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Transition  
Authority

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## SANCTION NOTICE

To: CATS North Sea Limited  
Company Number: 09250798

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London  
United Kingdom  
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Date: 28 January 2026

### 1. SANCTION NOTICE

- 1.1. This Sanction Notice is given to CATS North Sea Limited ("**CATS**") pursuant to section 42 of the Energy Act 2016 (the "**2016 Act**").
- 1.2. For the reasons given in this Sanction Notice, the North Sea Transition Authority ("**NSTA**") gives a Sanction Notice to CATS for its failure to comply with a petroleum-related requirement and a Financial Penalty Notice which imposes on CATS a financial penalty of **£175,000 (one hundred and seventy-five thousand pounds)**.

### 2. SUMMARY OF FACTS

- 2.1. This Sanction Notice relates to an exceedance of the annual vent consent for the Central Area Transmission System Onshore Facilities Terminal in the Borough of Billingham (the "**Terminal**").
- 2.2. The vent consent for the period **1 January 2024 to 31 December 2024** permitted venting not exceeding 4 tonnes (the "**Consent**").
- 2.3. The Consent was exceeded in **June 2024**. The NSTA was contacted by CATS on **20 August 2024** regarding an issue with their vent performance, and the exceedance was confirmed on **17 September 2024**. A new consent was issued on **24 September 2024**. By this time the Terminal

had vented 10.02 tonnes which is a total exceedance of 6.02 tonnes above the annual consent figure.

### 3. BACKGROUND

- 3.1 Kellas Midstream Limited (“**Kellas**”) is the parent company of CATS and majority owner of the Terminal. CATS is a 100% subsidiary of Kellas and is the named Operator of the Terminal under the CATS Parties Joint Venture, noting that the NSTA does not explicitly define operators for terminals. Wood Group UK Limited (“**Wood**”) are the operating partner of the Terminal. On **13 December 2023** when the Consent was issued, CATS and Wood were both named on the Consent.
- 3.2 Kellas, on behalf of CATS, informed the NSTA of an issue with their vent performance on **20 August 2024**. Correspondence at this time included figures on the Terminal’s vent performance from **September 2023** to **August 2024**, confirming the vent measured 2.9 tonnes above the consented volume. The NSTA wrote to CATS on **21 August 2024** to confirm consents should be applied to a calendar year and asked for the vent volume released in 2024 only, in order to consider if further action was required.
- 3.3 A response was received from Kellas on **17 September 2024** in which it was stated *“We are forecasting that CATS will breach its 2024 vent consent of 4te, forecasting 9.6te of vent in 2024 (5.6te above consent). As explained previously, vent variance is due to our gas chromatographs, which previously vented to the CATS flare. Due to gas mismeasurements caused by the back pressure in the flare system when there was a flare event (e.g. caused by a trip or plant start-up/shutdown), we modified the gas chromats to vent to atmosphere, rather than the flare.”* The NSTA responded to confirm that the Consent had already been exceeded and to organise a stewardship meeting.
- 3.4 A new consent was issued on **24 September 2024**, by which time the Terminal had vented 10.02 tonnes. This is 6.02 tonnes over the consented volume.
- 3.5 On **20 May 2025**, Kellas responded on behalf of CATS to an Information Request from the NSTA (the response is reflected throughout the rest of this document as CATS’s response). The response to the Information Request included updated vent figures and information on the events that lead to the exceedance, the details of which have been summarised below:
- From **1 January 2024** to **24 September 2024** there were two sources of venting at the Terminal, this included the analyser atmospheric vents (the “**Analyser Vents**”) and a temporary vent from the boundary valve isolation (the “**Temporary Vent**”). It is understood that the Analyser Vent is the Terminal’s operational venting system used for venting throughout the year. The Temporary Vent is only utilised every 8 years for a planned full system maintenance outage (the “**Outage**”).
  - CATS stated that to make the Terminal safe for maintenance, there are comprehensive isolation measures taken which include the use of a Double Block and Bleed Valves (“**DBBV**”). The DBBV bleed cavities in valve isolations are normally routed to the Flare system. During the Outage the flare system is unavailable, therefore all hydrocarbons entering the valves are vented.
  - The requirement for the Outage was known before the Consent was applied for. The leak rate into the DBBV cavities measured in 2016 (0.35 bar/15-mins) was used when applying

for the 2024 vent consent figure. CATS have confirmed the measured leak rate was actually 1.7 bar/15-mins which was approximately four times higher than the rate experienced in 2016 (that was used in the calculation) and that this was the main reason why there was an underestimate of the 2024 Outage vent volume.

