

CCUS: WASTE ICC CONTRACT

HIGH-LEVEL SUMMARY OF KEY DIFFERENCES BETWEEN ICC CONTRACT AND WASTE ICC CONTRACT

1. BACKGROUND/SCOPE

1.1 This document is intended to be read alongside the following publications¹:

- (a) the draft Industrial Carbon Capture ("**ICC**") Contract, the '*Industrial Carbon Capture business model summary*' and the '*Government response to consultation on the Industrial Carbon Capture business model*', in each case as published in parallel with this document;
- (b) the Waste ICC '*Biogenic CEMS*' rider, as published in parallel with this document; and
- (c) the Waste ICC '*Payment Calculations*', '*Initial Carbon Reference Price Review*' and '*R1 Energy Efficiency Threshold*' riders, as published in July 2022.

1.2 The purpose of this document is to provide an overview of the key provisions of the draft ICC Contract which may require adaptation in the full form Waste ICC Contract, which is due to be published in 2023.

1.3 The table below is not exhaustive and is indicative only. When read alongside the draft ICC Contract, it provides a framework for the principal terms and conditions that will, or are expected to be, included in the Waste ICC Contract but does not constitute definitive drafting of the terms of the Waste ICC Contract. Minor consequential amendments have not been included in the table and further points of adaptation will arise as BEIS develops the full-form Waste ICC Contract.

1.4 Any further amendments which are made to the draft ICC Contract in subsequent months will need to be further considered from the perspective of the Waste ICC Contract. BEIS reserves the right to review and amend the points of adaptation set out below, together with all other provisions to be included in the Waste ICC Contract. This table does not indicate any willingness or agreement on the part of BEIS to enter into, or arrange entry into, the Waste ICC Contract. This rider does not constitute an offer and is not capable of acceptance. It is subject to the ultimate terms of the definitive ICC Contract and Waste ICC Contract and should not be taken as a binding or comprehensive representation of the terms it describes.

¹[Carbon capture, usage and storage \(CCUS\): business models.](#)

2. HIGH-LEVEL SUMMARY TABLE

No.	Reference	Summary of the ICC Contract provision	Points of adaptation in the Waste ICC Contract
FRONT END AGREEMENT			
1.	Front End Agreement	The Front End Agreement contains definitions, project-specific information and calculations that will be agreed during the contract negotiation process and fixed at the Agreement Date.	<p>A specific Waste ICC Front End Agreement (the "Waste ICC FEA") will be required to align with the Waste ICC Terms & Conditions and to reflect its waste-specific context. By way of example, the Waste ICC FEA:</p> <ul style="list-style-type: none"> • shall provide that the sum of the Yearly Capex Cap Multiplier, which is used to calculate the Capex payments made under the Waste ICC Contract, will be equal to one (1) over the ten (10) years of the Initial Term (Annex 5); • shall not include any 'Fixed Trajectory Reference Price' (Annex 3); and • may include waste-specific Project Commitments (Annex 7).
PART 2 – TERM			
2.	Conditions 2.2 – 2.6 (Extension)	These Conditions set out the process for triggering the optional contract extension, together with the performance conditions and market conditions which must be satisfied for an Emitter to be eligible for such an extension.	<p>All of the performance and market conditions that are required in the ICC Contract will be included in the Waste ICC Contract. However, the Waste ICC Contract will also include the following additional extension conditions:</p> <ul style="list-style-type: none"> • <u><i>R1 Energy Efficiency</i></u>: any Emitter that was required to demonstrate satisfaction of the R1 Energy Efficiency Threshold as an Operational Condition Precedent will be required to continue to hold an R1 efficiency rating (see the "<i>R1 Energy Efficiency Threshold</i>" rider for further information); • <u><i>GGR Revenues</i></u>: provided that the Waste ICC Contract Counterparty has lifted the voluntary and/or compliance greenhouse gas removal credit restrictions in accordance with the Waste ICC Contract, the 'negative emissions revenue' (i.e. the average annual fallback price (£/t) multiplied

