

KEADBY 3 CARBON CAPTURE POWER STATION

A collaboration between **SSE Thermal** and **Equinor**

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The Keadby 3 (Carbon Capture Equipped Gas Fired Generating Station) Order

**Land at and in the vicinity of the Keadby Power Station site,
Trentside, Keadby, North Lincolnshire**

Funding Statement

The Planning Act 2008

Applicant: Keadby Generation Limited

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GLOSSARY

Abbreviation	Description
2008 Act	The Planning Act 2008
AGI	Above Ground Installation
AIL	Abnormal Indivisible Load
APFP Regulations	Application (Prescribed Forms and Procedure) Regulations 2009
CCGT	Combined Cycle Gas Turbine
CCUS	Carbon Capture, Utilisation and Storage
DCO	Development Consent Order
EIA Regulations	Environmental Impact Assessment Regulations 2017
ES	Environmental Statement
HP	High pressure
MW	Megawatts
NEP	Northern Endurance Partnership
NLC	North Lincolnshire Council
NSIP	Nationally Significant Infrastructure Project
The Order	The Keadby 3 (Carbon Capture Equipped Gas Fired Generating Station) Order
PCC	Power and Carbon Capture
PINS	Planning Inspectorate
SoS	Secretary of State for Business, Energy and Industrial Strategy
ZCH	Zero Carbon Humber

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EXECUTIVE SUMMARY

- 1 This Funding Statement has been prepared to evidence the provision of funding to support the exercise of compulsory powers as required by Regulation 5(2)(h) The Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009.
- 2 This Funding Statement is structured as follows:
 - Section 1 comprises an introduction to the purpose and contents of this Funding Statement.
 - Section 2 provides an overview of the intended project.
 - Section 3 summarises the need for the grant of compulsory purchase powers.
 - Section 4 sets out the current estimated project costs.
 - Section 5 details how the Applicant intends to fund the overall costs of the scheme.

1.0 INTRODUCTION

- 1.1.1 This Funding Statement relates to the application (the “Application”) by Keadby Generation Limited (the “Applicant”) for a Development Consent Order (a “DCO”) for the construction, operation and maintenance of a new low carbon Combined Cycle Gas Turbine (CCGT) Generating Station (‘the Proposed Development’) on land at, and in the vicinity of, the existing Keadby Power Station, Trentside, Keadby, Scunthorpe DN17 3EF (the ‘Proposed Development Site’).
- 1.1.2 The Applicant is seeking development consent for the construction, operation and maintenance of a new electricity generating station of up to 910 megawatts (MW) gross electrical output, equipped with carbon capture and compression plant and fuelled by natural gas, on land to the west of Keadby 1 Power Station and the (under construction) Keadby 2 Power Station, including connections for cooling water, electrical, gas and utilities, construction laydown areas and other associated development.
- 1.1.3 A DCO is required as the proposals falls within the definition and thresholds for a “Nationally Significant Infrastructure Project” under sections 14 and 15(2) of the Planning Act 2008.
- 1.1.4 The DCO would be known as “The Keadby 3 (Carbon Capture Equipped Gas Fired Generating Station) Order” (the “Order”).
- 1.1.5 The Proposed Development could, subject to the necessary consents being granted and an investment decision being made, potentially start shortly after Quarter 4 2022 when it is anticipated that the consent would be granted. An early works phase, including the A18 carriageway improvements and Mabey Bridge replacement, would be undertaken over a circa 6-month period. Construction activities for the main works phase are expected to be completed within approximately three years, followed by commissioning and testing over a 9-month period. In total the Proposed Development is anticipated to take 4 years.
- 1.1.6 This Funding Statement has been prepared further to the requirements of Regulation 5(2)(h) of The Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 and in accordance with the Department for Communities and Local Government (“DCLG”) guidance, “Planning Act 2008: nationally significant infrastructure projects – Application Form Guidance” and “Planning Act 2008: guidance related to procedures for the compulsory acquisition of land.” This Funding Statement accompanies the Application.
- 1.1.7 This Funding Statement has been submitted as powers of compulsory acquisition of land or interests in land have been sought in the DCO, and Regulation 5(2)(h) requires that any application for a consent order authorising compulsory acquisition must be accompanied by a statement explaining how such an order is proposed to be funded.

