommissioning Fund that have been authorised in accordance with the Decommissioning Regulations;~~

~~the opening value of the Offshore Decommissioning Fund for the First Regulatory Period, and, for subsequent Regulatory Periods, the Approved OffDF Opening Value, and any subsequent contributions; and~~

~~any Excluded OffDF Deficit and any Allowed OffDF Deficit, such that:~~

~~any Allowed OffDF Deficit is to be recovered by way of the Offshore Decommissioning Fund Allowance; and~~

~~any unpaid Excluded OffDF Deficit is not to be recovered by way of the Offshore Decommissioning Fund Allowance; and~~

~~submit to the Regulator for approval:~~

~~the Offshore Decommissioning Fund Allowance that the Licensee has calculated; and~~

~~details of how the calculations referred to in Standard Condition D2.9(a) have been made, including the basis of such calculation.~~

~~2.10 When making a determination about whether to approve the Offshore Decommissioning Fund Allowance calculated by the Licensee, the Regulator may:~~

~~(a) approve the Offshore Decommissioning Fund Allowance calculated by the Licensee; and/or~~

~~(b) set the Offshore Decommissioning Fund Allowance at a different level to that calculated by the Licensee; and/or~~

~~(c) require the Licensee to:~~

~~(i) provide to the Regulator further information in relation to the matters required to be submitted to the Regulator under Standard Condition D2.9; and/or~~

~~(ii) make any necessary changes/corrections to the calculation of the Offshore Decommissioning Fund Allowance and re-submit the calculation for approval.~~

~~2.11 The Licensee must comply with any requirement issued by the Regulator pursuant to Standard Condition D2.10 within 30 days.~~

~~2.12~~2.10 Any reference in this condition to the Offshore Decommissioning Fund Allowance (or Approved Offshore Decommissioning Fund Allowance, as the case may be) may be a reference to multiple Offshore Decommissioning Fund Allowances (or Approved Offshore Decommissioning Fund Allowances) where there are multiple

Offshore Decommissioning Funds and separate Offshore Decommissioning Fund Allowances needs to be calculated and approved in accordance with this condition for each Offshore Decommissioning Fund.

~~2.13~~2.11 The OffDF Monthly Contribution shall only be funded through the Decommissioning Building Block in accordance with Special Condition H16 (*Decommissioning Building Block*).

Part E: Obligation to pay OffDF Monthly Contribution into the Offshore Decommissioning Fund

~~2.14~~2.12 In each Operational Charging Year of the Allowed Revenue Period starting from the Commercial Operations Date, or as provided by operation of Standard Condition D2.6, as the case may be, the Licensee must promptly pay one-twelfth of the sum representing the Approved Offshore Decommissioning Fund Allowance (the "**OffDF Monthly Contribution**") into the relevant Offshore Decommissioning Fund by the end of each calendar month of that Operational Charging Year.

2.15 2.13 Notwithstanding Standard Condition D2.~~14~~12, where the first Operational Charging Year comprises less than twelve months, the Approved Offshore Decommissioning Fund Allowance for that Operational Charging Year shall be ~~determined by the Regulator~~adjusted by reference to the period remaining in that Operational Charging Year.

~~2.16~~2.14 The obligation under Standard Condition D~~2.15~~ 2.12 is without prejudice to the Licensee's obligation to meet the Decommissioning Regulations Financial Requirement at the times specified under the Decommissioning Regulations, in compliance with Standard Conditions D2.3 and D2.4.

~~2.17~~2.15 Within one month of the end of each Operational Charging Year, the Licensee must provide to the Regulator a statement showing:

(a) the total assets held in the Offshore Decommissioning Fund;

(b) the payments made into the Offshore Decommissioning Fund;

(c) the withdrawals made from the Offshore Decommissioning Fund; and

(d) any deficit or surplus in the Offshore Decommissioning Fund (that is, the actual funds held versus the expected funds), together with the reasons for any such deficit or surplus.

