



Department for
Business, Energy
& Industrial Strategy

Carbon Capture, Usage and Storage

CCS Network Code – Updated Indicative
Heads of Terms

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CCS Network Code – Updated Indicative Heads of Terms: Explanatory Note

The CCS Network Code will form a key component of the business model and regulatory regime being developed for carbon dioxide transport and storage. The first draft of the Heads of Terms for the CCS Network Code was published in June 2022 (the "June 2022 Heads of Terms"). Since that publication, there are a number of areas that have been further developed, as set out in this document and the Annex to it.

Overview

Heads of Terms

The "updated heads of terms" dated December 2022 (published as an Annex to this document) set out the current proposals on the matters to be addressed in the CCS Network Code. These heads of terms are being published by way of an update to the June 2022 Heads of Terms. A comparison ("CCS Network Code Indicative Heads of Terms (comparison)", showing the changes made since the earlier version was published in June 2022, is also being published alongside this document.

CCS Network Code

Legislation is to provide for a licensing regime that will prohibit the carrying out of the activities of carbon dioxide transportation and storage unless authorised by a licence (or exempt in limited circumstances). The licence conditions are to require T&SCo to have in place a network code, to be known as the "CCS Network Code".

The CCS Network Code will set out the commercial and technical rules and arrangements between T&SCos and Users, and between individual T&SCos. It is intended that there will be a single CCS Network Code, rather than each T&S Network having its own network code with different terms. More details about the role and structure of the CCS Network Code are set out in the Explanatory Note to the June 2022 Heads of Terms.

Industry engagement

Since the publication of the June 2022 Heads of Terms, BEIS and Ofgem have received feedback from industry, through the CCSA, on the June 2022 Heads of Terms, and there has also been progress on the Further Technical Areas Workstreams. In particular:

1. the Track 1 T&SCos (T1-T&SCos) prepared initial draft principles in relation to each workstream and presented them to the existing CCSA Working Groups (also open to non-CCSA members to join);

2. CCSA Working Groups participated in engagement sessions to develop the proposals;
3. BEIS and Ofgem provided feedback on proposals to T1-T&SCos and CCSA representatives; and
4. T1-T&SCos and CCSA representatives submitted draft principles to BEIS for Section F (network design and specification) and Section G (industrial procedures).

Key updates

We set out below the key updates of note to the heads of terms, since the publication of the June 2022 Heads of Terms.

The main body of the Code:

Section	Overview	Key updates
Section A: introduction, structure and interpretation	explanation of this structure and the rules for interpreting the CCS Network Code	No substantive changes have been made to this section.
Section B: governance	process for modifying the CCS Network Code and the dispute resolution process	<p>The provisions dealing with Code modifications have been further developed. In particular:</p> <ul style="list-style-type: none"> - to provide more detail in relation to the procedures that will apply to the appointment and retirement of Members of the Modification Panel, as well as the content of Modification Reports; - to confirm and clarify the rights of Ofgem to initiate Modifications through a process – referred to as a specified code review process – which is intended to be similar to the significant code review process that applies in the context of gas and electricity codes but more streamlined while still incorporating consultation and engagement with Code parties. The details of this process are being developed, but the intention is that this process will allow Ofgem to address

		<p>any significant market developments or distortions;</p> <ul style="list-style-type: none"> - to expand the provisions dealing with the appointment of the Secretary to include details of the funding arrangements for the Secretary – in particular, the setting of a budget and the apportionment of the cost between T&SCos; and - to expand the provisions dealing with expert determination.
Section C: connection provisions	process for a User applying to connect to a T&S Network	No substantive updates have been made to this section because this area is subject to further development.
Section D: network structure and planning	description of the different parts of a T&S Network and obligations in respect of network planning	Some more detail has been included in this section in relation to the information to be provided by Users to T&SCo for the purposes of network planning.
Section E: network use and capacity	process for applying for and registering network capacity to a User as well as the consequences of constraints in the T&S Network	<p>The majority of changes to this section are miscellaneous changes to clarify drafting. The provisions dealing with nominations have been updated to reflect the intention that longer term nominations (annual, as well as monthly or weekly) will be required in addition to Daily Nominations. Note, however, that the following areas are subject to further development:</p> <ul style="list-style-type: none"> - the nominations procedure; and - the response to capacity constraints. <p>One key change to note, which is also reflected in Section H, is that network capacity is now expressed to be on a per hour basis, rather than on a per Day basis.</p>

