

**NEGOTIATIONS WITH LANDOWNER, FUNDING****THE VPI IMMINGHAM LLP (LAND AT ROSPER ROAD) COMPULSORY PURCHASE  
ORDER 2024****DOCUMENT CD 8.8****SUMMARY PROOF OF EVIDENCE**

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## 1 QUALIFICATIONS AND EXPERIENCE

- 1.1 I am Jonathan Michael Briggs, Development and Delivery Director for VPI Holding Limited, the parent of VPI Immingham LLP (**“the Acquiring Authority”**).
- 1.2 I have been employed by VPI Holding Limited since 2019 and have undertaken various roles, including Project Director Humber Zero, Director of Project Development and Delivery, Board Member VPI Flexkraft GmbH.
- 1.3 I have worked on the Carbon Capture Plant Project at VPI Immingham for the Acquiring Authority since 2019 and have been leading a team on the negotiations with Phillips 66 Limited (**“P66”**) ever since.

## 2 SCOPE OF EVIDENCE

- 2.1 The scope of my evidence is limited to:
  - 2.1.1 The discussions and correspondence with P66 to date concerning voluntary acquisition of the land required for the Project since 1 October 2021 (see Paragraph 3).
  - 2.1.2 The Acquiring Authority’s position on funding the Project (see Paragraph 4).

## 3 NEGOTIATION WITH LANDOWNERS

- 3.1 VPI and P66 have been in a contractual relationship since 2013 when VPI acquired the operating asset and site lease of the 1200MW combined heat and power (CHP) plant. VPI’s contractual relationship with P66 is documented in a series of agreements (known as the **“Energy Services Agreement”** or **“ESA”**). Under the ESA, VPI provides power and steam to P66 under a pricing formula, as well as a number of secondary products, the term of which expires in 2037.
- 3.2 Negotiations with P66 for voluntary acquisition of the land included in VPI’s Order (**“Order Land”**) started in 2020 and it was agreed in principle that the Order Land would host the Project. On completion of a pre-FEED study in 2020, VPI and P66 prepared a joint application for funding from UK Research & Innovation (**“UKRI”**).
- 3.3 In March 2021, the Humber Zero project was awarded £12.7m. VPI and P66 agreed to jointly manage their respective elements of the Humber Zero project via a Joint Project Management Team (**“JPMT”**) and started to hold monthly JPMT meetings to advance, amongst other things, a formal position on VPI acquiring an interest in the Order Land.
- 3.4 The process of negotiating heads of terms (**“HoTs”**) was protracted and a non-binding set of heads of terms was only signed by the parties on 9 February 2022. P66 insisted on a provision that the final land agreement between the parties would be subject to an amended ESA.
- 3.5 Following the agreement of the HoTs, VPI commenced the process of seeking planning approvals and environmental permits based on the Project being located on

the Order Land meaning that altering the location of the Project away from the Order Land became untenable.

- 3.6 VPI and P66 used the same planning consultants and environmental consultants and held bi-weekly calls with the goal of jointly obtaining planning approvals and a final environmental permit. At no point did P66 indicate that the use of the Order Land would not be acceptable or would prejudice delivery of other projects.
- 3.7 Between 2022 and 2024 and alongside coordinated efforts to renegotiate the ESA, the Acquiring Authority engaged in negotiations with P66 to agree an option for lease of the Order Land. By the end of this period, two key issues remained unresolved:
- 1) The nature and extent of ESA amendments required; and
  - 2) The level and nature of security required under the proposed lease.

