

Re-use of oil and gas assets for carbon capture, usage and storage projects:

Decarbonised Gas Alliance response

September 2019

Consultation questions

Please note that this response provides answers to some of the questions only.

1: Have we identified the correct types of oil and gas infrastructure that are likely to be important for re-use in CCUS projects?

Yes, although the suitability of assets will need to be determined on a case-by-case basis.

It would also be sensible to consider onshore infrastructure, given that the UK has, for example, onshore salt cavern storage facilities and a number of older onshore oil and gas sites, that could potentially be re-purposed. It would also be sensible to consider the UK's network of onshore pipelines, compressor stations and shipping facilities to see whether any would have the potential to be re-purposed for CO₂ transport.

2: Are there additional or different criteria that would need to be considered when assessing whether a piece of offshore infrastructure is re-useable as part of a CCUS project?

We think the key criteria have been identified. Within the **location** criterion, the potential for licence area overlaps needs to be considered, including with adjacent producing oil and gas fields, offshore wind licences, and offshore aggregates licences.

4: Are there any additional substantial barriers to the effective transfer of assets? If yes, please provide evidence for your answer.

We agree with the barriers identified. In addition, we would highlight:

The current lack of an overall strategic view: Without a strategic view of how much CO₂ will need to be stored from each region, beyond the first projects, it is difficult to know whether offshore assets may be needed for CCUS. It is possible that multiple transfers of assets, affecting multiple offshore companies, will be needed. Currently, however, if an offshore asset is not earmarked for an existing project, there is no certainty on whether it will be needed for a second wave of projects. The Committee on Climate Change's net zero report found that 75-175 million tonnes of CO₂ will need to be captured and stored by 2050, which is significantly greater than combined capture levels envisaged in the first crucial industrial cluster projects.

Uncertainty about asset suitability: CO₂ is, put simply, more difficult to handle than oil or gas, and therefore an assessment will need to be made on the suitability of each individual asset for repurposing for CCUS. It may be easier for operators to decommission, rather than go to the

expense of an assessment for re-purposing, especially given the uncertainty on whether the asset will be needed.

5: Are changes to the current policy and legislative regimes needed to help facilitate the re-use of oil and gas assets for use as part of a CCUS project?

We agree that policy and legislative changes are needed, but we would question why it is envisaged that they would only apply to pipelines and wells (as stated in paragraph 23). Indeed, in paragraph 15, platforms and other infrastructure are mentioned as having potential for re-use, so it seems odd and counter-productive to exclude them.

All infrastructure that has the potential for re-use should be included in the scope of policy and legislative change, and the new policy/legislation should be applied on a case by case basis.

6: Do you agree that the proposed policy is an effective and proportionate measure?

We agree that the proposed policy would be effective and proportionate, but we have two fundamental caveats:

Types of asset: Clarification should be made that all types of offshore asset, including platforms and other infrastructure, would be eligible for Change of Control Relief if suitable for CCUS re-use and if transferred to a CCUS project. Otherwise the proposed policy is too narrow in scope, and hence less effective.

Liabilities: We do not agree that the policy should only be used “in situations in which the total liability the UK Government may face is no greater than the total liability prior to the transfer of the asset(s) to the CCUS project” (paragraph 26). In practice, we believe this is an impossible goal to meet, and if applied strictly, would mean that Change of Control relief would never be used, negating the whole point of the policy. This is because using Change of Control Relief will increase the liability to the Government, for two reasons:

- CCUS assets are likely to be more expensive to decommission than oil and gas assets, due to CO₂ being more difficult to handle than hydrocarbons and hence greater controls being put in place to prevent leaks post-decommissioning. The **decommissioning liability will therefore increase.**
- By removing liability for decommissioning from the previous asset owners, there will be no private sector operators to pick up the liability for decommissioning if the current asset owner goes insolvent. This means that the **risk of government incurring the liability will also increase.**

These risks to government can be mitigated through insurance and through rigorous financial capability assessments of CCUS asset owners, but they will be greater than if the asset is not transferred to a CCUS project, or Change of Control Relief is not implemented. We therefore think that the condition in paragraph 26 (and also mentioned in paragraph 37) should be removed.

We also think that an alternative policy would be for the Government to acquire offshore assets and repurpose them for CCUS. The government body would be paid a fee from offshore oil and gas operators for the decommissioning liability to be taken off their hands.

7: What event should be used as the point at which the Secretary of State could make a decision on removal of decommissioning obligations to previous duty holders?

Of the three events listed in paragraph 38, the most sensible Trigger Event would be the first one: “The point at which ownership of the asset is transferred from the previous owners and operators to the CCUS project.” By choosing this Trigger Event, it would give certainty for the owner of the asset being transferred, and therefore facilitate transfer of assets in this way.

We also believe that both the buyer and seller of the asset would need confidence beforehand that Change of Control Relief would be applied – the risk of a situation where an asset is transferred, and Change of Control Relief is not forthcoming, would provide a deterrent to the transfer of assets. Therefore, a notice of intent or similar mechanism would be needed earlier in the process to provide clarity that Change of Control Relief would be applied in practice.

8: To what extent would the removal of the liability on previous owners to decommission a pipeline when it is transferred to a CCUS project encourage such a transaction?

We believe that it would greatly encourage the transfer of assets for CCUS. However, this is subject to the caveat about requiring a strategic view of how much CO₂ will need to be stored from each region, beyond the first projects, so that it can be possible to determine whether offshore assets may be needed for CCUS (see our answer to Question 4). Without a strategic view, and therefore any certainty about whether their assets may or may not be needed for CCUS, offshore operators may find it easier just to decommission.

Appendix: About the Decarbonised Gas Alliance

The Decarbonised Gas Alliance (DGA) is an alliance of almost 50 gas producers, transporters, suppliers and users, hydrogen and carbon capture experts, alongside R&D, supply chain, trade union and local government specialists whose knowledge and expertise will be vital in decarbonising the UK's gas system and improving poor air quality.

Our aim is to work with all levels of government and with other expert organisations to use the gas system as a whole to help deliver our emission reduction and air quality goals. We believe that decarbonising gas – including biogases and hydrogen from a variety of low carbon methods – would make best use of our existing infrastructure and lower the overall costs of decarbonisation.

The DGA is a broad-based alliance, established in late 2016, and has now expanded to 48 signatory organisations, which are listed in full in the diagram below. The DGA secretariat is managed by DNV GL, a global specialist firm which provides advisory, certification and other technical assurance solutions covering a range of energy sources.

We welcome the opportunity to provide our views on the re-use of oil and gas assets for CCUS projects, and we are happy to provide further detail, if this would be useful to BEIS.

