
Funding Statement

The Yorkshire and Humber (CCS Cross Country Pipeline) Development Consent Order

*Under Regulation 5(2)(h) of the Infrastructure Planning
(Applications: Prescribed Forms and Procedure)
Regulations 2009*

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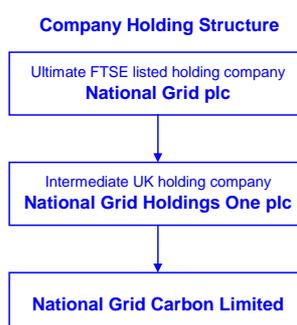
1 Introduction

- 1.0.1 This Funding Statement (the “Statement”) relates to the application by National Grid Carbon (“National Grid”) for a Development Consent Order (“DCO”) to construct an onshore pipeline transportation system that will be joined to an offshore transport and storage system to support the provision of Carbon Capture and Storage (“CCS”) technology in the Yorkshire and Humber region (the “Project”).
- 1.0.2 This Statement has been prepared further to the requirements of Regulation 5(2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 (the APFP Regulations) and in accordance with the Department of Communities and Local Government (DCLG) guidance, “Planning Act 2008: Nationally significant infrastructure projects – Application Form Guidance” as an Application document, and “Planning Act 2008: Guidance related to procedures for the compulsory acquisition of land.”
- 1.0.3 It is required because the DCO would authorise the compulsory acquisition of land or interests in land and regulation 5(2)(h) requires in respect of such an Order a statement to indicate how an order that includes powers for the compulsory acquisition of land is proposed to be funded. The DCLG guidance on compulsory purchase explains that the statement should provide as much information as possible about the resource implications of both acquiring the land and implementing the works for which the land is required and that Applicants should be able to demonstrate that adequate funding is to be available to enable the compulsory acquisition within the relevant time period.
- 1.0.4 This Statement therefore explains how (i) the acquisition of the land necessary to build the Project is proposed to be funded; and (ii) how the Project itself is proposed to be funded so as to give confidence that the funding will be in place to allow the development to proceed. It should be read alongside the Statement of Reasons that justifies the powers of compulsory acquisition that are sought in the draft DCO (Document 3.1).
- 1.0.5 Whilst the funding requirements set out below for the compulsory acquisition of land are restricted to the scope of the DCO (i.e. the onshore elements that are collectively termed the Yorkshire and Humber CCS Cross Country Pipeline (shortened to the “Onshore Scheme”), the capital

expenditure requirements and funding requirements for the Project in its totality include both the Onshore and Offshore Schemes. All sums stated here are 2014 prices.

2 National Grid

- 2.0.1 The ultimate parent and controlling company of National Grid is National Grid plc, a FTSE 100 company. National Grid plc is an internationally recognised leader in the safe development and operation of large capacity, multi-user, energy transmission systems. In the UK, National Grid plc owns and operates the electricity and gas transmission infrastructure at the centre of Britain's energy system and in the North Eastern states of the US, where it provides gas and electricity directly to millions of customers.
- 2.0.2 National Grid Gas runs the UK's high pressure gas transmission system as well as four of its eight gas distribution networks, delivering gas to 11 million homes and businesses. National Grid Electricity Transmission runs Britain's electricity transmission system. National Grid plc also owns and operates a number of other energy related business in the UK, including Liquefied Natural Gas (LNG) importation facilities.
- 2.0.3 All major investments carried out by companies within the Group (including National Grid) require the approval of the board of National Grid plc.
- 2.0.4 The immediate parent company of National Grid is National Grid Holdings One plc (NGH1). The principal activity of NGH1 is that it holds investments in other National Grid plc subsidiary companies and provides finance to fellow subsidiary companies. The following figure shows the Company ownership structure between National Grid and National Grid plc.



- 2.0.5 The following table (Table 1) shows the turnover and operating profit for National Grid, NGH1 and National Grid plc for the year ending 31st March 2013.

Table 1

	<u>National Grid</u>	<u>NGH1</u>	<u>National Grid plc</u>
Turnover – £ m	12.5	984*	14,359
Operating Profit / (Loss) – £ m	(3.5)	886	3,754

**NGH1 does not report turnover as it is a Holding Company however it received income of £984million during the year ending 31st March 2013.*

3 External Funding Streams

3.0.1 National Grid has been working on developing the infrastructure to transport Carbon Dioxide from the Yorkshire and Humber region and store it safely in the Southern North Sea since 2010, and has already spent over £70 million on this work. National Grid has, to date, been funded from a mixture of resources including from within the Group and a number of external funding streams.

3.0.2 Since 2010 National Grid has been involved with a number of potential carbon capture projects in the Yorkshire and Humber region.

- White Rose CCS Project – Capture Power Ltd are seeking to construct a new 426MW power plant adjacent to the existing Drax power station facility.
- Don Valley Power Project (DVPP) – 2Co Energy Ltd and 2Co Power (Yorkshire) Ltd are seeking to develop a power plant up to 980MW with the potential to use a combination of coal and natural gas, with full carbon capture.

