

(1) VPI IMMINGHAM LLP

and

(2) PHILLIPS 66 LIMITED

STATEMENT OF COMMON GROUND

**THE VPI IMMINGHAM LLP (LAND AT ROSPER
ROAD) COMPULSORY PURCHASE ORDER
2024**



Pinsent Masons

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1. INTRODUCTION

Purpose of the Document

- 1.1 This Statement of Common Ground (SoCG) has been prepared as part of an inquiry (the **"Inquiry"**) for the proposed VPI Immingham LLP (Land at Rosper Road) Compulsory Purchase Order 2024 (the **"Order"**) made by VPI Immingham LLP (**"VPI"**).
- 1.2 This SoCG has been produced to confirm where agreement has been reached between VPI and Phillips 66 Limited (**"P66"**) in respect of the Order, and where agreement has not yet been reached.
- 1.3 VPI and P66 continue to engage in relation to the Order. VPI intends to work with P66 to narrow down the areas of dispute as far as possible, prior to the commencement of the Inquiry.

Parties to this Statement of Common Ground

- 1.4 This SocG has been prepared by (1) VPI as the Acquiring Authority and (2) P66 as objector to the Order.
- 1.5 Collectively, VPI and P66 are referred to as the **"Parties"**.

Terminology

- 1.6 In the tables in **Sections 2 - 4** of this SoCG:
- 1.7 "Agreed" indicates where the issue has been resolved;
- 1.8 "Not Agreed" indicates a final position; and
- 1.9 "Under Discussion" indicates where these points will be the subject of ongoing discussion wherever possible to resolve, or refine, the extent of disagreement between the Parties.

2. MATTERS AGREED BETWEEN THE PARTIES

- 2.1 Table 1 below details by topic the matters Agreed between the Parties.

Table 1

Topic	Sub-topic	Details of Matters Agreed
Background	The Proposed Development	The Parties agree that VPI's Statement of Reasons states that the Order has been made in order to acquire land interests which VPI claims are necessary to carry out the development of a post-combustion carbon capture plant, including carbon dioxide compressor and metering, cooling equipment, stacks, substations, internal roads, partial ditch realignment, new and modified services, connections, accesses, maintenance and laydown areas (the "Proposed Development").
	Planning	The Parties agree that a planning application (reference PA/2023/421) was made to North Lincolnshire Council for the Proposed Development ("Planning Application") and at present that application has not been determined because the draft section 106 agreement has not been completed.

	Humber Zero Pre-Front End Engineering and Design Feasibility Study	The Parties agree that prior to submission of the Planning Application, the Parties (together with Uniper) jointly instructed and funded Wood Engineering in July 2020 to prepare a site appraisal and Pre-Front End Engineering and Design feasibility study and agreed on the relevant scope of work. This workstream was commissioned to support the application for UK Research and Innovation Funding and resulted in the Order Land being identified as a suitable location for the Proposed Development. The parties do not agree about certain matters relating to this point as identified in table 3 below. .
	Environmental Statement	The Parties agree that prior to submission of the Planning Application, the Parties jointly instructed environmental consultants to prepare a joint Humber Zero environmental impact assessment. The environmental impact assessment assumed that the Proposed Development would be sited on a section of the Order Land.
	Rights and land to be acquired under the Order	<p>VPI proposes to permanently acquire the freehold ownership of and rights over land currently owned by P66 for the Proposed Development. The land and rights to be purchased compulsorily under the Order relate to four numbered areas listed in Table 1 of the Schedule to the Order and shown in the Order Map. All four areas are in the freehold ownership of P66.</p> <p>VPI proposes to permanently acquire the land shown edged red and coloured pink on the Order Map in order to facilitate the construction of the Proposed Development.</p> <p>VPI proposes to permanently acquire the rights in the land shown edged red and coloured blue on the Order map in order to facilitate the connection of the Proposed Development to the existing operational VPI Immingham CHP Plant as well as ancillary rights including access and services.</p> <p>P66 considers the extent of land to be acquired for this purpose to be excessive.</p>
	Humber Zero	<p>The Parties agree on the description of the Humber Zero project and the different elements that comprise it, specifically:</p> <ul style="list-style-type: none"> a. The Proposed Development, is estimated by VPI to be capable of capturing up to 3.3 million tonnes of carbon per annum and P66 understands the likely maximum utilisation to be 2.5 million; b. The PCC plant to be constructed by P66 to capture 0.5 million tonnes of carbon per annum from the Humber Refinery; and c. The Viking CCS Pipeline Project promoted by Harbour Energy. <p>The Parties appointed a core team from each of P66 and VPI and this Humber Zero team meets regularly to discuss the Project.</p>