- d. Whilst preparing the new 2025 flare and vent consent application CATS identified three additional Analyser Vents, which had been omitted from the Terminals vent list and not included when estimating the volume for the Consent.
- e. The estimated volume to be vented from Analyser Vents for the annual duration of the Consent was 3 tonnes, and the actual amount vented from these vents in 2024 was 8.4 tonnes.
- f. The estimated volume to be vented during the Outage was 1 tonne, and the actual amount vented was 4 tonnes.
- g. The Analyser Vents go through a review to establish vented volumes in August ahead of applying for the upcoming year's consents, and it was at this time that the exceedance was realised and the NSTA was contacted. The review of the volumes vented from the Temporary Vents was not completed until August 2024 due to other ongoing maintenance outages and personnel availability.

3.6 CATS has set out that the following measures have been put in place to prevent future exceedances:

- a. From **September 2024** vent emissions have been included with the monthly flare monitoring and reporting process and communicated to Kellas in the monthly performance review cycle.
- b. The CATS Environmental Compliance Manual has been updated to incorporate the increased monitoring.
- c. The data from the 2024 Temporary Venting has been captured in a lessons learned exercise and will be reviewed when applying for the vent consent for the next planned full system maintenance outage in 2032. Additional maintenance will be performed on the DBBV to be used in the isolation scheme for the 2032 outage and minimisation of the gas directed to the Temporary Vent.

3.7 The NSTA requested information regarding other parties' involvement in the consents management of the Terminal and whether this involvement contributed to the Consent Exceedance. CATS responded as follows:

- a. Wood is the Operating Partner that manages the Terminal pursuant to an operating services agreement. *"Managing the obtaining and compliance with consents in respect of the Terminal, including the Consent, falls within the scope of work covered by that agreement."*
- b. CATS state that Wood has acted in good faith in relation to the estimation and application for the Consent, and the monitoring of the vented volumes. Wood brought the discrepancy to Kellas in a timely manner after it was identified.
- c. CATS do not believe Wood's involvement contributed to the Consent exceedance.

- 3.8 CATS has stated that the Consent exceedance was ultimately caused by *“human error, in the case of the three Analyser Vents not taken into account when applying for the Consent”* and *“an estimated calculation error, made in good faith and based on reasonable historic assumptions, in the case of the Temporary Vent”*.

#### **4. LICENSEES**

- 4.1. The Terminal does not have any licensees. CATS was issued with the Consent alongside Wood who is the operating partner at the Terminal, responsible for carrying out day-to-day work. Both companies are named on the Consent. Section 12A(1)(a) of the Energy Act 1976 states that the Terminal requires consent.
- 4.2. The investigation was opened into CATS only, as operator of the Terminal. The statutory Information Request sought to understand how any other entities may have been involved with the consents process. When asked about other parties’ involvement, CATS confirmed that Wood (as operating partner) is responsible for the management and compliance of the Consent, and the NSTA understands Wood’s responsibility to cover the day-to-day activities of the Terminal. Notwithstanding the fact CATS appear to have outsourced some consents activity to Wood, the NSTA considers that enforcement action should be taken against CATS only as Operator of the Terminal, which has ultimate responsibility for compliance with the obligations in the Consent.

#### **5. FAILURE TO COMPLY**

- 5.1. The NSTA may use its sanction powers under Chapter 5 of Part 2 of the 2016 Act where there has been a failure to comply with a petroleum-related requirement. A petroleum-related requirement includes a requirement imposed on a person by or under a provision of the 2016 Act which is sanctionable in accordance with Chapter 5.

##### The petroleum-related requirement

- 5.2. The Consent was issued pursuant to section 12A of the Energy Act 1976. Section 12A(1)(a) sets out *“The [NSTA’s] consent is required for natural gas to be disposed of (whether at source or elsewhere) by flaring, or by releasing it unignited into the atmosphere, from anything that for the purposes of section 82(1) of the Energy Act 2011 is a relevant oil processing facility or a relevant gas processing facility”*.
- 5.3. By carrying out *“gas processing operation[s]”*, the Terminal falls within the meaning of a *“gas processing facility”* as set out in section 90 of the Energy Act 2011 (and is therefore a gas processing facility for the purposes of section 82(1) of that Act), noting in particular that the Terminal receives piped gas.
- 5.4. Section 12B(1) of the Energy Act 1976 makes the requirements set out in section 12A(1) of the Energy Act 1976 a petroleum related requirement for the purposes of Part 2, Chapter 5 of the Energy Act 2016. Section 42(1) when read in conjunction with section 42(3)(c) of the Energy Act 2016 empowers the NSTA to issue a sanction notice in respect of a breach of section 12A(1) of the 1976 Act.

