

**AGREEMENT FOR THE GGR BUSINESS MODEL
INDICATIVE HEADS OF TERMS**

Note: these draft indicative heads of terms are subject to the "Disclaimer" section at the front of the GGR Business Model update document to which they are annexed.

Introductory Notes

These Heads of Terms are preliminary and indicative draft terms for the agreement for the greenhouse gas removal ("**GGR**") business model (the "**GGR Agreement**"). They provide a framework for the principal terms and conditions that will, or are expected to be, included in the GGR Agreement and do not constitute definitive drafting of the GGR Agreement's terms. The contract structure of the GGR Agreement will comprise (i) the generic "Standard Terms and Conditions", designed to be applicable across all technology types (i.e. 'technology-agnostic'); and (ii) the Front End Agreement, tailored for each project, recognising that specific provisions are likely to be required for certain projects and technologies, for example if there are interactions with other support schemes or regulations.

Where relevant, we have commented below on the potential similarities and differences between the GGR Agreement and (1) the Standard CfD Terms and Conditions for Allocation Round 5 (the "**AR5 CfD**"); and (2) the draft Standard Terms and Conditions for the Dispatchable Power Agreement published in November 2022 (the "**DPA**") and the draft Standard Terms and Conditions for the Industrial Carbon Capture Contract and the Waste Industrial Carbon Contract published in October 2023 (the "**ICCC**" and "**Waste ICCC**") for the CCUS programme (together, the "**CCUS Programme Contracts**").

These Heads of Terms do not indicate any willingness or agreement on the part of the Department for Energy Security and Net Zero ("**DESNZ**") to enter into, or procure the entry into, the GGR Agreement. These Heads of Terms do not constitute an offer and are not capable of acceptance.

In connection with the above, as the Heads of Terms are preliminary and indicative only, the provisions set out are subject to further consideration and development by DESNZ. Those provisions and terms which require particular consideration and development (including where DESNZ is yet to make decisions relating to policy matters, commercial issues, risk allocation, and the allocation of the GGR Agreement) have been square bracketed (with footnotes) in the Heads of Terms. DESNZ reserves the right to review and amend these square bracketed provisions, and all other provisions set out in the Heads of Terms.

SECTION A – FRONT END AGREEMENT

No.	Subject	Terms
1.	Contract Structure	<p>The contract structure of the GGR Agreement will likely follow the AR5 CfD and the CCUS Programme Contracts, where each agreement comprises two instruments: (i) the front end agreement; and (ii) the standard terms and conditions.</p> <p>The front end agreement will be a bespoke document that contains project-specific information relating to each Developer, including pricing components, capacity, and particulars of the Facility and the Developer to which the GGR Agreement applies.</p> <p>The standard terms and conditions will be a set of contractual terms governing matters which will be applicable to all GGR Agreements unless otherwise specified in the front end agreement. Developers who are allocated a GGR Agreement will sign the front end agreement, which will then incorporate the standard terms and conditions.</p>

SECTION B – STANDARD TERMS AND CONDITIONS

No.	Subject	Terms
1.	Parties	<p>The parties to the GGR Agreement will be the GGR Counterparty and the Developer (each, a "Party" and together the "Parties"). The Parties intend to be legally bound by the GGR Agreement which will be a private law, commercial contract.</p> <p>The identity of the GGR Counterparty is to be determined, however it is anticipated that the GGR Counterparty will be a private law company appointed by DESNZ.</p>
2.	Technology Type	<p>The intention is for the GGR Agreement to include generic Standard Terms and Conditions designed to be technology agnostic as well as a Front End Agreement which includes specific provisions designed with each project and technology type in mind. For example, there may be interaction with other support schemes or the Qualifying Change in Law provisions may require amendment to accommodate a certain type of technology.</p>
3.	Term, Milestone Requirement and Conditions Precedent	
3.1	Term and Specified Expiry Date	<p>DESNZ expects the GGR Agreement to have a contract term of fifteen (15) years. This reflects: (i) a balance between providing price support certainty for Developers for a proportionate and reasonable period, whilst ensuring policy is flexible to technological innovation; (ii) the potential time for the negative emissions market to develop; and (iii) the general precedents set by the AR5 CfD and the CCUS Programme Contracts.</p> <p>The GGR Agreement will expire on the fifteenth (15th) anniversary of the earlier of:</p> <ul style="list-style-type: none"> (a) the Start Date; and (b) the last day of the Target Commissioning Window.
3.2	Commencement	<p>The GGR Agreement term will commence on the earlier of the "Start Date" and the last day of a specified Target Commissioning Window of</p>

No.	Subject	Terms
		<p>[twelve (12) months]¹ (which will be adjusted day-for-day for any delays that occur due to "Force Majeure" and/or any "T&S Commissioning Delay Events", discussed in further detail below). DESNZ is still considering other events which are beyond the control of the Developer, the occurrence of which may provide time relief under the GGR Agreement.</p> <p>Therefore, if the Developer fails to commission the Facility by the end of the Target Commissioning Window, the term of the GGR Agreement will commence and the fifteen (15) year term will start to erode. However, payments under the GGR Agreement will not commence unless and until the Start Date occurs. This is to incentivise the relevant Developer to commission the Facility as soon as reasonably practicable following the execution of the GGR Agreement, but no earlier than the first day of the Target Commissioning Window.</p>
3.3	Retrofit vs Newbuild	The GGR Agreement may be applicable to both retrofit and new-build projects. The principles in the payment provisions in item 5 will be relevant to both types of projects.
3.4	Initial Conditions Precedent	<p>The GGR Agreement will include two sets of conditions precedent, the "Initial Conditions Precedent" and the "Operational Conditions Precedent", similar to the AR5 CfD and CCUS Programme Contracts.</p> <p>The "Initial Conditions Precedent" provisions will require the Developer to meet certain legal and regulatory requirements and conditions relating to the GGR Agreement as soon as reasonably practicable and in any event by no later than twenty (20) Business Days after the Agreement Date (other than for any Initial Conditions Precedent that may be waived by the GGR Counterparty, in its absolute discretion). Conditions will need to be evidenced in a form and content satisfactory to the GGR Counterparty. These may include:</p> <ul style="list-style-type: none"> (a) the Facility description; (b) the Developer's entry into certain key project documents such as fuel supply agreements and T&S construction/connection agreement(s); (c) a legal opinion addressed to the GGR Counterparty confirming the capacity and authority of the Developer to enter into the GGR Agreement; (d) evidence of compliance with "know your customers" or similar identification procedures; (e) planning permission; (f) corporate approvals; (g) a supply chain plan; and

¹ Note to Reader: DESNZ is considering this time period further.