### The ESA

- 3.8 In 2022, P66 requested only additional power to service its defined Humber Zero project with no indication of pricing or term. It was not until 5 June 2023 that P66 requested considerably more power and steam for several potential future projects unrelated to Humber Zero. In October 2024, P66 requested that the term of the ESA be extended to 2050. Without a significant investment program and cost reflective pricing formula, this would render the plant uneconomic. The P66 requests of June 2023 and October 2024 were in return for the land required for VPI's project.
- 3.9 By this point, VPI had committed over £12m of funding to the project. VPI continued to seek a more reasonable outcome with P66 at the JPMT meetings that would not affect the Humber Zero project. When it became clear that P66 was resolute in its requests, VPI initiated the CPO process in September 2024.
- 3.10 The requirements of the Humber Zero project can be met in terms of provision of power and steam from the Immingham CHP without any renegotiation of the ESA under most operating conditions. The desired amendment by P66 to the ESA is related to securing further certainty as to the provision of energy products beyond 2037 and associated pricing for projects that VPI have no part of. It is accepted that in a small number of circumstances, additional power beyond the amounts supplied under the ESA may be required to power the P66 carbon capture plant, however this could be provided under a separate commercial agreement on standard market rates. By providing the shortfall under a separate commercial agreement, the parties could move forward to deliver Humber Zero and renegotiate the terms of the ESA separate from it.
- 3.11 P66 is also able to seek additional power from the district systems/network operator. It is untenable for VPI to provide this additional power at uncommercial rates. This action risks leaving neither of the key anchor projects in place which would result in the transportation pipeline having no connected emitters.

### The Lease

- 3.12 The proposed lease drafted by P66 required VPI to obtain a £200m letter of credit. This threshold was set at an unreasonable level, and it was requested that the level be reduced but this was rejected. A letter of credit would restrict VPI's ability to issue other

guarantees. This would place significant restrictions on how VPI funds Humber Zero and cannot be accepted.

- 3.13 As an alternative, we offered to increase our insurance policy to £200 million and name P66 beneficiary but this was rejected. Security in the sum of £5.2 million per annum was also requested by P66. This is over 10 times the cost of the lease which is not consistent with industry standards.

#### The Compulsory Purchase Order

- 3.14 P66 has consistently delayed negotiations whenever a schedule delay has arisen and set negotiation dates in reference to potential FID dates to exert “last minute” pressure on the ESA negotiation.
- 3.15 Since becoming clear that P66 is unwilling to enter any further negotiations, it has become necessary to proceed with the use of compulsory purchase powers to obtain the Order Land. This will not prejudice P66’s Humber Zero project nor the Viking Cluster CCS, as evidenced by Harbour Energy’s withdrawal as an objector. Failure to obtain the Order Land, however, will cause the Project to be delayed/terminated.

### **4 FUNDING POSITION OF THE PROJECT**

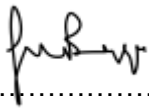
- 4.1 The VPI Humber Zero project is forecasted to cost approximately £1.5bn, which is reflective of its size.
- 4.2 In 2023, the Viking CCS Project was awarded “Track 2” status under the UK Government’s CCS cluster sequencing process, meaning the VPI Project is effectively guaranteed to be awarded a Dispatchable Power Agreement (“**DPA**”) as the main anchor emitter for Viking CCS. The DPA would provide a full cost recovery plus a capital return.
- 4.3 To date, VPI has spent over £20m advancing Humber Zero and was one of a limited number of 9 projects to have received UKRI funding, showing early government support for Humber Zero.
- 4.4 Humber Zero Debt Advisor, Lloyds Bank plc, has undertaken market sounding exercises with lenders. The outcome of these exercises were consistent expressions of interest to provide debt financing on favourable market terms.
- 4.5 All debt and equity funding that would be necessary (as well as the DPA underpinning such financing) would be obtainable within the lifetime of the Order and in any event, VPI has the necessary resources to acquire the Order Land and fund any land compensation from its own reserves.

### **5 CONCLUSION**

- 5.1 Both VPI and P66 were awarded £14m of government funding from UKRI. To date, VPI has now invested almost £20 million to define the VPI Humber Zero project and present what is a critical CCS project to the UK.
- 5.2 Despite this progress, no binding agreement in support of providing land or planning has been agreed with P66. P66 is attempting to ransom the VPI project by linking the

negotiation of a land interest with an extension of the ESA. If P66 require additional power for the Humber Zero project, this can be dealt with under a separate power purchase agreement. Additionally, P66 could purchase the power from the Grid or another third party supplier. Their position puts the delivery of a critical cornerstone of the UK's net zero strategy and the provision of £20 million of public funding in jeopardy.

- 5.3 VPI has done all that is required to evidence that it can fund the necessary land acquisition and compensation, as well as the delivery costs for the VPI project.



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Jonathan Briggs

Date: 22<sup>nd</sup> April 2025