Enabling powers for promotion of the Order	Enabling powers under VPI's Electricity Generation Licence / the Electricity Act 1989	The Parties agree that Standard Condition 14 of OFGEM's Electricity Generation Standard Licence Conditions can be relied on by VPI to compulsorily acquire land under its Electricity Generation Licence due to the Modification Direction dated 1 May 2007 confirming the incorporation of this condition into all electricity generation licences.
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3. MATTERS UNDER DISCUSSION

3.1 Table 2 below details the matters Under Discussion with P66.

Table 2

Topic	Sub-topic	Details of Matters Under Discussion and Party Positions
Land agreements	Negotiations relating to the Lease of the Order Land and the amendments to the Energy Supply Agreement ("ESA")	Negotiations to acquire the land and rights needed for the Proposed Development remain ongoing between the Parties. In particular, in relation to the terms of security in a voluntary lease of part of the Order land and the link between land negotiations and the ESA.
		The differences between the parties on the extent of the Order land as compared to that land which is the subject of negotiations is set out in table 3 below under "inconsistency with existing land agreements", item (2).
		<p>P66 Position</p> <p>The Parties entered a collaboration agreement in April 2021 in which it was agreed that any land lease option between the parties would need to be contingent on the amendments required under the ESA, an agreement which governs the supply of power and steam by VPI to P66 which is necessary for the P66 element of the Humber Zero project (the "P66 CC Plant"). P66's Humber Zero project is premised on three phases and additional utilities is required for all three phases to be viable.</p> <p>P66's position is that it is unwilling to separate land negotiations from the ESA negotiations as the two issues are inter-related and directly affect the viability of P66's CC Plant. Exclusivity clauses within the existing ESA, mean that the utility requirements to enable the P66 CC Plant cannot be met without amendments. At no stage during any ESA negotiations to date has VPI offered to waive these exclusivity clauses or encouraged P66 to seek an alternative supplier for these additional utilities. In an effort to progress ESA negotiations, P66 has already offered to remove its utility requirements for phase three of Humber Zero from the ESA amendment discussions. Both the P66 and VPI CC Plants are the intended anchor projects for the Viking Carbon Capture and Storage project.</p> <p>P66 does not agree that its proposed variations to the ESA are uneconomical, given that they largely mirror the existing terms of the ESA. P66 continues to negotiate the land agreement for the lease of the Order Land and its proposed</p>

		<p>variation to the ESA. P66's position remains that unless its proposed variation to the ESA is agreed, the land agreement for the lease of the Order Land will not be completed.</p>
		<p>VPI's Position</p> <p>Lease of the Order Land</p> <p>VPI's position is that, as part of the lease, P66 is asking VPI to provide security in the event that damage was caused to the Humber Refinery as a result of a catastrophic event occurring, such as an explosion or construction related accident. Whilst VPI notes that the Humber Refinery is as much of a risk (if not a greater risk) to its operations, it is willing to offer security to P66 in the form of insurance at levels significantly above anticipated loss levels – at great cost to VPI. Insurance is an entirely standard way to mitigate such catastrophic events and policies are available to indemnify such risks.</p> <p>P66 is asking VPI to provide a letter of credit up to £100 million. This would reduce VPI's borrowing capacity by the same amount, for the lifetime of the Proposed Development. The effect of which would significantly constraint VPI's financial capacity, both for the deliver of the Proposed Development and other VPI projects. P66 was originally requesting a letter of credit of up to £200 million, which shows a substantial reduction in their requirements – with no material explanation given. Paragraph 8.5 of P66's statement of case states that it does not understand why VPI will not agree to the same security provision which Harbour Energy accepted. What was acceptable to Harbour Energy has no relevance to what VPI is or should be prepared to accept. VPI's position is that insurance (at considerable cost to VPI) is a market standard approach to securing risks of damage caused by negligent acts or failures and it is not clear why the present case should be an exception. No such security was sought in respect of the Lease relating to the existing CHP which represents significantly more risk to the Humber Refinery.</p> <p><u>ESA</u></p> <p>VPI's position is that the Collaboration Agreement entered into in April 2021 was signed by VPI before P66 revealed the wholly unreasonable terms on which it would agree to amend the ESA and which P66 requires as a condition of any land deal. The amendments to the ESA which P66 are demanding are entirely uneconomical to VPI and cannot be agreed.</p> <p>P66 has asked for substantially greater quantities of steam and power for its wider decarbonisation agenda, which is outside of the requirements of the specific P66 project that comprises its portion of Humber Zero. It is asking for these quantities and all existing provision of power and steam at the current price reflected in the ESA and to guarantee this</p>

