



North Sea
Transition
Authority

North Sea Transition Authority
(NSTA) approach to assessing
Financial Soundness of Track
1 cluster Transport & Storage
Companies (T&SCos)
to hold an NSTA carbon dioxide
storage permit

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Published by the North Sea Transition Authority

1. This document sets out the NSTA's expectations for Track 1 T&SCos with respect to assessing the Financial Soundness of the proposed Storage Operator as part of an application for a storage permit, as required by regulation 7 of The Storage of Carbon Dioxide (Licensing etc.) Regulations 2010 (the **Regulations**). Given the developing nature of the carbon storage regime, the NSTA may alter its approach to this requirement and where it does so the NSTA will endeavour to explain this in writing and to keep the Track 1 T&SCos informed of any such changes. The content of this document is not a substitute for any regulation or law and is not legal advice. It does not have binding legal effect. If an applicant anticipates that it will be unable to meet any of the expectations or provide any of the information set out below this should be raised promptly with the NSTA.
2. The NSTA has an established approach for assessing the financial capability of licensees holding an NSTA petroleum licence. This is set out in its financial guidance (**Financial Guidance**) which can be found at [financial-guidance-august-2018.pdf](https://www.nstauthority.co.uk/financial-guidance-august-2018.pdf) ([nstauthority.co.uk](https://www.nstauthority.co.uk)). The Authority applied the general principles set out in this guidance to the financial assessments that were performed for the 1st CS Licencing round during 2023, specifically for the awarding of a carbon storage licence in its appraisal term. The NSTA will apply those same general principles for the Track 1

T&SCos when considering whether the proposed Storage Operator¹ is financially sound at the point of applying for a Storage Permit under the NSTA's Carbon Storage Licence (**CS Licence**). As such, this document should be read in conjunction with the Financial Guidance. It is recognised that, for the Track 1 T&SCos, it is expected that it will be the T&SCo entity itself which will apply to be approved as the Storage Operator.

3. In following the principles in the Financial Guidance, when considering whether the proposed Storage Operator is financially sound with respect to fulfilling the obligations under the Storage Permit, the NSTA will expect applicants to be able to evidence to the Authority that, at the time the Storage Permit is granted, they will have:
 - 3.1. Mechanisms to address the financial security requirements set out in the Regulations. This includes but is not limited to:
 - 3.1.1 Where this is to include a Parent Company Guarantee, or other financial security instrument, this will be required to be in a form acceptable to the NSTA;
 - 3.1.2 An Economic Licence² granted or to be granted by the Secretary of State;

¹ This is defined in The Storage of Carbon Dioxide (Licensing etc.) Regulations 2010 as follows: "operator", in relation to a storage permit, means the person who carries on or (where different) controls activities at the storage site'.

² This is a reference to the licence to be granted by the economic regulator under s. 7(1) Energy Act 2023.

- 3.1.3 Evidence that the applicant is a party to all elements of the Transport & Storage Regulatory Investment (**TRI**) business model, as applicable;
- 3.1.4 All expected insurances in place in a form acceptable to the NSTA (including but not limited to insurance to cover the costs of CO₂ leakage and subsequent remediation);
- 3.2 Unconditional (except in relation to grant of the Storage Permit, the Economic Licence or becoming a party to all elements of the TRI and any other agreements or arrangements that will come into effect at the time of these events occurring) access to all sources of debt or new shareholder equity funding being raised that are required to fulfil the commitments and comply with the obligations of the relevant CS Licence and Storage Permit;
- 3.3 The T&SCo's financial plan prepared as part of obtaining external funding and the Economic Licence. This will be expected to demonstrate the ability of the Storage Operator/ T&SCo to consistently maintain sufficient liquidity through the life of the CS Licence (including through to close, post-closure and the eventual handover of the CS Licence to government), given clear assumptions on economic returns and revenue generation, operational and capital expenditure, payments into any decommissioning fund and all committed and anticipated funding costs. The plan is expected to be provided under base case assumptions and also any stress scenarios that have been prepared and presented.
4. The NSTA will also expect the T&SCo (in its capacity as proposed Storage Operator) to provide:
- 4.1 Its latest set of publicly filed accounts (if any have been filed);
- 4.2 Management accounts from the date of the last set of filed accounts or corporate formation (whichever the most recent);
- 4.3 A forecast balance sheet at the point in time immediately following the date the T&SCo anticipates the granting of the Storage Permit;
- 4.4 Evidence of a corporate governance structure that is compliant with the NSTA's published requirements and those of the Economic Licence;
- 4.5 Confirmations that the relevant individuals that are required to be compliant with the NSTA's published fit and proper requirements³ and those of the Economic Licence meet those expected standards.

³ The evidence and confirmations requested here being in support of the requirements of the NSTA's Guidance on Applications for a Carbon Storage Permit (November 2023).



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