No.	Subject	Terms
		(h) [others] ² .
3.5	Milestone Requirement	<p>It is envisaged that the Developer will be required to demonstrate within a certain period of time that it is committed to the Project by evidencing (similar to the AR5 CfD requirements and the CCUS Programme Contracts requirements):</p> <p>(a) actual spend of at least a minimum percentage [<i>to be determined</i>]³ of "Total Project Commissioning Costs"; or</p> <p>(b) fulfilment of specified "Project Commitments",</p> <p>each a ("Milestone Requirement").</p> <p>The purpose of the Milestone Requirement is to deter speculative or underdeveloped projects from entering into a GGR Agreement and to ensure that budget remains committed only to projects that demonstrate sufficient progress towards developing the relevant Facility. The GGR Counterparty will be responsible for determining the robustness of the evidence submitted by the Developer.</p>
3.6	Operational Conditions Precedent	<p>For the Start Date to occur and for GGR Agreement payments to commence, the Developer must satisfy a number of "Operational Conditions Precedent" (unless waived by the GGR Counterparty, in its absolute discretion).</p> <p>These may include:</p> <p>(a) evidence that the required [<i>to be determined</i>]⁴ CO₂ capture rate has been commissioned;</p> <p>(b) a date and time stamped copy of the schematic diagram, showing the locations of the CO₂ metering equipment;</p> <p>(c) evidence that the Facility has connected to the T&S Network to enable the export of CO₂ to the T&S Network;</p> <p>(d) evidence that the Facility complies with specified metering requirements;</p> <p>(e) delivery to the GGR Counterparty of a subsidy control declaration;</p> <p>(f) evidence that the Facility complies with MRV standards to be specified by Government or the GGR Counterparty (see paragraph 6 below);</p> <p>(g) evidence of compliance with "know your customers" or similar identification procedures;</p>

² Note to Reader: Further Initial Conditions Precedent may be required. The above Initial Conditions Precedent are preliminary only. DESNZ is considering the full list of Initial Conditions Precedents and whether the Initial Conditions Precedents will vary between retrofit and new-build projects.

³ Note to Reader: DESNZ is considering this minimum percentage further.

⁴ Note to Reader: DESNZ is considering this capture rate further.

No.	Subject	Terms
		(h) [others]. ⁵
3.7	T&S Commissioning Delay Relief	<p>DESNZ is considering the interface risks between the Facility and the T&S Network, including the impact of delays to the construction and commissioning of the T&S Network. It is likely that the GGR Agreement will provide limited relief for T&S Commissioning Delay Events. DESNZ is considering the application of existing provisions under the CCUS Programme Contracts and whether it would be appropriate to include similar provisions in the GGR Agreement.</p> <p>Any relief in respect of T&S Commissioning Delay Events is subject to the termination procedure for T&S Prolonged Unavailability Events.</p>
4.	Termination and Consequences of Termination	
4.1	Pre-Start Date Termination	<p>Similar to the AR5 CfD and the CCUS Programme Contracts, the GGR Agreement will contain various rights for the GGR Counterparty to terminate the GGR Agreement prior to the occurrence of the Start Date where the Developer fails to make sufficient progress in developing the Facility. Such rights will ensure that GGR Agreement funding that has been committed to support greenhouse gas removal is not tied up indefinitely in a project that has no realistic prospect of being commissioned.</p> <p>The GGR Agreement may include the right for the GGR Counterparty to terminate the Developer where:</p> <ul style="list-style-type: none"> (a) <u>Initial Conditions Precedent</u>: the Developer fails to fulfil the Initial Conditions Precedent within the specified time after the Agreement Date; (b) <u>Milestone Requirement</u>: the Developer fails to fulfil the Milestone Requirement(s) before the Milestone Delivery Date. The Milestone Delivery Date will be adjusted day-for-day for any delays that occur due to [<i>relevant events that trigger an adjustment to be determined</i>]⁶; (c) <u>Longstop Date</u>: the Developer fails to satisfy the Operational Conditions Precedent by a specified "Longstop Date". The Longstop Date will be adjusted day-for-day for any delays that occur due to [<i>relevant events that trigger an adjustment to be determined</i>]⁷; (d) <u>Default Termination Event prior to the Start Date</u>: at any time prior to the Start Date, a Default Termination Event has occurred and is continuing; and

⁵ Note to Reader: Further Operational Conditions Precedent may be required. The above Operational Conditions Precedent are preliminary only. DESNZ is considering the full list of Operational Conditions Precedents and whether the Operational Conditions Precedents will vary between retrofit and new-build projects.

⁶ Note to Reader: DESNZ is considering the relevant events that trigger an adjustment to the Milestone Requirements further.

⁷ Note to Reader: DESNZ is considering the relevant events that trigger an adjustment to the Longstop Date further.