		<p>provision and price until 2050. VPI's position remains that this would represent an uneconomic outcome for VPI and would not represent a fair outcome for any reasonable supplier to accept. This is because the current price reflected in the ESA is based on a price formula established in 2013 when the VPI CHP ran on a significantly higher dispatch profile to that currently faced by gas generating assets. As the market has transitioned, the loss-making nature of the ESA, particularly if it is extended beyond its current term, will move from being a fiscal drag to VPI to the dominant loss within the business.</p> <p>On the basis that the land and the ESA are unconnected – it is entirely possible to deliver the Proposed Development without an amendment to the ESA, VPI's position remains that the two negotiations should not be linked and land should not be conditional on the completion of the amendment to the ESA on P66's terms. VPI continues to attempt to negotiate with P66 on an agreement for the acquisition of land interests and is prepared to recommence negotiations for a lease of the Order Land with no conditionality or link to the ESA. Alternatively, VPI proposes pausing the ESA negotiations completely until the land negotiations are resolved, to enable the Parties to conclude each of the agreements in isolation. The provisions of the ESA do not prevent P66 from seeking utilities from other parties in the event VPI is unable to do so. P66 is able (and is encouraged) to seek any additional power it needs for its project from the district network operator under a separate agreement with them. As an alternative, VPI is willing to provide the additional power that P66 needs on market terms which are fair and reasonable. This does not need to be documented in the ESA.</p>
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4. MATTERS NOT AGREED

4.1 Table 3 below details the matters Not Agreed between the Parties.

Table 3

Topic	Sub-topic	P66 Position	VPI Position
Financial Protection	Section 106 Agreement and associated Deed of Indemnity	VPI chose to promote its application for planning permission for the Proposed Development without any provision for onsite or offsite biodiversity net gain. That resulted in a significant delay in the progress of the planning application. P66 facilitated a compromise solution with the local planning authority which would seek to address that through the alternative payment of a financial contribution for	VPI's planning application is awaiting determination and a positive delegated assessment has been issued by North Lincolnshire Council stating that planning permission will be issued subject to completion of a section 106 agreement. The section 106 agreement contains a single financial obligation on VPI to pay £1,832,732 to North Lincolnshire Council to compensate for the loss of biodiversity net gain units arising from the Proposed Development

