

UK CCUS Council Meeting Minutes
10th October 2023, hybrid meeting

Attendees	Organisation
Lord Callanan (LC) - Co-Chair	Parliamentary Under Secretary of State for Energy Efficiency and Green Finance
James Smith (JS)- Co-Chair	Former Chair, Carbon Trust
Andy Lane (AL)	BP
David Reiner	Cambridge University
Ruth Herbert (RH)	CCS Association
Adrian Topham (AT)	Crown Estate
Rebecca Groundwater	EIC
Luciano Vasques (LV)	ENI
Dominic Martin (DM)	Equinor
Roz Bulleid (RB)	Green Alliance
Rich Denny	IPA
Kristina Dahlstrom (KD)	NSTA
David Parkin (DP)	Progressive Energy
Stuart Haszeldine (SH)	Scottish CCS
Allan Baker (AB)	Société Générale
Chris Rowell (CR)	Tees Valley Combined Authority
Francesca Bell	Early Careers Professional Forum
Gordon Hutcheson (GH)	Ofgem
Mark Horley (MH)	Ofgem
Julian Leslie	National Grid
Louise Kingham	BP
Neil Golding	Energy Industries Council
Observers	Organisation
Alexander Blades	CCUS Council Secretariat
Stephanie Murphy (SM)	Director, CCUS, DESNZ
Beatrice Filkin (BF)	Deputy Director, CCUS, DESNZ
Kathryn Aggarwal (KA)	Deputy Director, CCUS, DESNZ
Matthew Taylor (MT)	Deputy Director, CCUS, DESNZ
Will Lochhead	Deputy Director, CCUS, DESNZ
Pumi Perera	Scottish Government
Susan Stirling	Scottish Government
Ron Loveland	Welsh Government
Kevin Friis	Welsh Government

1. Opening remarks from co-chairs Lord Callanan, Parliamentary Under Secretary of State for Energy Efficiency and Green Finance, and James Smith:

LC noted his pleasure in attending the Council and reiterated HMG's commitment to decarbonisation. LC noted that the Government's recent announcements included the outlining the next stage of the Track-2 process with Acorn and Viking being selected. LC emphasised the hard work needed, from all parties, to move forward and highlighted the UK's potential to be a world leader in global CCUS.

JS thanked LC for his opening remarks and expressed the requirement to deliver significant work in the CCUS industry. He recognised the need to deliver net-zero goods and services in both domestic and international trade, and that the rewards for success could be substantial. JS highlighted that by daring to win the UK can be a world leader in CCUS. JS thanked RH for the CCUS Delivery plan update and highlighted that at least £1billion has been invested into the UK thus far. He also thanked DESNZ for the progress so far.

2a. Progress on the Cluster Programme and Lessons Identified Overview:

BF reported on the progress of the Cluster programme and noted that the CCUS programme is critical for net-zero. BF highlighted that time is critical for net-zero, and for the programme to get the early mover advantage. Continuing, she noted that members had previously requested a lessons identified workshop, that this workshop had been conducted, and that the lessons had highlighted a coherent message from the sector which included the need to deliver quickly. BF emphasised that this was in line with the government's internal review and that it was positive that both Industry and government were pulling in same direction. BF then outlined the programme's next steps and referenced the CCUS vision.

2b. Update on the CCUS Vision

MT updated on the CCUS vision and highlighted that it should capture 5 key points. These were:

1. Current CCUS pathway's (Track 1, Track1+ and Track 2) and how far the current pathways take the UK in terms of CO₂ captured and stored.
2. Capture sectors vision to deliver Carbon Budget 6 (CB6) - including access to infrastructure, methods for allocating future contracts and the methods in which projects and business models change over time.
3. Delivering CO₂ storage, including available options to speed up and appraise stores to meet CB6 storage requirements, and how the UK can create resilient storage outcomes.
4. Network design and build out, including how they are designed to deliver desired outcomes, what additional benefits there are to having offshore and onshore networks, and how transport and storage (T&S) economic licenses might evolve, and be allocated in the future.
5. Cost and funding pathways, including understanding the cost reduction pathway in the CCUS sector, and what might be needed to move the CCUS market to being self-sustaining and largely free of government support.

