



Uncertain Cost Event Re-Opener Rig Rate Confirmation

Q4 2025

NEP Uncertain Cost Event Re-opener

Rig Rate Confirmation – Issue Version

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Symbols and abbreviations

APDP	Approved Project Development Plan
BPEOC	BP Exploration Operating Company Ltd.
FSD	Financial Settlement Document, per TRI Licence
NEP	Northern Endurance Partnership
T&S	Transportation and Storage
TRI Licence	Transportation and Storage Regulatory Investment Licence
WCA	Wells Construction Agreement

1 Introduction

The Northern Endurance Partnership (NEP) is developing onshore and offshore infrastructure needed to transport CO₂ from carbon capture projects across Teesside and the Humber – collectively known as the East Coast Cluster - to secure storage under the North Sea. The infrastructure will be key to delivering net zero in the UK's most carbon intensive industrial regions. NEP, via the Endurance saline aquifer and adjacent stores, has access to up to 1 billion tonnes of CO₂ storage capacity. NEP is an incorporated joint venture between shareholders bp, Equinor and TotalEnergies, established solely to develop and operate CO₂ transportation and storage infrastructure in the Teesside and Humber regions.

By mid-2025, NEP aims to start constructing the Teesside Carbon Capture Pipeline, the infrastructure to transport CO₂ from industrial carbon capture projects across Teesside to a compression facility and out to the Endurance carbon store via an offshore pipeline. NEP aims to commence commercial operations in 2028.

NEP is also progressing development work for the Humber Carbon Capture Pipeline - the proposed infrastructure that would transport CO₂ from carbon capture projects in the Humber region to secure offshore storage under the North Sea. This infrastructure will enable a connection to carbon capture projects in the Humber, subject to emitter selection by DESNZ.