No.	Subject	Terms
		(e) [other]. ⁸
4.2	Consequence of Pre-Start Date Termination	A pre-start date termination (summarised in item 4.1 (<i>Pre-Start Date Termination</i>)) will be on a no-liability basis under the GGR Agreement.
4.3	Developer Default Termination Event	<p>The default termination provisions in the GGR Agreement are likely to follow the AR5 CfD and the CCUS Programme Contracts by giving the GGR Counterparty the right to terminate the GGR Agreement for Developer events of default comprising: (a) insolvency; (b) breach of key obligations relating to ownership of the Facility, (c) assignment without consent (d) acts of fraud; (e) breach of key obligations relating to metering; (f) credit support default; and (g) non-payment which is not rectified within a specified cure period.</p> <p>In addition, the GGR Agreement is likely to include other termination events that are specific to the business model. Such termination events may include matters such as the provision of misleading CO₂ capture rate / measurement data, failure to comply with potential restrictions on market participation and breach of specific MRV requirements.</p>
4.4	Termination for a Prolonged Minimum CO ₂ Capture Rate Breach	The GGR Counterparty will have the right to terminate the GGR Agreement if the achieved and declared CO ₂ capture rate average is less than the minimum CO ₂ capture rate set out in the GGR Agreement for either [three] consecutive Billing Periods or [three] non-consecutive Billing Periods within [six] consecutive Billing Periods (as per the CCUS Programme Contracts). ⁹
4.5	Consequences of Default Termination Event and Termination for a Prolonged Minimum CO ₂ Capture Rate Breach	If a Default Termination Event occurs after the Start Date and the GGR Counterparty terminates the GGR Agreement, the Developer will be obliged to pay the GGR Counterparty a "Default Termination Payment".
4.6	No Developer termination right	The GGR Agreement will adopt the position in the AR5 CfD and the CCUS Programme Contracts, whereby the Developer will not be entitled to terminate the GGR Agreement unilaterally.
4.7	Termination for failing Minimum Commissioning Requirements	<p>The GGR Counterparty will have the right to terminate the GGR Agreement if the Developer fails to meet the minimum commissioning requirements by the Longstop Date, such as the required CO₂ capture rate.</p> <p>Such a termination will occur on a no-liability basis.</p>
4.8	Termination for Prolonged Force Majeure	A prolonged Force Majeure termination right will arise if a prolonged Force Majeure event, that first occurs between the Agreement Date and the Milestone Satisfaction Date, prevents or delays the development,

⁸ Note to Reader: DESNZ is considering whether other pre-start date termination events are included.

⁹ Note to Reader: the time periods in this section are subject to further consideration by DESNZ.

No.	Subject	Terms
		<p>construction, completion, testing or commissioning of the Facility for at least eighteen (18) months.</p> <p>If such circumstances arise, the GGR Counterparty will have the right to terminate the GGR Agreement while the prolonged Force Majeure event is still ongoing. Such right will be included to ensure that committed funding is not tied up indefinitely in a project that has no realistic prospect of being commissioned due to a continuing, unresolved Force Majeure.</p>
4.9	Consequence of Termination for Prolonged Force Majeure	A termination for prolonged Force Majeure will occur on a no-liability basis given the non-fault nature of the event.
4.10	Termination for T&S Prolonged Unavailability ¹⁰	<p>The GGR Agreement will follow the CCUS Programme Contracts by including a GGR Counterparty termination right in the event that a T&S Prolonged Unavailability Event (see below) prevents the relevant Facility from exporting its CO₂ to the T&S Network for a prolonged period of time [<i>to be determined</i>]. This termination right will allow an appropriate period of time for the fault in the relevant T&S Network to be rectified or, if that is not possible, an Alternative T&S Network Solution Plan to be put in place.</p> <p>A "T&S Prolonged Unavailability Event" may be defined as the occurrence of:</p> <ul style="list-style-type: none"> (a) a Full T&S Outage Event¹¹ which lasts for at least [six (6) months]; (b) a T&S Commissioning Delay Event which lasts for at least [six (6) months]; or (c) a "T&S Cessation Event", being any one of the following: <ul style="list-style-type: none"> (i) a notice of discontinuation is issued by the Secretary of State to the T&S Operator pursuant to the discontinuation agreement entered into between the T&S Operator and the Secretary of State; (ii) the licence of the T&S Operator to operate the T&S Network is (i) revoked; and (ii) is not transferred to a substitute T&S Operator, such that the T&S Network ceases to operate or the Developer is no longer able to connect to the T&S Network; or (iii) a determination is made by the relevant competent authority that the Developer's connection to the T&S Network is no longer viable.

¹⁰ Note to Reader: The time periods in this section are subject to further consideration by DESNZ.

¹¹ Note to Reader: DESNZ is considering whether this termination right will also apply to substantial constraints of the T&S Network.

No.	Subject	Terms
		<p>Where such an event occurs, the GGR Counterparty may issue a notice to the Developer, which will specify the date on and from which the GGR Counterparty has the right to terminate the GGR Agreement. Such date will be [thirty (30)] months after the date the GGR Counterparty's notice is issued, unless: (i) an Alternative T&S Network Solution Plan is implemented in accordance with the process set out below or (ii) an earlier right to terminate arises (as described below) the ("T&S Prolonged Unavailability Remediation Deadline").</p> <p>If a Developer can identify a feasible alternative route for permanent storage of its captured CO₂, it must give a response notice specifying that it will provide an Alternative T&S Network Solution Plan within [eighteen (18) months] of the GGR Counterparty's notice.</p> <p>Following receipt of an Alternative T&S Network Solution Plan, the GGR Counterparty will have [six (6) months] to assess the plan to consider its deliverability, while also assessing the impact the plan would have on the Project's original T&S Network as well as information from the T&S Operator and the relevant authorities on the progress towards returning the T&S Network the Developer is currently using to service.</p> <p>The GGR Counterparty will confirm whether it (i) approves the plan (without amendment), (ii) requires more information on the plan, (iii) requires amendments to the plan, or (iv) in its sole and absolute discretion, rejects the plan (and provide such supporting information as it considers necessary to evidence the reasons for such rejection). If the response is (ii), (iii) or (iv), without prejudice to the GGR Counterparty's rights to terminate the GGR (as described below), the Developer will then be entitled, within [twenty (20)] Business Days, to submit additional supporting information or an amended draft plan and the review process will be repeated.</p> <p>The GGR Counterparty will have a right to terminate the GGR Agreement if:</p> <ul style="list-style-type: none"> (a) the T&S Prolonged Unavailability Event has not been remedied by the T&S Prolonged Unavailability Remediation Deadline; (b) the Developer has provided evidence that: (i) the T&S Prolonged Unavailability Event is not capable of being remedied by the T&S Prolonged Unavailability Remediation Deadline and (ii) it is not technically, economically or otherwise feasible for the Developer to provide an Alternative T&S Network Solution Plan; (c) the GGR Counterparty rejects any Alternative T&S Network Solution Plan submitted by the Developer; or (d) the Developer fails to commence and continue to implement an approved Alternative T&S Network Solution Plan. <p>If the GGR Counterparty approves an Alternative T&S Network Solution Plan, and the Developer implements or is implementing such approved plan in accordance with its terms (which includes meeting specified milestones and carrying out certain actions) in order to remedy the T&S Prolonged Unavailability Event, then the GGR Counterparty will not have a right to terminate the GGR Agreement.</p>