JS thanked MT and emphasised that the need to consider the longer term, and how T&S will evolve, is very important.

2c. Council Discussion on Deployment pathways

DP asked for integration of CBAM with Government policy.

LC added that there were a lot of moving parts including if EU will go ahead in 2026. MT said that it was recognised that several factors could contribute to enabling a sustainable CCUS sector.

SH asked for timeline for vision, and if the vision will include a clarification on the cost and funding of pathways.

LV asked how sustainable pathway success can be achieved.

MT highlighted that a perspective will be offered, and that Government will then work with industry through 2024 to address how that might be achieved. MT also highlighted that the purpose of the document is to outline a perspective of what a sustainable CCUS sector might look like and then to engage and work with industry on it. It shouldn't be seen as a 'plan'.

LV wanted a focus to be on when a realistic focus on the CCUS storage can be implemented. LV also requested a setting of an eligibility criteria to enable the realisation of storage.

RH welcomed the co-creation process of the lessons identified in getting answers from Government. RH added that it would be good if the lessons identified document also included the timescales for reaching packages. RH further commented that there is an urgency for those investing, and that a prioritisation and timeline for the work would be also beneficial.

DM asked BF on next steps, if a change of Government would alter progress, and if the Government's £20 billion commitment would just go to Track-1 projects.

LC highlighted that if there was a change of Government, that Government would need to take a view on current funding envelopes and may reach another position. However, he noted that the opposition currently seemed supportive of CCUS.

SM highlighted that the £20 billion was for early deployment of CCUS projects and that the Government's emphasis was to get as much value from that as possible. SM added that any future funding envelopes would need to be considered individually, with sequencing considered alongside value of money. Continuing, she highlighted a hope for an update on track-1 expansion in the coming weeks.

RH highlighted that in engagement exercises there was a lot of support for aligning track-1 expansion and track-2 so that emitters can reduce participation costs.

SM commented that the Government has heard these calls for simplicity and is considering the most logical way to enable sensible and affordable sequencing and matching of the available capture projects with available storage.

LV asked on the FID in September in 2024, and if it was possible, given summer recess and elections, that there would be a period of 16-20 weeks with lessened Government activity. LV emphasized that such lost time would need to be factored in to enable progression. LV also thanked the department for their work to date.

LC highlighted that elections would be a purdah period of only around 4-6 weeks, and that it was possible to get the FID signed before then.

AL commented on the risk to delay by an election, this was reiterated by DP.

JS asked when funding would be available.

SM emphasised that funding would be available once negotiations were concluded.

JS asked MT on T&S and how the Government viewed challenges on reservoirs.

MT replied that we were aware that industry working groups were beginning to consider this and that government would be keen to understand the matter.

KD highlighted that the NSTA work very closely with Government, the Crown Estate and Crown Estate Scotland, and are supporting the Government with their expertise in this area.

3a. Presentation from Ofgem, overviewing their activity in, and regulation of, the CCUS Sector.

MH thanked for opportunity to present and highlighted that Ofgem's overall role as an independent authority was to protect consumers in a monopoly network (typically gas and electricity). MH added that as CCUS Transport and Storage networks would be natural monopolies Ofgem's work would extend to the sector, and that subject to the Energy Bill they will be an independent economic regulator, responsible for setting and running price controls, alongside protecting the interests of users. MH added that Ofgem were involved in the CCUS industry codes, and that Ofgem would have a role in approving material modifications to the code.

3b. CCUS Council Discussion and Q&A session, on Ofgem and the ICCUS Sector's regulation

AL asked how Ofgem would cope with taking over from the commercial negotiations in a novel setting.

MH replied that Ofgem could point to previous work in novel areas which were a success, and that rating agency reports for UK energy sectors have shown Ofgem to be well regarded by investors. Ofgem have also engaged early with industry on economic guidance, and here Ofgem have contributed as much as possible to this guidance.

