

# Setting the scene

What's different about structuring CCUS projects in the UK this time round?

11 May 2022



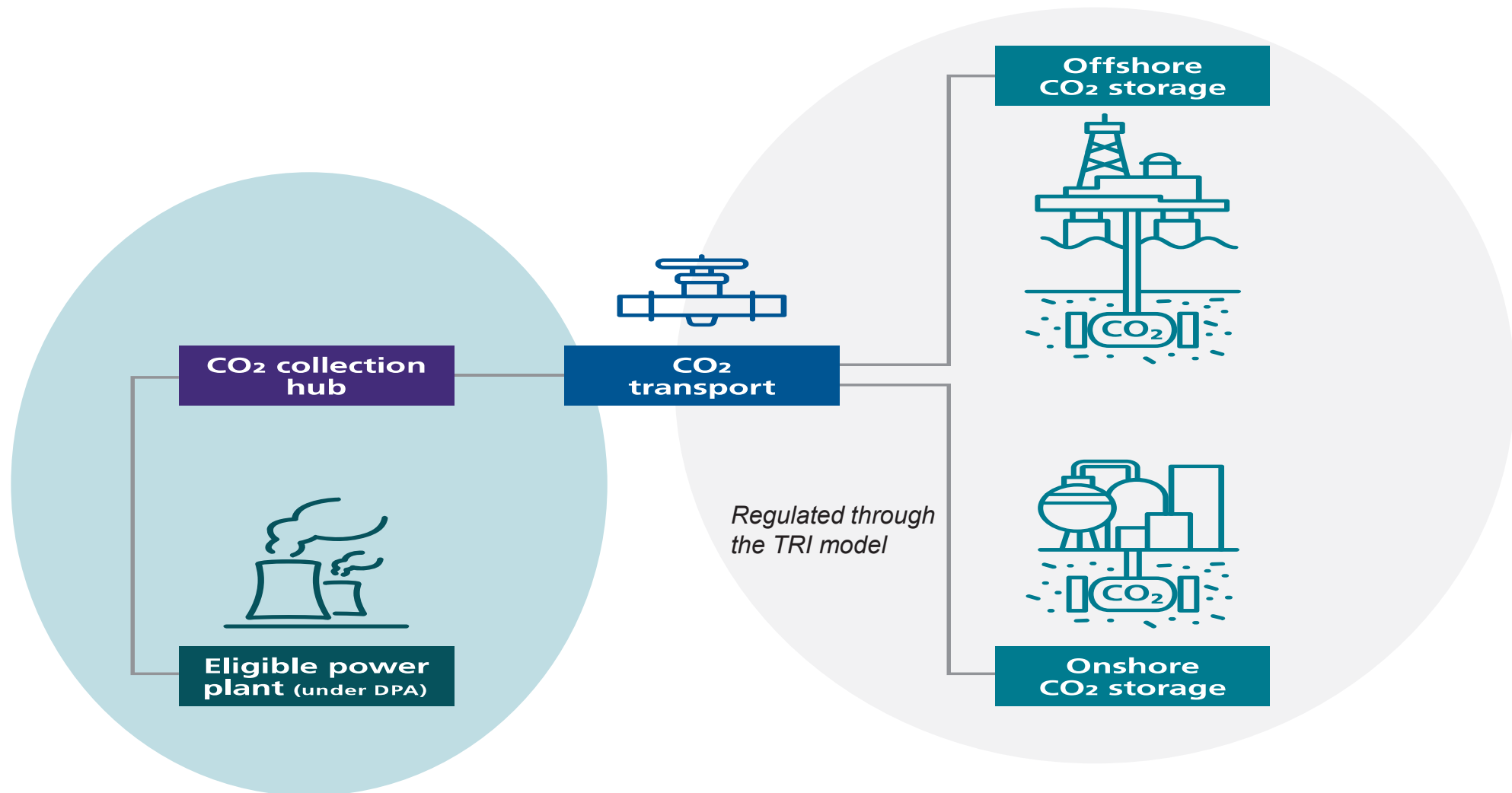
**Dalia Majumder-Russell**  
Partner, CMS Energy and Climate Change

Tel: +44 20 7367 3634  
Email: [dalia.majumder-Russell@cms-cmno.com](mailto:dalia.majumder-Russell@cms-cmno.com)