Part F: Withdrawals from the Offshore Decommissioning Fund

~~2.18~~2.16 During the Allowed Revenue Period, the Licensee must:

(a) not make any withdrawals from the Offshore Decommissioning Fund other than (i) by way of investment in accordance with the Approved Offshore Decommissioning Funding and Investment Strategy; or (ii) in accordance with any approval given by the Secretary of State under the Decommissioning Regulations; and

(b) notify the Regulator of any withdrawals from the Offshore Decommissioning Fund as soon as reasonably practicable.

Part G: Reviews

~~2.19~~2.17 The matters referred to in Part C of this condition may be subject to review and re-determination by the Regulator:

(a) at each Periodic Review; and

(b) outside of a Periodic Review if:

(i) there has been a change to the Offshore Decommissioning Fund Cost Estimate in accordance with any Decommissioning Regulations;

(ii) there has been a change to the Decommissioning Regulations Financial Requirement;

(iii) there has been a material amendment to the Offshore Holding Arrangements;

(iv) there has been a material amendment to the Approved Offshore Decommissioning Funding and Investment Strategy; ~~or~~

(v) the Secretary of State has issued a notice to the Licensee under regulation 19 or regulation 20 of the Decommissioning Regulations in relation to the Offshore Decommissioning Fund; or

~~(v)~~(vi) any other change has occurred under the Decommissioning Regulations which materially affects the funding requirements of the Offshore Decommissioning Fund.

~~2.20~~2.18 As soon as reasonably practicable, upon the occurrence of any of the circumstances referenced in Standard Condition D2.19(b), the Licensee must notify the Regulator, and submit to the Regulator details of any of the circumstances contemplated in Standard Condition D2.19(b), as well as the Licensee's analysis of the changes required to address this.

~~2.21~~2.19 Following the receipt of the submission referred to in Standard Condition D2.20, the Regulator will review the submission and:

(a) determine that changes are required to the items submitted by the Licensee pursuant to Part C of this condition, to address the impact of the occurrence of any of the circumstances referenced in Standard Condition D2.19(b); or

(b) determine that no changes are required to the items submitted by the Licensee pursuant to Part C of this condition, to address the impact of the occurrence of any of the circumstances referenced in Standard Condition D2.19(b).

~~2.22~~2.20 Where changes made pursuant to the ~~Offshore~~ Decommissioning Regulations result in the annual contribution, fund accrual profile, Offshore Decommissioning Fund Cost Estimate or Decommissioning Regulations Financial Requirement (or

any other matter determined under the Decommissioning Regulations which affects the amount required to be held in, or contributed to, the Offshore Decommissioning Fund) differing from those ~~the [assumptions]~~ used in determining the Approved Offshore Decommissioning Fund Allowance, the Regulator shall ~~may~~ direct the Licensee to:

(a) recalculate the Offshore Decommissioning Fund Allowance;

(b) submit a revised Offshore Decommissioning Fund Allowance for approval; and/or

(c) make such true-up adjustments as are necessary to ensure consistency between the Offshore Decommissioning Fund Allowance and the requirements of the ~~Offshore~~ Decommissioning Regulations.

2.23~~2~~.21 Where the Regulator has determined, in accordance with Standard Condition D2.21(a) that any changes are required to the items referred to in Part C of this condition, then the Licensee must:

(a) re-submit the items referred to in Part C for reference/approval (as the case may be) by the Regulator pursuant to Part C; and

(b) calculate the Offshore Decommissioning Fund Allowance for approval by the Regulator in accordance with Part D.

Part H: Deficit in Offshore Decommissioning Fund

~~2.24~~2.22 The Licensee must submit an OffDF Deficit Submission to the Regulator:

~~(a)~~ where there is an ~~material deficit in the Offshore Decommissioning Fund (~~"OffDF Deficit~~"), having regard to:~~

~~(b) the amount actually in the Offshore Decommissioning Fund at the time of the assessment of whether there is a deficit, including the mark to market value of any fund investments;~~

~~(c) the Approved Offshore Decommissioning Funding and Investment Strategy;~~

~~(d) the Offshore Decommissioning Fund Accrual Profile; and~~

~~(e)~~(a) ~~the Offshore Decommissioning Fund Cost Estimate as at the date of the assessment of whether there is a deficit;~~ and

~~(f)~~(b) following receipt of a notice from the Regulator notifying the Licensee that the Regulator considers that there is an OffDF Deficit.