No.	Subject	Terms
		The GGR Counterparty will have the right to suspend payment of any amounts payable to the Developer under the GGR Agreement, where the Developer fails to comply with certain key T&S Prolonged Unavailability Event obligations. ¹²
4.11	Consequence of Termination for Prolonged T&S Unavailability	DESNZ is considering the appropriate level of compensation in the event of a T&S Prolonged Unavailability Event in the context of the approach taken on other business models.
4.12	Qualifying Change in Law Termination	<p>The GGR Counterparty may terminate the GGR Agreement if a Qualifying Change in Law occurs which:</p> <ul style="list-style-type: none"> (a) permanently prevents the Developer from commissioning the [whole of the Facility]¹³ by virtue of the necessary construction, conversion, installation, testing, completion or commissioning of the [whole of the Facility] becoming illegal ("QCIL Construction Event"); (b) will permanently prevent the Developer from operating [the whole of the Facility] by virtue of such operation becoming illegal ("QCIL Operations Cessation Event"); or (c) gives rise to or results in: <ul style="list-style-type: none"> (i) out-of-pocket costs being incurred by the Developer arising directly as a result or in anticipation of such Qualifying Change in Law being implemented, occurring or becoming effective; <p>or</p> <ul style="list-style-type: none"> (ii) a period where the [Adjusted Capture Period]¹⁴ is reduced, <p>and the amount of compensation that would otherwise be payable is greater than the amount that would be paid to the Developer if such Qualifying Change in Law were to have constituted an event under sub-paragraphs (a) or (b) above, as applicable.</p> <p>If the GGR Counterparty terminates the GGR Agreement pursuant to paragraph (a), (b) or (c) above, the GGR Counterparty shall pay the QCIL Termination Payment to the Developer.</p>
5.	Payments and Billing	

¹² Note to Reader: This process is consistent with other business models (ICCC, Waste ICC, LCHA and DPA). DESNZ is considering whether this process and the relevant timeframes remains appropriate for the GGR Agreement.

¹³ Note to Reader: DESNZ is considering the scope of the QCIL Construction Event further.

¹⁴ Note to Reader: DESNZ is considering this point further.

No.	Subject	Terms
5.1	Payment Mechanism	DESNZ is considering the appropriate mechanism by which carbon capture payments are made. The key components for the carbon capture payments are set out in further detail in items 5.2 to 5.5 below.
5.2	Difference Payment	<p>The Developer will be paid a premium, calculated as the difference between the Strike Price and the Reference Price for negative emissions (the "Difference Amount"), where such amount is a positive number.¹⁵ This payment is intended to provide the Developer with price certainty, by enabling the Developer to cover the cost of negative emission production and an allowed return on investment pursuant to a combination of the Difference Amount and the amount received by the Developer through sales of negative emission volumes ("GGR Credits").</p> <p>This approach should also achieve value for money for Government, given it is expected that the size of the Difference Amount payable by the GGR Counterparty to the Developer could reduce in time as the negative emission market develops.</p> <p>Payments will be made on a £ per tonne of CO₂ basis.</p> <p>Payments will be two-ways, with the Developer paying the GGR Counterparty the difference between the Reference Price and the Strike Price if the Reference Price exceeds the Strike Price (i.e. where the Difference Amount is a negative number).</p>
5.3	Strike Price	<p>The "Strike Price" (expressed in £ per tonne of CO₂) will reflect the price a Developer needs to achieve to enable the Developer to cover its costs of producing GGR Credits and make an allowed return on investment. DESNZ expects the level of the Strike Price and cost components to vary for different GGR technology types.</p> <p>DESNZ is considering the eligible constituent elements of the Strike Price and is minded to include the following in the calculation of the Strike Price:</p> <ul style="list-style-type: none"> (a) capex and opex associated with the construction and operation of the Facility; and (b) an allowed return on investment. <p>The GGR Agreement is intended to support the production of GGR Credits ("GGR services"), and the Strike Price is not directly intended to include costs associated with other goods and services that may be produced by the Facility, such as electricity or fuels ("non-GGR services"). However, in some cases it may be complex and impractical to allocate costs between GGR services and non-GGR services, and projects may require support in relation to costs that are common to both the GGR and the non-GGR services of the project. DESNZ is therefore minded to allow costs that are required for both the GGR and the non-GGR services of the project to be included in the Strike Price where support for those costs is necessary for the viability of the project and the achievement of GGR Credits as the primary service of the Facility. In these circumstances, revenues from the sale of co-products</p>

¹⁵

Note to Reader: DESNZ is considering the calculation of the Difference Amount further.