GH added that Ofgem roles in the development of CCUS was not fundamentally different to other sectors but noted that relationship building may be required to build the sectors trust in their role as a regulator.

DM asked for a timeline, and on the significance of September 2024 date, and that if following that September's FID if Ofgem would then take over at that date. DM also asked in regard to Track- 1 expansion, if DESNZ and Ofgem's role will change at that point.

MH noted that Ofgem can only regulate a company with a license, and that from September 2024 they will only be regulating those with a license and that the cost of capital is set in the license. MH added that this won't change in first regulatory period. On track-1 expansion, MH noted that Ofgem would look to regulate any change of scope in the license and that further clarity as to how that works will need to first follow between Ofgem and the Government.

DP noted that where Ofgem are looking to 'protect the consumer' may inhibit pre-investment from the industry to enable demand. DP also questioned why there was no Net Zero objective, and raised whether Ofgem would struggle to sign-off pre-investment without such an objective.

MH highlighted that Ofgem were looking at continued investment in networks, and that Ofgem is used to playing a role where transport storage companies can present their investment in networks.

RH highlighted that this regulatory period will move at pace and that she would like to see where this can overlap with price control. She noted that she would also like to see this mapped out so that there is not a barrier to investment.

AL highlighted that in the first regulatory period he was looking at multi-parallel pieces of activity with varying risks, that they are linked to continuous spending to replace depleting storage resources, and that such work is very dynamic.

MH highlighted that this is an ongoing need to consider the sector.

SM recognised the Council's points and highlighted that was why the government were involved, to help start a new industry, before Governments involvement being phased out properly to complement Ofgem's phasing in.

JS asked if there was room for separate conversation on this regulation in January's meeting. BF added that it was worth taking away.

4a. Opportunity for any comment on the pre-reads

RH added that CCSA were engaging with government officials on some Business Models, but that these might get solved through negotiations, and that there is a consideration on how to keep the wider industry updated.

DP flagged concerns that Risk allocation is not balanced with the cost of capital, DP emphasised that he was concerned that such consideration were currently unrealistic.

RH added that another challenge is for supply chains to hold the stated prices during negotiations.

LV added that by November Eni will have tenders completed. He continued that the tender were unhappy with the supply chains, and that right now the supply chain is not willing to hold price for so long, thus the risk needs to be reduced.

AL echoed this, and that the supply chain might not be able to hold the price for the time required by industry.

BF responded emphasising the need to find a solution together.

AL thanked DESNZ for the level of engagement on infrastructure and power, and urged for integration across all business models, citing BECCS and Hydrogen.

RB flagged NGO concern on BECCs and asked if we were concerned about the lower levels of project pipelines in some sectors, such as Greenhouse Gas Removals.

SM emphasised that the government cared about the targets and that technical work on how to balance projects will continue, but that she wanted projects coming forward to represent all the sectors. SM noted on hydrogen business models that this sector was newer, which is why its work may feel further behind, however, she emphasised that work is being ramped up in this sector.

AL/DP welcomed this and recognised that ongoing work was happening.

4b. Officials response:

SM thanked members for their contribution and highlighted that it was important to get the sequencing right in the next frameworks, and that it was good to continue this at future councils.

4c. Forward look:

AB outlined the forward look for next meeting in January which included public engagement and supply chains, through the lens of skills. AB added that the time and date of the next meeting will be issued in due course.

DP had issues on regulatory capacity concept, and if DESNZ had any way to measure how they can judge that. DP then proceeded to request HSE attendance, RH added that the environment agency's attendance could be useful.

LV added how to cascade the national strategic topic into a single agenda, and for this to take precedence to limit divergence. LV highlighted that this was happening with track-1's integrated plan.

5a. AOB and Close

LC thanked attendees for coming and participating and noted that having vital discussions is important. LC reiterated this.

JS thanked CCSA for hosting the meeting, and the CCUS Council secretariat, speakers and attendees for their contribution and noted that he was looking forward to hearing of the FID in 2024.

LC echoed JS' thanks to attendees, and officials, and closed the meeting.