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			<p>by the number of greenhouse gas removal credits generated during the relevant year) will be taken into account in the market conditions assessment;</p> <ul style="list-style-type: none"> • <i>Participation into GGR Markets:</i> provided that the Waste ICC Contract Counterparty has lifted the voluntary and/or compliance greenhouse gas removal credit restrictions in accordance with the Waste ICC Contract, the Emitter will be required to demonstrate that, over a three (3) year period (or a lesser period if restrictions are only lifted after what would be the commencement of the three (3) year period), it has: <ul style="list-style-type: none"> ○ participated in acceptable voluntary and/or compliance markets (as relevant) which issue greenhouse gas removal credits; and ○ converted at least ninety five per cent. (95%) of the total biogenic CO₂ captured at the Facility into greenhouse gas removal credits.
PART 3 – CPs & MILESTONE REQUIREMENT			
3.	Conditions 3.5-3.6 and Annex 1 (Operational Conditions Precedent)	These Conditions set out the Operational Conditions Precedent that must be satisfied by the Emitter before the Longstop Date in order for the Start Date to occur and contractual payments to commence. These Operational Conditions Precedent relate to the construction and commissioning of the Capture Plant.	<p>All of the Operational Conditions Precedent that are required in the ICC Contract will be included in the Waste ICC Contract. However, the Waste ICC Contract will also include the following additional Operational Conditions Precedent:</p> <ul style="list-style-type: none"> • <i>R1 Energy Efficiency:</i> evidence that the Emitter satisfies the R1 Energy Efficiency Threshold (as confirmed by the relevant Competent Authority) (see the "R1 Energy Efficiency Threshold" rider for further information); and • <i>Biogenic CEMS:</i> evidence that the Emitter is complying with its undertakings relating to the installation, configuration and operation of each Biogenic CEMS and provision of a date and time stamped copy of the schematic diagram showing the locations of each Biogenic CEMS (see the "Biogenic CEMS Requirements" rider for further information).

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PART 4 – PAYMENT CALCULATIONS			
4.	Conditions 5 to 9	These Conditions set out how the Capex Payment, Opex Payment, T&S Payment and Monthly GGR Credit Revenue Payment are calculated.	<p>Various amendments to the payment calculation provisions in the ICC Contract will be required before incorporation into the Waste ICC Contract to clarify:</p> <ul style="list-style-type: none"> • that no 'Fixed Trajectory Reference Price' will apply; • how the Carbon Reference Price will be determined and applied; • how the Applicable Emissions percentage (%) will be incorporated into the calculation of the Opex Payment, including the approach to recalculations; and • that a cap on symmetric payment will apply (refer to item 5 below). <p><i>Please see: the (i) 'Payment Calculations'; (ii) 'Initial Carbon Reference Price Review'; and (iii) "Biogenic CEMS Requirements" riders for further information.</i></p>
5.	"Cap on Symmetric Payments"	N/A	The Waste ICC Contract will provide for symmetric payments during the full Term of the Waste ICC Contract. The Waste ICC Contract will include a cap on such symmetric payments in the event that the cumulative payments from the Emitter to the Waste ICC Contract Counterparty under the Waste ICC Contract are greater than the cumulative payments that the Emitter has received under the Waste ICC Contract and the Grant Funding Agreement (to be assessed on an ongoing basis). A specific mechanism will be included in the full form Waste ICC Contract to incorporate such a cap on symmetric payments.
PART 5 – BILLING AND PAYMENT			
6.	Conditions 11-16 (Billing and Payment)	These Conditions set out the billing and payment mechanics, including the time periods within which payments should be made	The Billing and Payment provisions will require consequential amendments to align with the Waste ICC Terms & Conditions, including those which are summarised in this table. For example, the Opex Payment Billing Statement will:

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		by the ICC Contract Counterparty, the application of interest and set-off provisions.	<ul style="list-style-type: none"> not include any reference to the 'Total Annual FA Allocation'; and need to include the Applicable Emissions Percentage for the relevant Month (<i>see the "Biogenic CEMS Requirements" rider for further information</i>).
PART 8 – TERMINATION			
7.	Condition 40 (Termination Events)	The ICC Contract includes the following Termination Events: (a) insolvency; (b) non-payment; (c) credit support default; (d) breach of key obligations; (e) measurement equipment; (f) minimum CO ₂ Capture Rate; (g) CO ₂ Measurement Data; (h) Full Capture Outage Events; (i) Carbon Intensity; (j) cross-default under the Grant Funding Agreement; (k) Greenhouse Gas Removal Termination Event; and (l) GGR Acceptable Collateral termination events.	<p>All of the Termination Events set out in the left-hand column will be included in the Waste ICC Contract, except in relation to the 'Carbon Intensity' regime (refer to item 12 below).</p> <p>An additional 'Biogenic CEMS Information Termination Event' (in relation to misleading or reckless information) will be included in the Waste ICC Contract (<i>see the "Biogenic CEMS Requirements" rider for further information</i>).</p>
ANNEX 2 – TESTING REQUIREMENTS			
8.	Annex 2 (Testing Requirements)	This section sets out the procedures to be followed in order for the Emitter to carry out certain performance tests on the Installation, as well as prescribing certain test standards and criteria that must be met.	The ICC Contract 'Testing Requirements' Annex will apply under the Waste ICC Contract, with additional amendments in relation to the commissioning of the biogenic CEMS at the Operational Conditions Precedent stage.

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ANNEX 6 – CARBON MARKET REFERENCE PRICE REVIEW			
9.	Annex 6 (Carbon Market Reference Price Review)	This Annex provides that the Carbon Market Reference Price is to be reviewed by the ICC Contract Counterparty upon the occurrence of a 'CMRP Principles Review Trigger'.	This Annex will be included in the Waste ICC Contract for any 'subsequent' Carbon Review Procedure. However, the 'Initial Carbon Review Procedure' will apply to the determination of the initial Carbon Reference Price under the Waste ICC Contract (<i>see the "Initial Carbon Review Procedure" rider for further information</i>).
ANNEX 8 – PRE-CAPTURE METERING OPERATIONAL FRAMEWORK AND TECHNICAL SPECIFICATION			
10.	Annex 8 (Pre-Capture Meter Operational Framework and Technical Specification)	This Annex sets out the specification for measuring CO ₂ entering into the Capture Plant where an Emitter uses a pre-capture meter (noting that further Annexes may be developed for other measurement techniques).	The application of the 'Pre-Capture Meter Operational Framework Specification' Annex in the Waste ICC Contract remains subject to further consideration and development by BEIS, including as to which methodolog(y/ies) should be acceptable.
KEY ICC CONTRACT PROVISIONS NOT APPLICABLE UNDER THE WASTE ICC CONTRACT			
11.	"Free Allowances Rider"	The ICC Contract will include detailed provisions relating to the treatment of UK ETS Free Allowances, providing price assurance and volume assurance to Emitters.	The ICC Contract price / volume assurance provisions are not required in the Waste ICC Contract on the basis that: <ul style="list-style-type: none"> the sector is not currently subject to the UK ETS, does not receive Free Allowances and therefore is not relying on potential Free Allowance revenues to formulate strike prices; and there is no 'Fixed Trajectory Reference Price' under the Waste ICC Contract.

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12.	"Carbon Intensity Threshold"	The ICC Contract includes a 'Carbon Intensity Threshold' (set at 10 per cent. (10%) above the Emitter's carbon intensity estimate) that is designed to limit the amount of additional carbon produced by the Installation per unit of product manufactured and to indicate excessive carbon creation.	The carbon intensity of the waste processed is determined by the carbon intensity of the waste provided by the suppliers and is therefore outside the direct control of the Emitter. On that basis, the Carbon Intensity Threshold and other related requirements will not apply to the Waste ICC Contract.
13.	"Carbon Leakage Change in Law" and "CLCiL Revenue"	This new category of Change in Law has been included under the ICC Contract to capture the possible future introduction of a UK Carbon Border Adjustment Mechanism (or an alternative carbon leakage policy).	On the basis that no Free Allowance volume protection will be provided under the Waste ICC Contract, there is no risk of double protection provided by means of the Waste ICC Contract and any potential future 'Carbon Leakage Change in Law'. As a result, the Carbon Leakage Change in Law regime will not be included in the Waste ICC Contract.
14.	"CHPQA Certificate"	CHP projects will be subject to an additional Operational Condition Precedent, which requires provision of a valid certificate under the Combined Heat and Power Quality Assurance Standard.	These provisions will not apply to EfW facilities, which will instead be subject to the R1 energy efficiency requirements (<i>see the "R1 Energy Efficiency Threshold" rider for further information</i>).