~~2.25~~2.23 An OffDF Deficit Submission must give particulars of:

(a) the quantum of the OffDF Deficit; and

(b) the reason(s) why the Licensee considers that there is OffDF Deficit.

~~2.26~~2.24 Following submission of an OffDF Deficit Submission by the Licensee, the Licensee must provide to the Regulator any additional documents or information that the Regulator consider appropriate and requests from the Licensee in respect of the OffDF Deficit.

~~2.27~~2.25 Following receipt of an OffDF Deficit Submission and any additional documents or information required under Standard Condition D2.25, the Regulator will review the OffDF Deficit Submission and will determine:

(a) whether there is an OffDF Deficit that needs to be remedied and the quantum of that OffDF Deficit;

(b) where the Regulator has determined that there is an OffDF Deficit, determine whether the OffDF Deficit is an Excluded OffDF Deficit or an Allowed OffDF Deficit, where:

(i) an OffDF Deficit (in whole or in part) is an "**Excluded OffDF Deficit**" to the extent that it has arisen because of a failure by the Licensee to comply with this condition, the Decommissioning Regulations and/or the Approved Offshore Decommissioning Funding and Investment Strategy (including failing to use its reasonable endeavours to ensure that any other person (where relevant) complies with the Approved Offshore Decommissioning Funding and Investment Strategy or the Decommissioning Regulations); and

(ii) an OffDF Deficit (in whole or in part) is an "**Allowed OffDF Deficit**" to the extent that it is not an Excluded OffDF Deficit.

~~2.28~~2.26 Where the Regulator determines that there is an Excluded OffDF Deficit then:

(a) the Licensee must pay a sum equal to the Excluded OffDF Deficit into the Offshore Decommissioning Fund as soon as reasonably practicable having regard to the quantum of the Excluded OffDF Deficit but subject to the Offshore Decommissioning Requirements and any approvals required under the Decommissioning Regulations in respect of such payment, and in any case, by the end of the fund operational period (as such term is defined in the Decommissioning Regulations)~~s of the assets to which the Offshore Decommissioning Fund relates~~;

(b) where the payment of the Excluded OffDF Deficit in accordance with Standard Condition D2.28(a) is made more than 12 months from the Regulator's determination of the Excluded OffDF Deficit, then the Licensee (at the same time as paying the Excluded OffDF Deficit) must also pay the estimated interest and/or investment returns (as calculated by the Licensee based on the Approved Offshore Decommissioning Funding and Investment Strategy and approved by the Regulator) that would have been earned in relation to the Excluded OffDF Deficit had it been paid into the Offshore Decommissioning Fund on the date of the Regulator's determination of the Excluded OffDF Deficit, subject to the Offshore Decommissioning Requirements; and

(c) the payment of the Excluded OffDF Deficit by the Licensee shall be at the Licensee's own expense.

~~2.29~~2.27 Where the Regulator determines that there is an Allowed OffDF Deficit then the Licensee must, where required to do so by the Regulator, re-submit any of the items referred to in Part C of this condition (which require the approval of the Regulator) for approval by the Regulator pursuant to Part C.

Part I: No security

~~2.30~~2.28 The Licensee must:

(a) comply with all restrictions under any Decommissioning Regulations, including to not grant, or allow to be granted, security over the Offshore Decommissioning Fund to any person; and

(b) not grant, or allow to be granted, security over any OffDF Monthly Contribution to any person.

Part J: Audits

2.312.29 When required to do so by the Regulator (but not more frequently than once every Regulatory Period) the Licensee must procure an audit of its Offshore Decommissioning Fund, and provide to the Regulator a report summarising the findings of that audit.