No.	Subject	Terms
		will be deducted from the Difference Payment to avoid overcompensation and ensure value-for-money.
5.4	Reference Price or "achieved sales price"	<p>The "Reference Price" (expressed in £ per tonne of CO₂)¹⁶ is intended to represent the 'market price' received by the Developer for selling GGR Credits. For initial projects, the minded to position is for the Reference Price to be the Developer's achieved sales price for GGR Credits in approved markets. DESNZ considers that the achieved sales price best represents the market value of GGR Credits in the absence of a liquid and transparent market price.¹⁷</p> <p>The Reference Price will be combined with a Price Discovery Incentive. The intention of the Price Discovery Incentive is to incentivise the Developer to seek the highest sales price to accelerate a reduction in the Difference Payment payable by the GGR Counterparty, helping to ensure value-for-money. DESNZ is considering how the mechanism will be designed, but it is expected to operate so that the Developer receives an amount linked to the achieved sales price.</p> <p>DESNZ is considering whether to implement a 'Price Floor' alongside the Reference Price. If the Developer were to sell GGR Credits at a price below the Price Floor, the Difference Amount would be calculated as the difference between the Strike Price and the Price Floor, rather than the difference between the Strike Price and the achieved sales price. The intention behind a Price Floor would be to minimise the risk of low sales prices and improve value for money for Government. DESNZ's final decision on a Price Floor will consider a range of factors such as investability, value-for-money, and the practicalities of determining how an appropriate Price Floor could be set.</p>
5.5	Volume Support	DESNZ is considering whether volume support will be provided to the Developer through the GGR Agreement if the Developer is producing GGR Credits and its offtake/sales volumes fall. The Government's position on volume support will balance investability from the perspective of the Developer, value for money for Government, incentivising participation in negative emissions markets and minimising the risk of market distortions and other unintended consequences.
5.6	Indexation – Carbon Payments	<p>The Strike Price will be indexed to CPI.</p> <p>DESNZ is considering the appropriate approach for indexation in respect of specific production costs (e.g. feedstocks/fuel costs). Further analysis in this area will consider three key issues: (i) protecting Developers where they are unable to reasonably manage or control changes in costs; (ii) protecting the Government from excessive risks and costs; and (iii) precedents established in other relevant business models and support schemes.</p> <p>DESNZ may also consider whether any other strike price adjustments or reopeners are required, for example for feedstock or fuel costs, if not addressed through the Strike Price indexation.</p>

¹⁶ Note to Reader: The formula for calculating the achieved sales price is under consideration by DESNZ.

¹⁷ Note to Reader: The position on GGR Credits created but not sold in a relevant billing period is under further consideration by DESNZ.

No.	Subject	Terms
5.7	T&S Charges	<p>Following the precedents set in other business models, it is likely that some or all of the T&S charges (the "Use of System Charges" referred to below) that are payable by the Developer to a specified T&S Operator will be payable by the GGR Counterparty to the Developer. The June 2023 CO₂ Transport and Storage Business Model update¹⁸ confirmed that the "Use of System Charges" (as defined in the December 2022 CCS Network Code) will have three elements comprising:</p> <p>(a) <u>Flow Charge (comprising the Onshore Flow Charge and/or the Offshore Flow Charge)</u>: This charge is based on the mass quantity of the gaseous stream consisting primarily of CO₂ injected into the T&S Network by the Developer;</p> <p>(b) <u>Capacity Charge (comprising the Onshore Capacity Charge and/or the Offshore Capacity Charge)</u>: This charge is based on the Developer's reserved capacity on the T&S Network; and</p> <p>(c) <u>Network Charge (comprising the Onshore Network Charge and/or the Offshore Network Charge)</u>: This charge covers the remainder of the Developer's share of the T&S allowed revenue (i.e. the amount that the T&S Operator is entitled to recover in accordance with its licence).</p> <p>In the GGR Agreement, it is expected that any support for T&S charges will be calculated and paid separately, outside of the Strike Price. The support would be provided as a separate payment to the Developer from the GGR Counterparty, so that such charges may be passed through to the relevant CO₂ T&S Operator, which reflects the approach in other CCUS Programme Contracts.</p> <p>The full details of the payment of T&S charges are subject to ongoing consideration by DESNZ. In developing its approach, DESNZ will have regard to the approaches taken under the CCUS Programme Contracts.</p>
5.8	Billing and Payment	<p>Once the Start Date has been achieved, payments will be made by the GGR Counterparty to the Developer, or from the Developer to the GGR Counterparty, subject to the application of the relevant payment formulae that will be set out in the GGR Agreement.</p> <p>The Developer will be required to deliver to the GGR Counterparty statements relating to carbon payments and T&S charges for each relevant "Billing Period" (being a period of one (1) calendar month), no later than [ten (10)] Business Days after the end of each Billing Period. Payments will be due to the Developer within [twenty eight (28)] calendar days after receipt of the relevant statement.¹⁹</p>
5.9	Set-Off	<p>The GGR Agreement will include reciprocal set-off rights for the Developer and the GGR Counterparty (i.e. a Party may reduce the amounts owed by them to the other Party by any amounts that are owed to them by the other Party).</p>

¹⁸ Note to Reader: 'Carbon Capture Usage and Storage - An update on the business model for Transport and Storage – indicative head of terms: explanatory note' published in June 2023 update.

¹⁹ Note to Reader: The time periods in this section are subject to further consideration by DESNZ.

No.	Subject	Terms
5.10	T&S Outage Relief Events	<p>Where an event or circumstance affecting the T&S Network prevents the Capture Plant from accessing the [full]²⁰ entry capacity to such network and this causes the Capture Plant to be unavailable or curtailed then, except where such limited or lack of access is due to any act, omission, breach or default of the Developer, a "T&S Outage Relief Event" will have occurred.</p> <p>DESNZ is currently considering the circumstances for a T&S Outage Relief Event. This includes developing the approach to 'partial outages' and its alignment with the GGR payment mechanism, having regard to the approach under the CCUS Programme Contracts. DESNZ is also considering whether a mitigation adjustment concept is appropriate to include in the GGR business model to reflect operational cost savings.</p>
6. Compliance Reporting		
6.1	GGR methodologies, including Monitoring, Reporting, and Verification ("MRV")	<p>The GGR business model will include requirements to be used to demonstrate the amount of greenhouse gas removal achieved by each project, for example:</p> <p>(a) Projects will be required to comply with GGR methodologies, including Monitoring, Reporting and Verification ("MRV"), as defined by DESNZ/the GGR Counterparty. DESNZ/the GGR Counterparty may elect to initially set GGR methodology quality thresholds rather than detailed methodologies. GGR methodology quality thresholds would specify what the projects must cover as part of their proposed methodology. Adherence to the approved methodology is a prerequisite for receiving payments for GGR Credits; and</p> <p>(b) Greenhouse Gas (GHG) reporting requirements for the relevant billing periods in order to demonstrate ongoing compliance with the GGR methodologies.</p>
7. Change in Law		
7.1	Qualifying Change in Law	<p>DESNZ is considering whether to replicate the Qualifying Change in Law ("QCIL") provisions of the AR5 CfD and the CCUS Programme Contracts, in order to provide fair and proportionate protection to Developers in respect of three categories of change in law:</p> <p>(a) "<u>Discriminatory Change in Law</u>". This is a change in law which discriminates against the Developer/a Project.</p> <p>(b) "<u>Specific Change in Law</u>". This is a change in law that specifically applies to facilities which deploy CO₂ Capture Technology and not to other facilities, or carbon capture processes carried out at, other facilities.</p> <p>(c) "<u>Other Change in Law</u>". This is a change in law that has an undue and discriminatory effect on the out-of-pocket costs incurred or saved by the Developer when compared with the</p>