Section F: network design and specification	carbon dioxide entry conditions, network design specifications and metering/measurement requirements	This has been updated to reflect a more updated position developed through engagement with industry as part of the Further Technical Areas Workstream. In particular, the provisions dealing with metering have been expanded, and indicative Carbon Dioxide Specifications have been included.
Section G: industrial procedures	procedures to be followed if there is an incident impacting the network	This section which was blank when the June 2022 Heads of Terms were published, has now been developed through engagement with industry as part of the Further Technical Areas Workstream.
Section H: charges, invoicing and payment	methodology for determining the charges and the processes for subsequent invoicing and payment	In this section, some of the formulae have been refined and clarified, including by the inclusion of a definition of "Most Restricted Communal Element". The timetable for the preparation of the Charges Statement has also been updated.
Section I: general	(among other things) information sharing, exclusions and limitations of liability and termination of a User	<p>In the June 2022 Heads of Terms, the provisions in Section I dealing with data sharing were not developed. Section I now includes new provisions relating to different categories of data, access to data, and data disclosure and confidentiality.</p> <p>Section I has also been updated to include various boilerplate provisions.</p>
Section J: glossary	meaning of the terms used in the CCS Network Code	The glossary in Section J has been updated to include some new terms used in the heads of terms, as well as some changes to terms previously included, to reflect the development of the areas to which these terms relate.

The exhibits to the Code:

Exhibit	Description	Key updates
Exhibit A: Accession Agreement	prescribed form of agreement for a User acceding to the Code Agreement which will make the CCS Network Code binding upon the relevant T&SCo or User	The heads of terms for the Accession Agreement, which were not part of the June 2022 Heads of Terms, have now been included. The heads of terms for the Code Agreement are also included in this exhibit.
Exhibit B: Construction Agreement	prescribed form of agreement regulating the construction works necessary to connect a User Facility to the T&S Network	The Construction Agreement heads of terms have been updated to include more developed provisions dealing with the consequences of delayed commencement and completion of commissioning by either T&SCo or the User.
Exhibit C: Connection Agreement	prescribed form of agreement regulating the ongoing connection of the User Facility to the T&S Network and the rights to deliver carbon dioxide at the Delivery Point	The Connection Agreement heads of terms have been updated by the inclusion of provisions dealing with the installation of Measurement Equipment and assignment. The content of the schedules has also been further developed.

The Annexures to the Code (referenced in Section F):

Annexure	Description	Key updates
Annexure A - Carbon Dioxide Specification - General	required specification for the carbon dioxide to be delivered to the T&S Network	This annexure has been developed through engagement with industry to set out the carbon dioxide specifications that are expected to apply to all T&S Networks.
Annexure B – Carbon Dioxide Specification – ECC	required specification for the carbon dioxide to be delivered to the East Coast Cluster T&S Network	ECC is one of the two projects selected as a Track 1 T&SCo as part of Phase 1 of the CCUS cluster sequencing process. This annexure now sets out the particular carbon dioxide specifications that are expected to apply to the ECC T&S

		Network (in addition to the general specifications set out in Annexure A).
Annexure C – Carbon Dioxide Specification - LBA	required specification for the carbon dioxide to be delivered to the Liverpool Bay Area T&S Network	LBA is one of the two projects selected as a Track 1 T&SCo as part of Phase 1 of the CCUS cluster sequencing process. This annexure now sets out the particular carbon dioxide specification that are expected to apply to the LBA T&S Network (in addition to the general specifications set out in Annexure A).
Annexure D - Measurement Requirements - ECC	specific technical requirements relating to the measurement equipment to be installed by Users of the ECC T&S Network	This is still to be developed.
Annexure E – Measurement Requirements - LBA	specific technical requirements relating to the measurement equipment to be installed by Users of the LBA T&S Network	This is still to be developed.

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