- 1.1.8 The DCLG guidance on compulsory purchase explains that this statement should provide as much information as possible about the resource implications of both acquiring the land and implementing the project for which the land is required. This Funding Statement therefore explains how the Applicant proposes to fund the implementation of the Project, including the acquisition of rights and interests in land. It should be read alongside the Statement of Reasons (**Application Document Ref.3.2**) that justifies the powers of compulsory acquisition that are sought in the draft DCO (**Application Document Ref. 2.1**).
- 1.1.9 The Applicant will be responsible for the construction, operation (including maintenance) and eventual decommissioning of the Proposed Development, with the exception of the National Grid Gas compound works (Work No. 2A), the works within the National Grid Electricity Transmission 400kV substation (part of Work No. 3A), the works within the Northern Powergrid 132kV substation (part of Work No. 3B), and the National Grid Carbon compound works (Work No. 7B), which will be the responsibility of those named beneficiaries

2.0 PROJECT AND APPLICANT BACKGROUND

- 2.1.1 The Applicant is Keadby Generation Limited which is a wholly owned subsidiary of the FTSE 100-listed SSE plc (SSE), one of the UK's largest and broadest-based energy companies, and the country's leading developer of renewable energy generation. SSE plc currently holds stated total net assets in excess of £6.6 billion.
- 2.1.2 Over the last 20 years, SSE has invested over £20bn to deliver industry-leading offshore wind, onshore wind, CCGT, energy from waste, biomass, energy networks and gas storage projects.
- 2.1.3 The Applicant owns and operates the adjacent Keadby 1 Power Station and is in the process of constructing Keadby 2 Power Station.
- 2.1.4 SSE operates the Keadby Windfarm which lies to the north and south of the Proposed Development Site and generates renewable energy from 34 turbines, with a total installed generation capacity of 68MW.
- 2.1.5 In November 2021, SSE announced its 'Net Zero Acceleration Programme' to accelerate clean growth, lead the energy transition and maximise value for all stakeholders. The programme is a fully-funded £12.5bn five-year strategic capital investment plan to 2026 focused on net zero infrastructure. It is expected that around 20% of the spend under the plan would be directed towards investments in flexible generation (including the Project), distributed energy and customer businesses. SSE has repeatedly demonstrated through effective capital allocation, raising debt at highly attractive terms, capital recycling and partnering that it can take advantage of the accretive opportunities it creates. It is this disciplined approach that will guide the delivery of a plan that creates a platform for future growth and returns while providing optionality over any further favourable opportunities that arise. The plan is also consistent with an investment grade credit rating, an efficient balance sheet and a robust funding structure.
- 2.1.6 The design of the Proposed Development demonstrates the commitment to invest in flexible generation and net zero infrastructure. The Proposed Development will be built with a clear route to decarbonisation, being equipped with post-combustion carbon capture technology, consistent with SSE's commitment to reduce the carbon intensity of electricity generated by 60% by 2030, compared to 2018 levels (SSE plc, 2020b). It is intended that the Proposed Development will connect to infrastructure that will be delivered by the Zero Carbon Humber (ZCH) Partnership and Northern Endurance Partnership (NEP) for the transport and offshore geological storage of carbon dioxide.