		<p>offsite gains to be secured elsewhere.</p> <p>P66's position is that an appropriate and reliable indemnity remains to be provided as part of the deed of indemnity, principally on account of the lack of evidence of funds for VPI to cover the necessary security.</p> <p>P66's position is that VPI has chosen to commence the CPO to exert pressure on P66 to obtain a voluntary lease of a section of the Order Land and/or amendments to the ESA on more favourable terms. P66 has limited legal resources and has chosen to devote those resources to these wholly unnecessary CPO proceedings which VPI has voluntarily commenced.</p>	<p>prior to commencement of development. The obligation comes into effect on the grant of planning permission and on commencement of the Proposed Development. VPI has offered a full indemnity to P66 as landowner in respect of any liability which may fall onto them under the section 106 agreement. Further, to the extent that VPI did not honour the terms of the indemnity, there is an express provision in the deed of indemnity allowing P66 to offset sums due under the section 106 agreement from other costs it pays to VPI for energy services, such as those under the ESA. As a result of this set off provision, there is no conceivable scenario where P66 is left out of pocket under the section 106 agreement, given that the monthly amounts owed by P66 under its agreements with VPI are several times greater than the financial obligation under the S106.</p> <p>The Parties undertook lengthy discussions on the section 106 agreement and deed of indemnity and on obtaining final agreement on the terms of the section 106 agreement, VPI requested final confirmation that the associated deed of indemnity was agreed. With regard to earlier discussions on the deed of indemnity, VPI understood the deed was in final form. In an e-mail dated 5 February 2025, P66 confirmed that it would not be engaging further on the deed of indemnity and would instead be focussing its limited legal resources on the CPO.</p> <p>VPI's position is that P66 is intentionally withholding signing the section 106 agreement as a tactic to exert pressure on VPI in the CPO and to force VPI to accept prejudicial terms in the ESA negotiations. VPI's position is that this is not a planning impediment and is resolved entirely by the Secretary of State confirming the CPO, wherein VPI will become the freehold landowner and consequently will no longer require P66's signature on the section 106 agreement.</p>
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Mode of Consent	Whether the Proposed Development should have been consented under the Planning Act 2008	<p>P66's position is that the Proposed Development constitutes the extension of a generating station that has a capacity of over 50MW and accordingly would automatically fall within section 15(1) of the Planning Act 2008, meaning that the Proposed Development is an NSIP requiring development consent. The Drax Bioenergy with Carbon Capture and Storage Project is a recent example of an applicant seeking development consent for the installation of post combustion carbon capture technology to an existing generating station.</p> <p>P66's position is that its involvement in the environmental assessment workstream did not extend to it advising VPI on the appropriate mode of consent. This is strictly a matter for VPI and/or the relevant advisor. P66's involvement extended to collaborating where appropriate on obtaining consent for both CC Plants and to address certain issues jointly where doing so would save time and/or cost.</p>	<p>VPI's position is that where the Proposed Development relates to the operation of a generating station, the requirements of section 15(1) do not apply and accordingly development consent would not be required. The Proposed Development cannot be an "extension" for the purposes of section 15(1) of the Planning Act 2008 as it does not generate electricity. OFGEM standard licence condition 14 defines "Extension" in the context of a "Generating Station" as <i>"the use by the person operating the station of any land (wherever situated) for a purpose directly related to the generation of electricity by that station"</i>. The Proposed Development does not increase generation capacity at the generating station and accordingly cannot be said to extend the generating station.</p> <p>No section 35 direction has been made with respect to the Proposed Development. Accordingly, it has not been opted into the Planning Act 2008 regime and does not automatically fall within section 15(1) by virtue of the fact it relates to the operation of the generating station.</p> <p>P66 were involved in the environmental assessment workstream for the Proposed Development. At no point did it raise any question over the mode of consent at the time.</p>
CPO	Ultra Vires	<p>P66's position is that VPI's electricity generation licence (and the associated sections of the Electricity Act 1989) only enable powers of compulsory purchase to be exercised in relation to purposes connected with the carrying on of activities which are authorised by the licence to carry on. The operation of carbon capture is not an activity authorised by the licence but a mitigation of the release of the carbon dioxide into the atmosphere which arises from generating electricity.</p>	<p>VPI's position is that the authorised activities under VPI's licence include generating electricity for the purposes of giving a supply to any premises in the area. A direct byproduct of that generation is the emission of carbon dioxide. The capturing of that byproduct is connected to the generation of electricity as if electricity was not generated, carbon dioxide would not be emitted.</p>