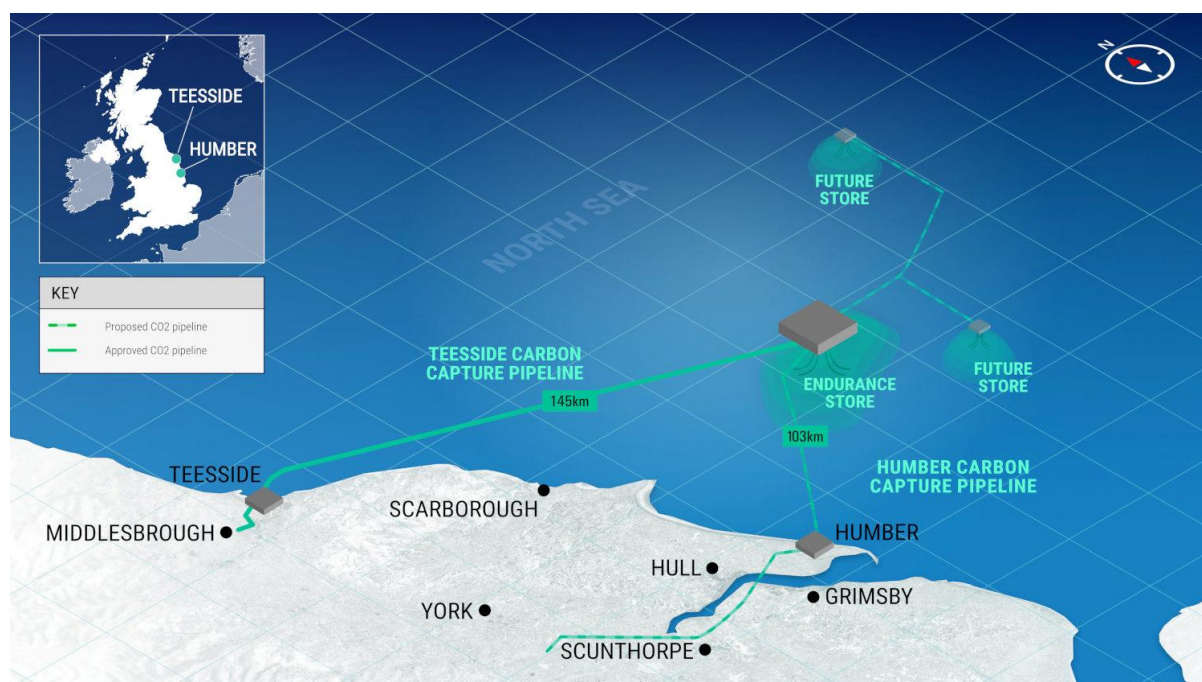


Figure 1: Overview of Northern Endurance Partnership

2 Purpose of this document

This rig rate confirmation paper has been prepared and published in accordance with Section J and Schedule 10 of the Carbon Dioxide Transport and Storage Regulatory Investment (TRI) Licence issued to Net Zero North Sea Storage Limited on 9th December 2024.

The TRI Licence grants approval to NEP, via its registered operating company Net Zero North Sea Storage Limited, to develop, maintain and operate the T&S (Transportation and Storage) Network in accordance with the Approved Project Development Plan (APDP). The APDP, includes an obligation to drill offshore wells in order to store CO₂ within offshore geological formations.

The costs associated with the approved drilling scope are a function of rig rate which is highly variable year on year due to supply and demand fluctuations. At the point the TRI License was awarded a rig had not been contracted and therefore it was decided to treat the cost of the drilling rig as an uncertain cost event.

Licence Special Conditions J6.3 to J6.6 describe Uncertain Cost Event Re-Openers, of which the obtaining of a Confirmed Rig Rate is one. The Regulator (Ofgem) will determine the impact of this Confirmed Rig Rate on the Phase 1 project budget, and adjust the TRI Licence Financial Settlement Document (FSD) accordingly. This document provides supporting information to inform that Ofgem determination.

3 BPEOC WCA

NEP has contracted BPEOC, via a Wells Construction Agreement (WCA), to project manage and deliver all Phase 1 and Expansion offshore drilling activity, including rig procurement. The WCA was shared with Ofgem in July 2025.

In 2024 BPEOC engaged with the offshore drilling rig market through a competitive tendering exercise and narrowed down the available rig options to a single preferred rig, the Noble Innovator. The scope is for six firm wells (Phase 1 Development EM01 through EC05) plus two options.

4 Cost Benefit Analysis

During a competitive tendering exercise, BPEOC shortlisted rigs that met the minimum technical specification for the rig scope. The shortlisted rigs were evaluated on a total cost of ownership basis taking into account the following key factors:

- The cost of the rig on a per day basis.
- The cost for mobilising and demobilising the rig from the project.
- The cost of assessing the rig as safe and suitable for the planned activities as well as ensuring it meets all of NEP's rig operator's specific requirements.
- The cost of any modifications required to the rig to meet the rig specification or NEP's rig operator's requirements.
- An assessment of the benefits of rigs that are in operation in the United Kingdom waters with crews who are undertaking campaigns vs rigs which are currently "cold-stacked" which require crewing and time spent getting familiarised with equipment and processes.
- An assessment of the benefits of rigs that exceed the minimum specification vs those that simply meet the minimum specification

Rig availability and scheduling was also considered to ensure the available rigs would meet the needs of the project schedule. This included an assessment of external factors that could impact this.

5 Confirmed Costs and FX Mechanism

The rig contract was signed by BPEOC on NEP's behalf, as a subcontract under the WCA, on 22nd May 2025. The contracted day rate is \$150k USD per day.

The Confirmed Rig Rate of \$150k USD per day compares favourably with the \$157k USD per day base estimate submitted to DESNZ as part of the cost assessment process at licence award.

Given that the rig costs are contracted in USD, whereas Ofgem determinations per the FSD are made in GBP, NEP would welcome consistent application of the FX adjustment mechanism already consulted on with Ofgem and included in the final determination on CS006 and CS007 Development Activities to also apply to this re-opener.

6 Conclusion

The contracted rig (Noble Innovator) met the NEP technical specification, was available within the project schedule requirements, and offered the lowest cost of ownership. Therefore this rig was both the best technical and commercial option, and offered the best value to NEP and ultimately the Network Users.

7 Supporting Documentation

[REDACTED]

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