3.0 LAND ACQUISITION

- 3.1.1 The majority of the land required for the implementation of the Project is owned freehold by SSE and its wholly owned subsidiary companies comprising the Applicant (Keadby Generation Limited), Keadby Developments Limited, SSE Generation Limited and Keadby Wind Farm Limited.
- 3.1.2 However, the development of the Project requires the acquisition of additional interests in land, acquisition and creation of new rights under and over land, and the temporary use of land, as further described in the Statement of Reasons (**Application Document Ref. 3.2**).
- 3.1.3 These interests in the Project site are set out in the Book of Reference (**Application Document Ref. 3.1**) and considered in the Statement of Reasons (**Application Document Ref. 3.2**).
- 3.1.4 Notwithstanding the Applicant's intention to acquire these interests and rights by voluntary agreement, as set out in the draft DCO (**Application Document Ref. 2.1**), the Applicant is requesting powers to compulsorily acquire land, interests and rights. This is to ensure that the necessary interests and rights in land can be secured without unnecessary delay.
- 3.1.5 In the absence of such powers being granted the Applicant would not have certainty that they would be able to implement the Proposed Development.

4.0 ESTIMATED PROJECT COSTS

- 4.1.1 Chapter 5 of the Environmental Statement (**Application Document Ref:6.2**) explains the construction phase of the Proposed Development setting out details of the anticipated construction programme, timings and methods of working.
- 4.1.2 As explained, a detailed construction programme is not available, as this is normally determined by the Engineering, Procurement and Construction contractor who has yet to be appointed.
- 4.1.3 Such appointment will be by way of competitive tender and current cost estimates prepared by the Applicant are therefore commercially sensitive.
- 4.1.4 As full construction details cannot be confirmed at this stage, reasonable worst-case estimates have been made based on experience of similar developments and professional judgement.
- 4.1.5 These cost estimates take full account of anticipated inflation and include significant contingency allowances.
- 4.1.6 In addition, the Applicant has prepared estimates in respect of all anticipated land acquisition and compensation liabilities necessary to deliver the Proposed Development.

5.0 SOURCE OF FUNDING

- 5.1.1 SSE maintains a strong balance sheet and credit rating to support investor, counterparty and market confidence and to underpin future development of the business.
- 5.1.2 Credit ratings are also important in maintaining an efficient cost of capital and in determining collateral requirements.
- 5.1.3 As at November 2021, SSE's long-term credit rating was BBB+ stable outlook for Standard & Poor's and Baa1 stable outlook for Moody's.

5.2 Feed Work

- 5.2.1 All costs since inception of the Proposed Project have been funded through reliance on internal reserves.

5.3 Implementation of the Proposed Development

- 5.3.1 Funds for the Proposed Development will be provided through both equity contributions and third-party finance.
- 5.3.2 SSE's debt requirements are principally met through issuing bonds denominated in Sterling and Euros as well as private placements and medium-term bank loans including those with the European Investment Bank.
- 5.3.3 SSE plc has a £1.3 billion committed revolving credit facility maturing in March 2026 and a £200 million bilateral facility maturing in October 2025 with an option to extend to 2026, both of which remain undrawn.
- 5.3.4 SSE are also experienced with securing project financing for large capital projects, most recently reaching financial close on the first phases of the Dogger Bank project. Dogger Bank A and B are being project financed with gearing of between 65% and 70% for the generation assets. Gearing on the transmission facilities is set at 90% of the forecast OFTO sale proceeds, in line with standard market practice in the sector. Total senior debt facilities across the three phases is over £7bn plus ancillary facilities of around £1bn.
- 5.3.5 The Applicant therefore has full confidence that all funding resources necessary to deliver the Proposed Development will be available when required to enable timely delivery.

5.4 Funding of Compensation Including Blight

- 5.4.1 The funds to be made available for the Proposed Development will also be made available to meet all obligations and liabilities arising in respect of statutory compensation entitlements arising to landowners and interested parties arising as a result of the implementation of the project.

- 5.4.2 Such funding will also be available to discharge any claims for blight albeit such claims are not currently considered to be likely.
- 5.4.3 The Applicant will therefore be able to meet all liabilities arising from entitlements to compensation.