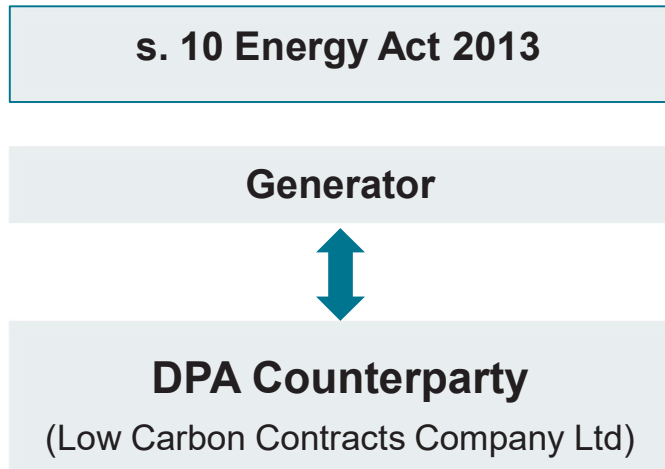
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# The Split Chain Model

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# DPA Business Model



## Key Terms:

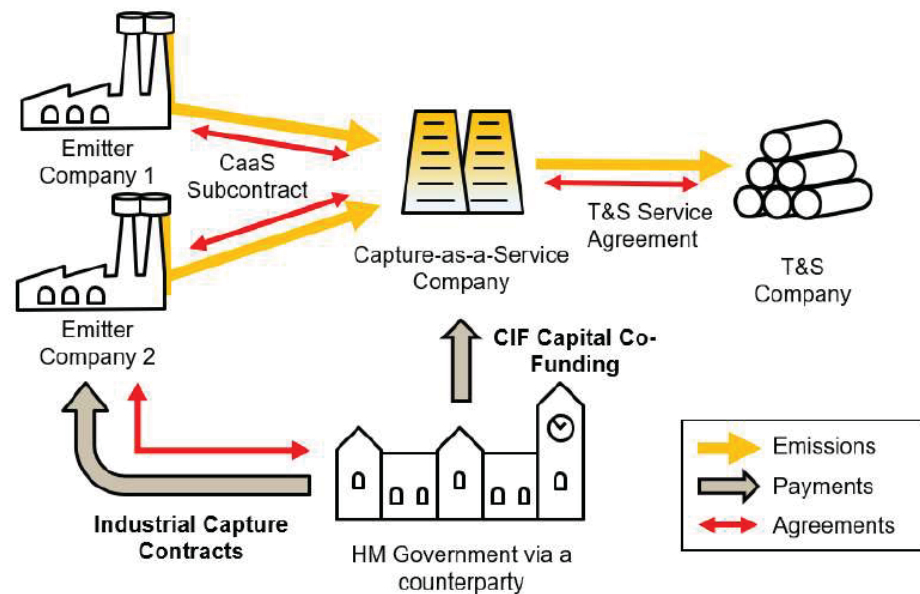
- 10-15 year term
- Conditions Precedent:
  - Operational conditions precedent
  - Project commitments
  - Milestone requirements
- Payment structure: availability payment and variable payment

Criteria	OCP Acceptance Test Threshold	Longstop Date Acceptable Test Threshold
Net Dependable Capacity (“NDC”)	85% of NDC Estimate	90% of NDC Estimate
CO <sub>2</sub> Capture Rate	-10 percentage points compare to CO <sub>2</sub> Capture Rate Estimate (with floor of 80%)	-5 percentage points compare to CO <sub>2</sub> Capture Rate Estimate (with floor of 85%)
Plant Net Efficiency	90% of Plant Net Efficiency Estimate	95% of Plant Net Efficiency Estimate
Start Up Times	125% of Start Up Time Estimates	125% of Start Up Time Estimates

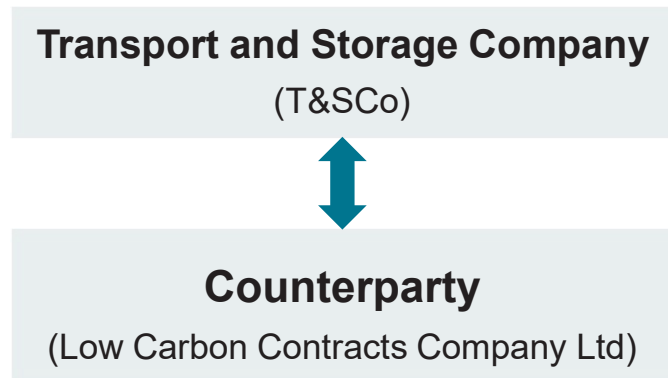
# Industrial Carbon Capture Business Model

## Key Terms:

- 10 year term (+ 5 year ext. option)
- Conditions Precedent:
  - Operational conditions precedent
  - Project commitments
  - Milestone requirements
- Payment structure: capex payment and opex payment
- Capture as a service