²⁰ Note to Reader: DESNZ is considering this point further.

No.	Subject	Terms
		out-of-pocket costs incurred or saved by certain comparator groups QCiL protection is not available to Developers in respect of foreseeable changes in law.
7.2	QCiL Compensation	The form of the QCiL compensation provisions in the GGR Agreement is likely to be based on the AR5 CfD and the CCUS Programme Contracts and may broadly follow 'no better, no worse' principles (i.e. to place the parties in the position they would have been in had the QCiL not occurred). DESNZ is considering how such QCiL compensation should be calculated.
7.3	Qualifying Shutdown Events	For shutdown events, DESNZ is considering whether to follow the AR5 CfD and other CCUS Programme Contracts, providing a level of compensation for the Developer if a QCiL Construction Event or a QCiL Operations Cessation Event occurs. DESNZ is considering how any such compensation should be calculated.
7.4	Change in Applicable Law	The change in applicable law provisions in the GGR Agreement are likely to follow the AR5 CfD and the CCUS Programme Contracts whereby the GGR Counterparty will be entitled to propose amendments to the GGR Agreement where any new law, or a change to the manner in which an existing law is interpreted or applied, renders the GGR Agreement illegal, invalid, unenforceable or inoperable.
8.	Representations, Warranties and Undertakings	
8.1	Representations , Warranties	The GGR Agreement is likely to follow the AR5 CfD in respect of the representations and warranties that both the Developer and the GGR Counterparty are required to provide to each other on the Agreement Date and the Start Date. DESNZ is also considering whether further bespoke representations, warranties and undertakings unique to the GGR business model will be required in the GGR Agreement.
8.2	Developer's General Undertakings	<p>Based on the AR5 CfD and the CCUS Programme Contracts general undertakings, the Developer will provide various general undertakings to the GGR Counterparty, including:</p> <p>(a) <u>Compliance with Laws and Directives</u>: The Developer shall at all times comply with all laws and directives to which it may be subject, if a failure to do so would have or would reasonably be expected to have a material adverse effect.</p> <p>(b) <u>Required Authorisations</u>: The Developer shall: (i) promptly obtain all required authorisations; (ii) at all times perform, comply with and satisfy all conditions of, and all obligations and liabilities under, all required authorisations; and (iii) do all that is necessary to maintain in full force and effect all required authorisations, to the extent, in each case, that failure to do so would have or would reasonably be expected to have a material adverse effect.</p> <p>(c) <u>Industry Documents</u>: The Developer shall at all times comply with all terms of those industry documents to which it is a party or by which it is bound if failure to do so would have or would reasonably be expected to have a material adverse effect.</p>

No.	Subject	Terms
		<p>(d) <u>Insolvency Action</u>: The Developer shall not petition, apply for, institute, support or vote for the administration, winding-up or liquidation of the GGR Counterparty or seek any other relief as against the GGR Counterparty under any administration, insolvency or bankruptcy law or similar law affecting creditors' rights generally.</p> <p>(e) <u>Ownership</u>: The Developer shall at all times be the legal and beneficial owner of the Facility, subject only to any third party rights arising by reason of any security interest created or subsisting over or in respect of the Facility.</p>
8.3	Developer's Metering Undertakings	DESNZ is considering the metering requirements for the GGR Agreement, including the extent to which incorporating, and ensuring consistency with, the AR5 CfD electricity metering undertakings and CCUS Programme Contracts carbon metering undertakings is appropriate.
8.4	Collateral Requirement	The GGR Agreement is likely to follow the AR5 CfD in requiring a Developer who fails to pay a 'net payable amount' (i.e. where the Reference Price exceeds the Strike Price) to the GGR Counterparty on a number of occasions to provide a specified amount of collateral. Further collateral requirements similar to those in the Waste ICCC (as applicable) may also be introduced depending on the final structure of the payment mechanism and the interplay with GGR Credits being sold or retained.
9.	Force Majeure	
9.1	Force Majeure Relief	<p>The GGR Agreement is likely to follow the provisions of the AR5 CfD and other CCUS Programme Contracts, whereby the Developer will be entitled to day-for-day extensions of time (pre-Start Date) and relief from performance of its GGR Agreement obligations where a Force Majeure event occurs which is beyond the Developer's control and which could not have been reasonably avoided or overcome by the Developer.</p> <p>As with the AR5 CfD and other CCUS Programme Contracts, such protection will not apply where the relevant event is caused by the Developer's fault or negligence, or where the relevant event occurred before the Agreement Date. The T&S Outage Relief Events, T&S Commissioning Delay Events and T&S Prolonged Unavailability Events will also be excluded from the Force Majeure protection and will be subject to a separate regime under the GGR Agreement.</p>
10.	Other	
10.1	Reporting and Confidentiality	<p>The confidentiality provisions in the GGR Agreement are likely to be based on the AR5 CfD and the CCUS Programme Contracts, and will reflect the principle that no provision of the GGR Agreement will be considered to be confidential, and thus either Party will be free to disclose any such provision. This will extend to the Project-specific provisions that are included in the front end agreement of the GGR Agreement (including, for example, the Strike Price, the Longstop Date, and the "Total Project Pre-Commissioning Costs"). However, this ability to disclose will exclude:</p> <p>(a) "Developer Confidential Information" which includes:</p>