3.1 EUROPEAN UNION FUNDING

3.1.1 A large part of the work undertaken so far has been funded by a grant from the European Union's Energy Programme Recovery (EEPR) funding programme to the DVPP. The DVPP has been developed by consortium partners 2Co Energy Ltd and 2Co Power (Yorkshire) Ltd with responsibility for the power and carbon dioxide capture plant, and National Grid with responsibility for the onshore and offshore pipeline transportation system as well as offshore storage. DVPP will use National Grid's Yorkshire and Humber CCS project infrastructure by virtue of a subsequent 'local' pipeline being progressed separately to the Onshore Scheme.

3.1.2 The EEPR funding has supported a number of National Grid development activities since 2010, including:

- A R&D Programme into the effects of CO₂ on pipeline materials
- Consenting activities associated with the Yorkshire and Humber pipeline including the identification of a pipeline route and also including all environmental consenting activities associated with the

development, including the preparation, submission and examination of this DCO application.

- The drilling of an appraisal well including post drilling analysis in the southern North Sea

3.1.3 National Grid has received £52 million from the EEPF programme as at May 2014. The EEPF funding will continue to fund the promotion of the application for the DCO through its examination stage into 2015.

3.2 DEPARTMENT OF ENERGY & CLIMATE CHANGE (DECC) FUNDING

3.2.1 On 9th December 2013, DECC announced the award of a Front End Engineering and Design (FEED) project to the White Rose CCS Project. DECC awarded a FEED contract to Capture Power Limited and Capture Power Limited has awarded National Grid a FEED contract for the transportation and storage part of the Project.

3.2.2 Two important objectives of the FEED project are to evaluate and reduce project risks and provide greater cost certainty to the project. The FEED contract will provide funding for the outstanding National Grid development work, which is due to be completed in late 2015.

4 Land Acquisition

- 4.0.1 National Grid requires a 24.4m wide easement along approximately 74km alignment (Drax via Camblesforth to the landfall point near Barmston) for the construction, operation, maintenance and decommissioning of the Pipeline comprising the Onshore Scheme.
- 4.0.2 National Grid will also require 22.76ha of freehold land to construct, operate, maintain and decommission the above ground installations (AGIs) necessary for the Onshore Scheme. These comprise a Pipeline Internal Gauge (PIG) trap at Drax, a Multi-junction facility at Camblesforth, a pumping station facility at Barmston, together with three block valves at approximately 15-23km intervals along the Pipeline alignment.
- 4.0.3 National Grid require permanent easements for the right to operate maintain and decommission the Pipeline.
- 4.0.4 The purpose for these rights is explained in the Statement of Reasons (Document 4.1).
- 4.0.5 National Grid seeks to secure the necessary land rights through voluntary acquisitions, but will utilise the powers of compulsory acquisition in the DCO should that prove necessary. National Grid is consulting and negotiating with those landowners affected by Onshore Scheme and will continue to negotiate throughout examination of the DCO.

5 Estimated Costs for Compulsory Acquisition

- 5.0.1 The cost of acquiring the necessary land and land rights under compulsion is assessed at approximately £5,600,000. This figure includes the cost of the land and rights, anticipated disturbance, crop loss, injurious affection, blight and land agents' fees.
- 5.0.2 These costs are included in the project capital and operating costs budgets, set out in Section 6 of this statement.
- 5.0.3 Notwithstanding National Grid's intent to acquire land rights by voluntary agreement, the DCO will include powers for the compulsory acquisition of rights across the entire application. This is to provide assurance to National Grid that the necessary land rights can be secured without unnecessary delay, an approach for long linear projects such as this one that is recognised by paragraph 25 of the 2013 DCLG guidance.

6 Capital Costs

- 6.0.1 National Grid is undertaking a FEED study to ascertain the construction, operating and other costs associated with the proposed Onshore Scheme.
- 6.0.2 It is expected that the capital costs of the transportation and storage infrastructure will be around £750 million.
- 6.0.3 Operating costs are expected to be around £30 million per annum and decommissioning costs are expected to be around £100 million.
- 6.0.4 Following a positive investment decision by the board of National Grid plc funding would be made available through capital raised by National Grid plc to construct the Onshore Scheme. This investment would include sufficient funds to meet National Grid's compensation liabilities associated with land acquisition and within a time frame to enable the exercise of compulsory purchase powers.
- 6.0.5 It is intended that the construction of the Onshore Scheme will be funded by means of raising finance from within National Grid plc. National Grid plc is used to financing major infrastructure projects for new gas pipelines and electricity transmission projects and National Grid plc invested £2.4 billion in the year ending 31st March 2013.

7 Conclusion

- 7.0.1 This Statement explains the funding position in respect of the Onshore Scheme at the time this Statement is delivered. It is possible that this Statement will require updating if the funding position changes through the examination of the application.
- 7.0.2 This statement explains the mechanisms as to how the Project has been funded to date. Furthermore it shows how the Group intends to finance the delivery of the project including the anticipated costs associated with the compulsory acquisition of the entirety on the land required to deliver the project in a timely manner.