	Extent of land take: Humber Zero Pre-Front End Engineering and Design Feasibility Study and Environmental Statement	<p>VPI has relied heavily on a preliminary feasibility study conducted by Wood in 2020. P66's position is that the Wood study was only preliminary and relied on certain assumptions such as VPI using 3 capture units and a separate joint compression site being located east of Rosper road. The Wood study was superseded by a land study completed by Worley, VPI and P66 during the Front End Engineering and Design Studies which developed the initial concept and refined it.</p> <p>Worley P66 and VPI worked to develop the concept and optimise the amount of land required for the Proposed Development. Through Front End Engineering and Design Studies, and a decision by VPI to reduce the number of capture units from 3 to 2, the amount of land identified as necessary for the Proposed Development was significantly reduced to comprise a fraction of the Order Land which VPI now seeks to acquire.</p> <p>The joint Humber Zero environmental impact assessment assumed that the Proposed Development would be sited on a section of the Order Land. It did not assume that the Proposed Development would extend to the whole of the land now comprised in the Order Land.</p>	VPI's position is that it was not involved in optimising the land required. VPI accommodated P66's requests to reduce VPI's permanent footprint and went out of its way to achieve that, despite the disadvantage it put VPI in with respect to available construction area on-site. VPI were told by P66 the extent of land it could use for the Proposed Development and this was far smaller than VPI required (and indeed had previously agreed as part of the Heads of Terms with P66) for construction, however in the interests of the wider partnership, VPI tried to accommodate the requests, placing a much greater burden on obtaining offsite construction working space.
	Measure of last resort	It is P66's position that voluntary negotiation to acquire necessary interests to enable delivery of the Proposed Development is ongoing and close to completion. The Order is premature and reasonable attempts to acquire the land by agreement have not been exhausted, for the reasons explained in detail in part 8 of P66's Statement of Case. There has been significant	VPI has been negotiating with P66 for land rights for over 4 years and with respect to land rights, only a non binding set of heads of terms has been agreed. In paragraph 4.7 of P66's statement of case, P66 confirms that it negotiated a lease with Harbour Energy within 12 months. By contrast it took VPI 3 weeks to agree a lease with Harbour over the same land area. P66 has not even been willing to agree to be indemnified by VPI for costs under

		<p>engagement between the Parties on a package of rights relating to land and the ESA which it has been acknowledged by VPI (in the 2021 collaboration agreement) to be related. VPI is insisting on unreasonable terms within the amendments to the ESA, and appears to be relying on the CPO as a means of exerting pressure on those linked negotiations. The CPO was made and served on P66 without express notice being provided of the intended use of those powers. Any urgency associated with land rights for the Proposed Development is undermined by the following:</p> <ol style="list-style-type: none"> 1. The Proposed Development is contingent on a series of steps which may then result in it securing the necessary Track 2 funding from the UK Government. 2. For the VPI project to begin active discussions with the UK Government, it would first need to be selected as a Track 2 project. The Government has not yet started any selection process for the capture projects within Track 2. There remains no Government deployment timeline for the Viking CCS Cluster, or for Track 2 in general. The granting of Harbour Energy's Development Consent Order is a planning process which is separate and distinct from the Government awarding funding or the setting of a deployment timeline. 3. To enable Track 2, HM Treasury will need to 	<p>the section 106 agreement that P66 will never become liable for. P66's negotiating position to date has been to refuse to compromise on any material points, such that VPI's only remaining option to facilitate the delivery of the Proposed Development is the CPO.</p> <p>P66's position with respect to the lack of urgency associated with securing land rights misrepresents the reality of VPI's position. Track 2 funding and the selection of the Proposed Development as a Track 2 project could occur at any time. At present and without the CPO, VPI would be unable to deliver the Proposed Development if a Track 2 allocation was made by Government.</p> <p>Any suggestion by P66 that HM Treasury is unwilling to fund carbon capture owing to other financial priorities (such as defence) is unsupported supposition. On 24 April 2025, the Government launched a consultation on updated national policy statements for energy. These statements have not changed the critical national priority status of carbon capture projects or diluted the national policy support for it in any way. The granting by the Secretary of State for a Development Consent Order to Harbour Energy in April 2025 further evidences Government's willingness to fund Track 2 projects.</p>
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		<p>provide a funding window; which it has not done to date. Note: The funding allocation for Track 1 was £21.7billion.</p> <p>4. The earliest point that a HM Treasury funding window could be allocated to Track 2 is Q3 2025 following the Chancellor's Spring Spending Review. However, there are significant headwinds on UK finances and arising priorities such as Defence spending. P66, VPI and Harbour all met with a senior delegation from DESNZ on 8 April 2025. The most senior Government attendee (Director of Carbon Capture, Utilisation and Storage) was clear in his view that Track 2 was unlikely in 2025 given Treasury budget constraints and other funding priorities (e.g. Defence). A CCS funding window in 2025 is deemed highly unlikely.</p> <p>5. Government timelines for carbon capture have continued to be delayed. In January 2025, Minister Sarah Jones (DESNZ) wrote to the UK Government's Public Accounts Committee to acknowledge that the Government's carbon capture ambitions were no longer achievable.</p> <p>It is P66's position that since the Heads of Terms agreement was signed in February 2022, engagement on the land agreement has fluctuated with expectations on potential Government support for the VPI project. The remaining item</p>	
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		since October 2023 has been the security provisions which P66 has made multiple proposals to resolve, including offering the same terms as provided to Harbour Energy for its associated land agreements. Given there is no path forward (timeline or funding) available from the UK Government for the VPI project, it is P66's position that significant time remains to complete the negotiated land agreements and ESA amendments as premised.	
Inconsistency with existing land agreements	<p>There are four agreements referred to: (1) Collaboration agreement between the parties; (2) Heads of Terms for the land negotiation (expressly non-binding on the parties); (3) Option for lease granted by P66 to Harbour Energy for the southern area of the Order Land; and (4) VPI's lease of the CHP land.</p> <p>It is P66's position that all four of those land agreements would conflict with the Order for the following reasons. In respect of: (1) VPI first communicated a willingness to safeguard the necessary land/rights needed for P66's Humber Zero project in the Order Land to P66 on 11 April 2025 and has offered no means by which any such rights would be secured, and that in the absence of an agreed mechanism no weight can be placed on such an offer. In respect of (2) the area of land affected by the Heads of Terms is inconsistent with the extent of the Order Land in that P66 and VPI were negotiating in respect of a smaller land parcel on which to accommodate the Proposed Development. Through the CPO, VPI now seeks to acquire additional land beyond that which has been under discussion with no reasonable explanation as to why additional land is now considered to be required. In</p>	<p>VPI has included in the Order limits all of the land that was originally required for the Proposed Development and included in the plan which accompanied the heads of terms – the only document which P66 has agreed relating to land in 4 years of negotiations.</p> <p>VPI has always committed to provide the P66 pipeline corridor to P66 once the works comprised of the Proposed Development have completed.</p> <p>VPI requires the freehold of the land required for temporary construction compounds. This cannot be secured by way of a package of rights. During the construction period, the land will be in the exclusive possession of VPI and P66 will not be able to access it. The land will be modified to serve as a construction compound. Such activities are not capable of being dealt with by way of the grant of rights. It is also necessary to modify the existing rights held by Harbour to allow for the use of the land for the Proposed Development. This cannot be achieved other than through freehold acquisition. VPI is actively liaising with P66 on the means by which the P66 pipeline corridor will be offered back to P66 once temporary compounds are no longer required.</p> <p>In respect of VPI's lease, the expiry of VPI's lease in 2047 is not an inconsistency. Either the lease will be renewed to VPI, VPI will continue to operate from the CCS but not the</p>	