- 5.5. CATS exceeded the Consent and did not have the NSTA's consent for venting outwith the volume stated in the Consent. The NSTA considers this a failure to comply with a petroleum related requirement which is sanctionable under section 42 of the 2016 Act.

## 6. THE SANCTION

- 6.1. By virtue of section 12B(2) of the 1976 Act, the only available sanction for this matter is a financial penalty.
- 6.2. The NSTA gives this Sanction Notice with a financial penalty of **£175,000** ("**the Financial Penalty**") in respect of the breach which must be paid within 30-days of the date of Sanction Notice to the NSTA, which will be paid to the HM Treasury. In arriving at the level of the proposed Financial Penalty, the NSTA has had regard to those matters listed in section 8 of the 2016 Act, in particular the need to maintain a stable and predictable system of regulation which encourages investment in relevant activities. Enforcement of vent consent breaches preserves a stable, predictable regulatory regime that industry, investors and the public can have confidence in by demonstrating the NSTA's commitment to ensuring that regulatory obligations are complied with.

### Consideration of the NSTA's Sanction Guidance and Financial Penalty Guidance

- 6.3. The NSTA has considered carefully the aims set out in paragraph 24 of the Sanction Procedure<sup>1</sup> Guidance and paragraph 16 of the Financial Penalty Guidance<sup>2</sup>, which are that any financial penalty determined should be among other things:
- 6.3.1. Effective in addressing the underlying cause for the failure to comply;
- 6.3.2. Dissuasive of future failure to comply, either by the person or, further to publication of the Sanction Notice, other persons in similar circumstances; and
- 6.3.3. Proportionate to the significance of the failure in the context of the petroleum-related requirement and the impact on the relevant persons.
- 6.4. Paragraph 17 of the NSTA's Financial Penalty Guidance sets out various matters that the NSTA may also take into account when determining the amount of a financial penalty.
- 6.5. The specific criteria relevant to adjust the starting figure of any financial penalty are considered, as follows:

#### **The extent to which CATS may have sought to benefit from the failure to comply**

- 6.6. There is no evidence currently before the NSTA to suggest that CATS sought to benefit from the failure to comply.

#### **Whether CATS gained as a consequence of the failure to comply**

- 6.7. There is no evidence currently before the NSTA to suggest that CATS gained (financially or otherwise) from the failure to comply other than being able to vent more than was consented for.

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<sup>1</sup> [Sanction Procedure](#)

<sup>2</sup> [Financial Penalty Guidance](#)

### **The severity of the failure to comply**

- 6.8. The factors set out above indicate that the exceedance occurred due to incorrect calculations for the Consent volumes and errors in system management for the planned shutdown. The Consent was exceeded by 6.02 tonnes, venting more than double the Consented volume. The case identifies poor vent management at the time of the failure; there is no evidence to suggest there is a continued pattern of poor vent management. However, the NSTA has repeatedly signalled to industry that compliance with its regulatory obligations is vitally important to sustaining the industry's social licence to operate in the UKCS. A failure to comply with the terms and conditions of a licence or consent has the potential to undermine public confidence in the ability of the industry to operate within prescribed limits which in turn impacts and/or affects the industry's social licence to operate. It may also undermine the confidence of investors and has the potential to undermine the authority of and confidence in the regulator, particularly if action is not taken when there is evidence a breach has occurred.

### **The degree of harm caused, or increased costs incurred by the failure to comply**

- 6.9. CATS failure to comply undermines trust and confidence in its ability to manage its vent process outwith standard operating procedures. There is evidence of a lack of oversight and improper understanding of its regulatory obligations. CATS failed to monitor the volumes which lead to the exceedance in **June 2024** being missed. On **17 September 2024** CATS wrote to the NSTA forecasting an exceedance where the exceedance had already occurred.

### **Whether there are any relevant industry Codes of Practice**

- 6.10. Whilst the NSTA has issued Flaring and Venting Guidance, there are no industry codes of practice governing flaring and venting.