No.	Subject	Terms
		<p>(i) commercially sensitive information such as corporate strategy or proprietary information;</p> <p>(ii) any information that is disclosed during negotiations in relation to whether a QCiL has in fact occurred or not; and</p> <p>(iii) any information that emerges in relation to any negotiations, discussions and correspondence in connection with the GGR Agreement.</p> <p>(b) "GGR Counterparty Confidential Information" which includes all information relating to Government policy relevant to the GGR Agreement which the Developer, or any of its representatives, receives in relation to the GGR Agreement.</p> <p>The GGR Counterparty/Developer will not be permitted to disclose or make use of such Developer Confidential Information/ GGR Counterparty Confidential Information without the other Party's written consent, unless the GGR Counterparty/Developer (as applicable) plans to use/disclose that information to fulfil one of the permitted purposes set out in the GGR Agreement.</p> <p>DESNZ is considering: (i) the specific permitted purposes required for the GGR Agreement; and (ii) what project-specific information (other than the information set out in the front end agreement of the GGR Agreement) will be published.</p>
10.2	Assignment	<p>A Developer will not be permitted to transfer or assign its rights or obligations under the GGR Agreement unless:</p> <p>(a) it has obtained the GGR Counterparty's prior written consent to such transfer/assignment; and</p> <p>(b) it transfers ownership of the Facility to the same transferee at the same time as the GGR Agreement is transferred/assigned.</p> <p>Any transfer effected, or purported to be effected, in breach of this restriction shall be ineffective and void and will give the GGR Counterparty the right to terminate the GGR Agreement.</p> <p>However, a Developer will be permitted to assign all (but not part only) of its rights and benefits under the GGR Agreement by way of security to or in favour of a lender, by giving advance written notice to the GGR Counterparty.</p>
10.3	Dispute Resolution Procedure	<p>The GGR Agreement is likely to follow the dispute resolution procedure detailed in the AR5 CfD and the CCUS Programme Contracts, with disputes escalated to a meeting of senior representatives followed by final resolution by expert determination or arbitration. DESNZ is considering the procedure for metering disputes.</p>
10.4	Subsidy Control	<p>The GGR Agreement will replicate the AR5 CfD provisions in relation to subsidy control. These provisions include a prohibition on subsidy cumulation in respect of the costs of the Project and an obligation for the Developer to repay any subsidy it receives in relation to the costs of the Project other than the GGR Agreement subsidy (with specified exemptions).</p>

No.	Subject	Terms
		<p>The GGR Agreement may adopt the amendments made to the AR5 CfD provisions in the CCUS Programme Contracts to reflect particular carve-outs to the no cumulation of subsidy position, provided that support is not given for the same Project costs. Alternatively, the GGR Agreement may adopt amendments whereby any subsidy the Project receives under another Approved Scheme of Funding, in respect of the same Project costs, will be deducted from the GGR Agreement subsidy. DESNZ is further considering its approach to subsidy cumulation in respect of Project costs that may be eligible for subsidy under both the GGR Agreement and another subsidy scheme. This is to ensure that the GGR Agreement is compliant with relevant subsidy control rules.</p> <p>Subject to any such carve-outs, a breach of the subsidy cumulation warranty or a failure to comply with the subsidy cumulation undertaking will give the GGR Counterparty the right to suspend all payments under the GGR Agreement.</p>
10.5	Limited Recourse Arrangements	<p>The GGR business model will be taxpayer funded including the payment of the Difference Amount and T&S Charges, where the liability of the GGR Counterparty will be limited by reference to the Funding Mechanism to be entered into between the GGR Counterparty and HMG.</p>
10.6	Boilerplate Provisions	<p>The GGR Agreement will contain standard and miscellaneous provisions, largely following the AR5 CfD and the CCUS Programme Contracts, including provisions relating to:</p> <ul style="list-style-type: none"> (a) intellectual property rights; (b) marketing, publicity or communication; (c) notices; and (d) governing law.
10.7	Developer's Supply Chain Reporting	<p>The GGR Agreement will follow the proposed supply chain reporting requirements in the CCUS Programme Contracts. This will require the Developer to provide a report on economic benefits and its supply chain to the GGR Counterparty by the following deadlines:</p> <ul style="list-style-type: none"> (a) 1st report by the Milestone Delivery Date; (b) 2nd report by the 3rd anniversary of the Start Date (i.e. after the Project becomes operational); (c) 3rd report by the 7th anniversary of the Start Date; and (d) 4th report by the 11th anniversary of the Start Date. <p>A breach of this reporting obligation may result in a fee being levied against the Developer, which would be deducted from future payments made by the GGR Counterparty to the Developer.</p>

SECTION C – DEFINITIONS

In this document capitalised terms not otherwise defined, shall have the following meaning:

Term	Definition
Adjusted Capture Period	means a period during the Term in which the Metered CO ₂ Output to T&S from the Facility is reduced or increased as a direct result of a Qualifying Change in Law.
Agreement Date	means the date set out in the front end agreement of the GGR Agreement.
Alternative T&S Network Solution Plan	means a plan developed by the Developer setting out the required milestones and actions in order to connect the Facility to an alternative CO ₂ T&S Network Delivery Point and/or alternative T&S Network (either directly by pipeline, or indirectly by other means of transportation), in order to remedy a T&S Prolonged Unavailability Event.
Approved Scheme of Funding	means a funding scheme approved by the GGR Counterparty (to be negotiated on a project-by-project basis).
Billing Period	means a period of one (1) calendar month.
Business Days	means a day (other than a Saturday or a Sunday) on which banks are open for general business in London.
Capture Plant	means the part of the Facility which is designed, constructed and operated for the purpose of capturing and exporting CO ₂ (or any substance consisting primarily of CO ₂).
CO₂ Capture Technology	means technology which is installed or implemented pursuant to the CCUS Programme and which: <ul style="list-style-type: none"> (a) captures some or all of the CO₂ or any substance consisting primarily of CO₂; and (b) temporarily stores, processes and exports CO₂ (or any substance consisting primarily of CO₂) for permanent storage; or (c) carries out any other process which is preparatory or ancillary to limbs (a) and (b) of this definition.
CO₂ Utilisation	means any process or method which: (i) uses or intends to use any captured CO ₂ from the Facility as a feedstock; or (ii) sells or intends to sell captured CO ₂ , in each case excluding any captured CO ₂ (or any substance consisting primarily of CO ₂) from the Facility that is directed to a T&S Network.
Default Termination Event	refers to the termination events set out in item 4.3 (<i>Developer Default Termination Event</i>).
Developer	the developer counterparty to the GGR Agreement, as defined in the front end agreement of the GGR Agreement.

