

## **The Crown Estate's revised policy on granting of CO<sub>2</sub> storage rights**

The Crown Estate's policy has been, on an ad hoc basis, to consider the grant of Agreements for Lease (Afls) in respect of a particular area of the continental shelf to any applicant who has applied for (but has not necessarily yet won) funding from UK and EU competitions (whether or not currently in existence) conducted by public authorities for the purposes of providing financial assistance to carbon capture and storage projects, including part chain projects such as storage site exploration, appraisal and development. Afls provide a time-limited option for the grant of a storage site lease.

Competitions meeting this condition have included the European Energy Programme for Recovery (EEPR), phases 1 and 2 of the New Entrant Reserve (NER300) Programme, and the Department of Energy and Climate Change competition to support the UK's CCS delivery Programme.

In order to facilitate options for further development of CO<sub>2</sub> transport and storage infrastructure during the non-commercial early stage of the CCS sector, The Crown Estate has reviewed its policy and will now extend it beyond applicants participating in EU or UK competitions. Specifically, The Crown Estate is now willing to consider grants of Afls for CO<sub>2</sub> storage proposals in aquifers or depleted hydrocarbon reservoirs, and for CO<sub>2</sub> enhanced hydrocarbon recovery (EHR) projects if storage rights are required for those projects to proceed. The Crown Estate will assess each such application on a case-by-case basis taking into consideration the rights of existing petroleum licence holders and the proposition being made by the applicant for the granting of storage rights, including (but not limited to) the planned contribution to UK CCS infrastructure development.

The assessment criteria we will use will be aligned with those of the Department of Energy and Climate Change (DECC) Office of CCS approach to project selection in its document *Carbon Capture and Storage Commercialisation Programme: Invitation to Participate in Discussions* (3 April 2012). The criteria will also be consistent with the requirements placed on operators by the EU Directive 2009/31/EC of 23 April 2009 on the Geological Storage of Carbon Dioxide. As part of the assessment process we will liaise with the competent authority granting a licence for exploration activities according to its published criteria. Our objective in this process will be to increase the likelihood that granted rights will lead to investment in storage characterisation and development, and in a manner that it is consistent with regulatory requirements and industry best practice.

The Crown Estate will advertise proposals to grant Afls for a three month period on its website, [on the Oil & Gas UK and British Geological Survey websites] and in the newsletter of the Carbon Capture and Storage Association. This process will give all interested parties notice that The Crown Estate intends to further its approach to the case by case grant of CO<sub>2</sub> rights with the grant of Afls consistent with the policy extension stated above for a specified site and therefore that the site will no longer be available to subsequent CCS applicants for the duration of the Afl. The Crown Estate believes that this policy could help to speed up the development of carbon storage projects.

The Crown Estate is aware that its policy raises the possibility that multiple applicants could apply for an Afl in respect of the same area of the continental shelf or that third parties could raise objections to the proposed grant of an Afl.

If there were multiple valid applications or valid objections, The Crown Estate reserves its right not to grant an Afl to any applicant, depending on the circumstances of each particular case within the criteria set out above. Applicants who wish to participate in funding competitions will still be able to

enter such competitions and develop their storage proposal according to the relevant competition timetable. In such situations The Crown Estate will only grant an AfL once the authority conducting the competition makes a selection decision.

We are keen to support the development of CO<sub>2</sub> storage projects and understand that it may be necessary for a developer applying for public or private funding to demonstrate how they will obtain the necessary rights to store CO<sub>2</sub> at a specific site. If a public funding competition requires a demonstration of rights as a condition of entry, we will offer a conditional AfL to a developer before they apply to the competition. If an applicant cannot satisfy this condition during the life of the AfL, it will not be in a position to exercise the option. Where appropriate, we can also support funding applications by setting out the process by which we will grant storage rights in a letter that can be submitted as part of a prospective developer's application for funding.

A standard form of AfL and lease is available on our website. We recognise these standard forms may need to be adapted and we will be open to amendment depending on individual project proposals. Any such rights granted by us will also be conditional upon an applicant obtaining both a suitable carbon storage permit from the relevant competent authority together with obtaining any other necessary consents.

The Crown Estate is undertaking work to assess the ways that competitive access to offshore storage sites/rights can be provided to deliver optimal outcomes for the CCS sector and deployment of infrastructure. Our policy will be reviewed at regular intervals in conjunction with seeking industry views as the sector matures.