### **The duration of the contravention**

- 6.11. The Consent was exceeded in **June 2024**, although the exact date has not been confirmed. The NSTA was first contacted by CATS on **20 August 2024** regarding an issue with their vent performance, and on **21 August 2024** the NSTA requested further information from CATS to confirm if there had been an exceedance. The information was not received from CATS until **17 September 2024**, three months after the exceedance occurred.
- 6.12. The NSTA's Financial Penalty Guidance states that the NSTA may take into account the mitigating (paragraph 17.2) and aggravating (paragraph 17.3) factors. In proposing the fine level, the NSTA has taken into account the following:

### **Mitigating circumstances**

- a. CATS has fully co-operated with the NSTA's investigation;
- b. CATS has implemented changes to prevent future vent consent exceedances; and
- c. CATS has had no previous sanctions from the NSTA

### **Aggravating circumstances**

- a. Regarding inaction to address the failure, CATS took three months (**June 2024 - 20 August 2024**) to identify a potential issue with their vent performance and inform the NSTA. There

was an obvious lack of urgency when dealing with the suspected exceedance, CATS took approximately one month (**21 August 2024 - 17 September 2024**) to respond to the NSTA request for the vent volume figures of 2024. The exceedance was confirmed on **17 September 2024**, three months after the exceedance occurred.

- b. Regarding the absence of mechanisms to prevent the failure to comply, CATS failed to identify the exceedance before it occurred, and it was the NSTA which notified CATS that there had been an exceedance. Communications from CATS indicate there was a lack of understanding of the requirement to obtain consent for the appropriate volume and that this should be done before an exceedance occurs.
  - c. There appears to have been a lack of proper management of the vent consent. It is understood that prior to 2024 the flare and vent figure was combined. An exceedance occurring in the first year for which CATS were issued with separate flare and vent consent figure, is an indication of poor vent management and regulatory compliance.
- 6.13. Taking into account the above, the NSTA notes CATS cooperation and its attempts to ensure lessons are learned. However, the NSTA considers that those mitigating circumstances do not reduce the level of the proposed penalty and are matters a licensee should address in any event. Given that, in particular the absence of mechanisms to prevent the failure to comply, the lack of proper management of the vent consent, and the lack of checks and balances which resulted in venting twice the consented volume, the NSTA considers that it would be appropriate to impose a sanction in respect of the breach and that a financial penalty set at **£175,000 (one hundred and seventy five thousand)**. In reference to the matters set out at pars 6.6 – 6.12 above, the starting point of the fine was set at the lower end of the NSTA's available scale and increased towards the higher end of the range of financial penalties issued in similar cases of vent and consent breaches to reflect the aggravating circumstances. The NSTA considers that the giving of the £175,000 fine would send a strong message to CATS, and other persons in similar circumstances, that the NSTA takes compliance with the need to have appropriate venting consents in place seriously. In that regard, the NSTA considers that the level of the Financial Penalty would be effective in addressing the underlying cause of the breach, dissuasive of future failures to comply with regulatory obligations, and proportionate to the significance of the breach.

## **7. REPRESENTATIONS**

- 7.1. A Sanction Warning Notice was given to CATS on **21 November 2025**, and CATS was given the opportunity to provide representations, which it did on **16 December 2025**. The NSTA has considered those representations, which along with the NSTA's responses, are summarised as follows:

### **Summary of CATS' representations**

- 7.2. CATS has acknowledged the exceedance and conducted a review to identify the root cause and in turn have implemented corrective measures. CATS asserts that it has embedded processes to allow for accurate tracking/monitoring and timely escalation. CATS has also set out that it has reinforced its processes by revising compliance procedures, training staff and strengthening its audit processes.

- 7.3. CATS states that the exceedance was minimal in absolute terms and did not result in any environmental impact. The combined flare and vent reported figure was 1,511te below the notional combined flare and vent consent figure of 4,480te (flare and vent consents were a combined figure in 2023 but were separate for the period in question).
- 7.4. CATS states it values its relationship with the NSTA and remains fully committed to meeting all regulatory obligations. CATS highlights how it has engaged in an open and constructive manner reflecting a commitment to transparency, regulatory compliance and continuous improvement.
- 7.5. CATS asserts that it remains fully committed to environmental stewardship and sustainability, its operations consistently meet the highest environmental standards, and it continues to implement measures that protect the environment and support the UKs transition to a low carbon future.
- 7.6. CATS maintains that it has taken rapid action to minimise the risk of any future breach of consent and ensure timely communication with the NSTA. CATS submits that its reaction to the exceedance is, in its view, reflective of its industry leading approach to emissions reduction and environmental responsibility, which it sets out is further demonstrated by the fact that CATS has not been subject to any previous sanctions for breach of flare or vent consents.
- 7.7. CATS submitted that as all reasonable action has been taken to ensure no reoccurrence of any breach of consent, in its view, it would be inappropriate and counterproductive to impose any fine in respect of the breach. CATS states that imposing a penalty risks sending a message to industry that there is no incentive to self-report and cooperate in the proactive manner in which CATS has in this instance and potentially encourages the concealment of errors. As such CATS requested that the NSTA review its assessment of the appropriate level of fine and either impose no fine or a material reduction from the amount indicated in the Sanction Warning Notice.