# TRI Model and Licence



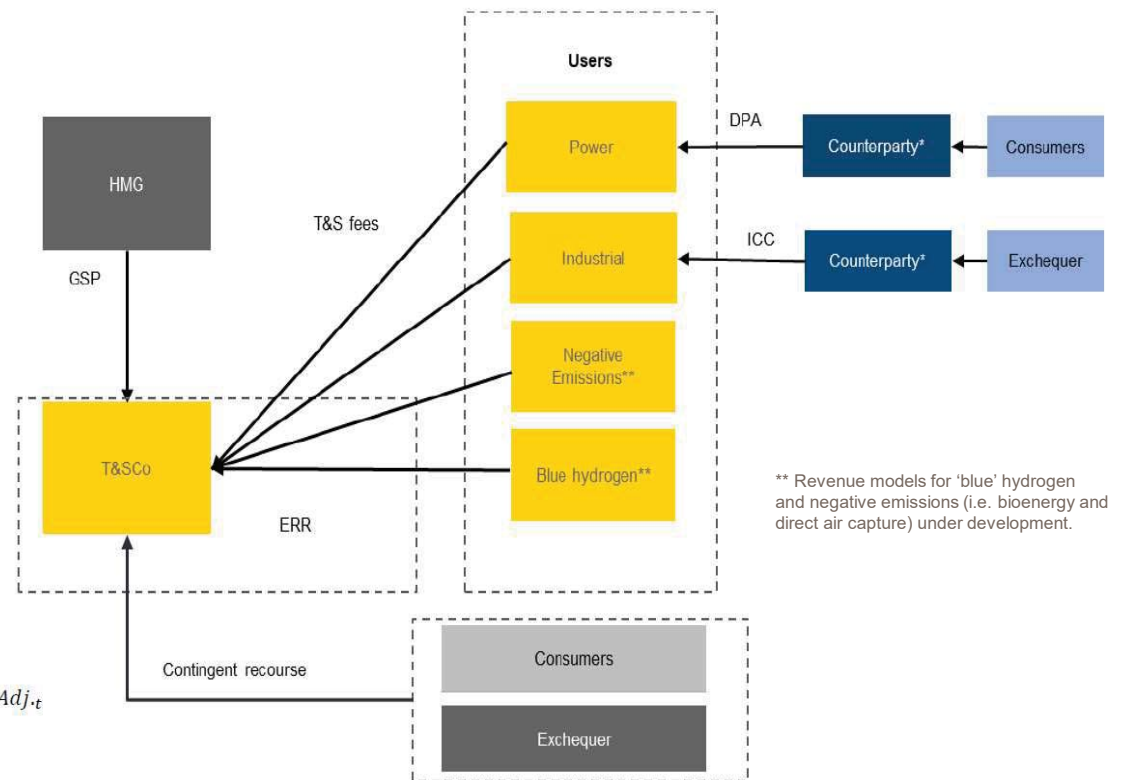
## Key Elements:

- Revenue model – user pays
- Economic Regulatory Regime (“**ERR**”) – outputs and incentives
- Government Support Package

$$Allowed\ Revenue_t = RoC_t + Depr._t + Opex_t + Decom._t + Tax_t + Adj._t$$

Where,

$$RoC_t = RAV_t \times WACC_t$$



Source: BEIS

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## Government Support Package

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The GSP provides a degree of support to T&SCo against certain low probability, high impact risks:

- Leakage of CO<sub>2</sub>
- Stranded Asset Risk

Documents comprising the GSP	Key terms
<b>Supplementary Compensation Agreement</b> – <i>pursuant to which gov provides compensation to licensee under certain circumstances.</i>	<ul style="list-style-type: none"><li>• Covers loss resulting from CO<sub>2</sub> leakage.</li><li>• Applies if commercial insurance is unavailable or has been exhausted.</li><li>• Interaction with RAV.</li><li>• Excessive claims under SCA trigger gov. option to discontinue.</li></ul>
<b>Discontinuation Agreement</b> – <i>pursuant to which gov can discontinue support under certain circumstances.</i>	<ul style="list-style-type: none"><li>• Gov can discontinue support in the case of (i) stranded asset, (ii) calls under SCA exceed threshold or (iii) SCA support unsustainable.</li><li>• Equity and debt compensation upon discontinuation.</li></ul>
<b>Liaison Agreement</b>	<ul style="list-style-type: none"><li>• Governance and information flow framework between T&amp;SCo and gov.</li></ul>



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