Part K: CCS Offshore Decommissioning Fund Guidance

~~2.32~~2.30 Where the Regulator issues any CCS Offshore Decommissioning Fund Guidance, the Licensee must, in complying with this condition, do so in accordance with the requirements set out in that CCS Offshore Decommissioning Fund Guidance.

Part L: When this condition comes into force

2.31 This condition does not come into force until a date determined in accordance with and subject to the provisions of the Decommissioning Regulations Event Re-opener.

Schedule 10, paragraph 3.9

The following is a proposed new paragraph 3.9

3.9 Decommissioning Fund Uncertain Cost Event

(a) A Decommissioning Fund Uncertain Cost Event is an Uncertain Cost Event in respect of which Special Conditions J7.1 to J7.6 (Variation Re-openers) shall not apply.

(b) A Decommissioning Fund Uncertain Cost Event occurs where the Secretary of State approves, in whole or in part, the Offshore Holding Arrangements proposed by the Licensee under the Decommissioning Regulations (being the structure through which

the Licensee is required to hold, administer and operate the Offshore Decommissioning Fund, including any FundCo).

(c) Where a Decommissioning Fund Uncertain Cost Event occurs, the Licensee must, as soon as reasonably practicable and in any event within [30] Business Days of the occurrence of the Decommissioning Fund Uncertain Cost Event (or such longer period as the Regulator agrees), submit an application for an Uncertain Cost Event Re-opener in accordance with Special Conditions J6.3 to J6.6 (Uncertain Cost Events).

(d) Where paragraph 3.9(c) of this Schedule 10 applies, the Licensee must ensure that any application made pursuant to Special Conditions J6.3(a) and J6.4 shall include (as a minimum) the following information:

(i) evidence of the Secretary of State's approval of the Offshore Holding Arrangements referred to in paragraph 3.9(b) of this Schedule 10;

(ii) the Licensee's evidenced assessment of the costs that the Licensee expects to incur in implementing the approved Offshore Holding Arrangements, including (as applicable) FundCo Establishment Costs, together with a detailed justification for that assessment;

(iii) the Licensee's analysis of the adjustments that the Licensee considers are required to the SRAV Capex and Opex Allowance, the Decommissioning Building Block and/or any other relevant cost allowances under this licence to support recovery of the costs referred to in paragraph 3.9(d)(ii) of this Schedule 10, together with any associated proposed amendments to update the Financial Settlement Document; and

(iv) such other Supporting Information as the Regulator may reasonably require to assess the application.

(e) Following submission of an application for an Uncertain Cost Event Re-opener in respect of a Decommissioning Fund Uncertain Cost Event under paragraph 3.9(c) of this Schedule 10, the Licensee must promptly provide to the Regulator any other Supporting Information that the Regulator considers appropriate and requests from the Licensee in respect of the Decommissioning Fund Uncertain Cost Event.

(f) For the purpose of Special Condition J6.6 (Uncertain Cost Events), and provided that the Licensee has provided the relevant information required pursuant to paragraphs 3.9(d) and 3.9(e) of this Schedule 10 and Special Condition J6.4, the Regulator will determine:

(i) the impact or expected impact (if any) of the Decommissioning Fund Uncertain Cost Event on the Project; and

(ii) any adjustments to be made to the SRAV Capex and Opex Allowance and/or any other relevant cost allowances under this licence (and any consequential adjustments or updates to be made to the Financial Settlement Document or

other Project-Specific Documents) to support recovery of the economic, efficient and effective costs that the Licensee will incur in implementing the approved Offshore Holding Arrangements, in each case such that the Licensee is placed in no better and no worse position than it would have been in had the Decommissioning Fund Uncertain Cost Event not occurred.

(g) No adjustment shall be made by the Regulator pursuant to paragraph 3.9(f) of this Schedule 10 to the extent that the Regulator considers that the relevant costs are not economic, efficient and effective.