#### **The NSTA's response to CATS representation**

- 7.8. For the reasons set out in this Sanction Notice, the NSTA considers that it is appropriate to impose a financial penalty in respect of the breach. This decision takes into consideration the representations raised by CATS.
- 7.9. In relation to paragraph 7.2 above, whilst it is encouraging that CATS has taken steps to mitigate the risk of future non-compliance, and this has been considered as part of the assessment of mitigating factors, this does not absolve CATS of the breach.
- 7.10. In relation to paragraph 7.3 above, the NSTA does not consider CATS 2024 flare and vent consent volumes as a joint figure, the volumes were issued separately and therefore are regulated as such. Separation of figures is consistent with all other flare and vent consents issued by the NSTA. The fact that CATS exceeded its vent consent on the first year that it was issued separate flare and vent consent volumes has been considered as an aggravating factor and indicates poor consent management and regulatory compliance.
- 7.11. In relation to paragraph 7.4 - 7.6 above, the NSTA is reassured by CATS' assertion that it is committed to its regulatory and environmental obligations, however, these representations are

reflective of good regulatory behaviour and the standard the NSTA would expect from those it regulates. To the extent these assertions are relevant they have been taken into account in the assessment of mitigating factors.

7.12. In relation to paragraph 7.7 above, the NSTA disagrees that that the sanction process would potentially encourage concealment of errors or affect a person's willingness to cooperate with the NSTA. The NSTA expects those that it regulates to engage with it in an open and transparent manner. The requirement to notify the NSTA of consent variations and the report and disclosure requirements are set out in the Flare and Vent Guidance. The guidance should be adhered to by all to whom it applies.

7.13. Points raised in the representations replicate submissions provided by CATS during the investigation process. The NSTA considered the fact that CATS has taken steps to improve processes, monitoring and overall management of its vent as a mitigating factor as well as its cooperation with the NSTA. The NSTA also took into account, as a mitigating factor, when issuing the Sanction Warning Notice that CATS has no previous sanctions against them. Therefore, the issues raised in these representations have been previously taken into account and do not impact the assessment of the level of the financial penalty.

7.14. The NSTA will always consider, and has so considered in this case, the specific circumstances of each individual case when deciding whether to give a sanction and, if so, the type and level of sanction in line with its relevant guidance. The principle concern of the financial penalty in this Sanction Notice is deterrence, with the penalty level being set at a sufficient level to reflect this and the seriousness of the breach, in line with paragraph 16.2 of the Financial Penalty Guidance and paragraph 24(b) of the NSTA Sanction Procedure, both of which refer to a sanction or financial penalty being *"Dissuasive of future failure to comply, either by the person or, further to publication of the [Sanction Notice]/[penalty notice], other persons in similar circumstances"*. Given this, and the NSTA's consideration of factors in its Financial Penalty Guidance, the NSTA remains of the view that **£175,000** is a proportionate sanction in this matter.

## **8. PUBLICATION OF THE SANCTION NOTICE**

8.1. Pursuant to section 53 of the 2016 Act, the NSTA may publish details of any Sanction Notice given in accordance with Chapter 5 of the 2016 Act.

8.2. The NSTA may not publish anything that, in the NSTA's opinion is (a) commercially sensitive; (b) not in the public interest to publish; or (c) otherwise not appropriate for publication.

8.3. The NSTA does not consider that the Sanction Notice contains any commercially sensitive information. Further, the NSTA considers that publication of the Sanction Notice without redaction is both in the public interest and appropriate. The NSTA considers that the public interest in publishing the Sanction Notice includes:

8.3.1. developing public and investor confidence in the UK Continental Shelf by demonstrating how the NSTA is acting to ensure that regulatory obligations are complied with;

8.3.2. encouraging licensees to come forward with information that can assist NSTA investigations;

8.3.3. enhancing licensee and public understanding of when the NSTA does, and does not, consider it appropriate to take enforcement action;

8.3.4. providing a means of achieving due process and ensuring that parties directly involved in the case are treated fairly; and dissuading others from failure to comply.

8.4. Therefore, the NSTA considers it appropriate to publish the Sanction Notice.

**Jane de Lozey**

**Director of Regulation**

**North Sea Transition Authority**