Term	Definition
Developer Confidential Information	has the meaning given to that term in item 10.1 (<i>Reporting and Confidentiality</i>).
Difference Amount	has the meaning given to that term in item 5.2 (<i>Difference Payment</i>).
Facility	means the Capture Plant and all necessary interfaces and any other facilities or equipment for the safe, efficient, timely and economical operation of the plant in a manner to satisfy fully the requirements under the GGR Agreement.
Funding Mechanism	means [<i>the relevant documentation</i>] ²¹ which makes provision for HMG to make payments to the GGR Counterparty for the purpose of ensuring that the GGR Counterparty is in sufficient funds to meet its liabilities in full pursuant to the GGR Agreement.
GGR Counterparty	means the person designated as a counterparty for the GGR Agreement.
GGR Counterparty Confidential Information	has the meaning given to that term in item 10.1 (<i>Reporting and Confidentiality</i>).
Initial Conditions Precedent	means the conditions precedent set out in item 3.4 (<i>Initial Conditions Precedent</i>).
Longstop Date	means the last day of [<i>a period to be determined</i>] following the final day of the Target Commissioning Window.
Milestone Delivery Date	means a date [<i>a period to be determined</i>] after the Agreement Date.
Milestone Requirement	has the meaning given to that term in item 3.5 (<i>Milestone Requirement</i>).
Milestone Satisfaction Date	means the date of the notice from the GGR Counterparty to the Developer specifying that the Developer has complied with and fulfilled a Milestone Requirement.
MRV or Monitoring, Reporting and Verification	has the meaning given to that term in item 6.1 (<i>Monitoring, Reporting, and Verification</i>).
Operational Conditions Precedent	means the conditions precedent set out in item 3.6 (<i>Operational Conditions Precedent</i>).
Project	means the design, development, construction, completion, testing, commissioning, operation, maintenance and decommissioning of the [Facility].

²¹ Note to Reader: DESNZ is considering what documentation will be put in place to confirm that HMG will provide funding to the GGR Counterparty to enable the GGR Counterparty to make payments pursuant to the GGR Agreement.

Term	Definition
QCIL Construction Event	has the meaning given to that term in item 4.12 (<i>Qualifying Change in Law Termination</i>).
QCIL Operations Cessation Event	has the meaning given to that term in item 4.12 (<i>Qualifying Change in Law Termination</i>).
Qualifying Change in Law or QCIL	means a change in law consistent with the principles set out in item 7.1. [<i>This definition is still under development but is likely to follow the form set out in the CCUS Programme Contracts. See item 7.1 for further detail.</i>]
Reference Price	means the price intended to represent the market price or achieved sales price for selling GGR Credits. [<i>This definition is still under development. See item 5.4 for further detail.</i>]
Start Date	means the date on which the Developer notifies the GGR Counterparty that the Operational Conditions Precedent have been fulfilled (or waived by the GGR Counterparty).
Strike Price	means the price that may comprise a Developer's capex and opex associated with the construction and operation of the Facility and an allowed return on investment. [<i>This definition is still under development. See item 5.3 for further detail.</i>]
T&S Cessation Event	has the meaning given to that term in item 4.10 (<i>Termination for T&S Prolonged Unavailability</i>).
T&S Commissioning Delay Event	means an event or circumstance that prevents or delays the development, construction, completion, and/or commissioning of the relevant T&S Network and as a result prevents or delays the Facility from exporting captured CO ₂ to the relevant T&S Network (except to the extent that such event or circumstance arises out of or in connection with an act, omission breach or default of the Developer or its Representatives, including any breach by the Developer or its Representatives of an Industry Document). This includes but is not limited to the failure of the relevant T&S Operator to carry out in a timely manner: (A) any connection works specified in the T&S Construction Agreement; or (B) any required works to the relevant T&S Network in order for the Facility to export captured CO ₂ to the relevant T&S Network.
T&S Network	means a network including, but not limited to: <ul style="list-style-type: none"> (a) pipelines used for the transportation of captured CO₂ (or any substance consisting primarily of CO₂) from one capture plant to a storage facility or to or from any captured CO₂ (or any substance consisting primarily of CO₂) pipeline network; and/or (b) storage facilities for the permanent storage of captured CO₂ (or any substance consisting primarily of CO₂),

Term	Definition
	owned and operated by a T&S Operator within the United Kingdom, which may include onshore and offshore components and which, for the avoidance of doubt, shall not include any pipelines, routes or storage facilities for CO ₂ Utilisation.
T&S Operator	means a licensed company operating and maintaining a T&S Network.
T&S Outage Relief Event	has the meaning given to that term in item 5.10 (<i>T&S Outage Relief Events</i>).
T&S Prolonged Unavailability Event	has the meaning given to that term in item 4.10 (<i>Termination for T&S Prolonged Unavailability</i>).
T&S Prolonged Unavailability Remediation Deadline	has the meaning given to that term in item 4.10 (<i>Termination for T&S Prolonged Unavailability</i>).
Target Commissioning Window	means the [twelve (12)] months period commencing on a date to be agreed on a project-by-project basis and set out in the front end agreement.
Total Project Commissioning Costs	this shall be set on a project-by-project basis and agreed during negotiations