		<p>respect of (3) no explanation is provided for why the CPO should be justified in order for rights to then be leased to a third party. In respect of (4) the VPI position acknowledges that its existing lease (expiring 2047) may need to be renewed, but does not comment on the prospect of that lease expiring. There is no automatic right of renewal and there is no certainty that any renewal would be agreed. There is no certainty that the CHP plant would continue to operate, undermining any justification for the freehold acquisition of land for the VPI CCS.</p>	<p>CHP or VPI will divest from the CCS to the new operator of the CHP. It is not clear why the freehold ownership of the CCS presents an inconsistency.</p>
	Impact on delivery of Humber Zero	<p>It is P66's position that the order presents significant risk to the delivery of Harbour Energy's Viking CCS Network which would then also impact the VPI and P66 carbon capture plants. This would have a knock-on effect on funding, as funding as a Track-2 cluster from the Carbon Capture and Storage Infrastructure Fund is reliant on the Humber Zero project being a cluster with all three elements. The Order would prevent the connection of the Humber Refinery to the Viking CCS Pipeline and therefore undermine a key element of the wider Humber Zero project (the P66 CC Plant). The Viking CCS Pipeline has already secured its development consent order, and it has a signed land agreement with P66 which aligns to the development consent order.</p> <p>In addition, without the necessary amendments being made to the ESA on reasonable economic terms, P66 will not have access to the additional power required to deliver the P66 CC Plant, which further prevents the delivery of that</p>	<p>VPI has already exchanged an option to lease the land required by Harbour Energy within the Order Limits, exercisable by Harbour in advance of when such rights are required. The Order does not prevent the connection of the Humber Refinery to the Viking CCS Pipeline and VPI has already offered the land that P66 requires for the connection back to it and is actively discussing the method by way that land will be conveyed. VPI recognises the importance of the delivery of the Humber Zero project as a cluster to secure Track-2 funding and it is not in VPI's interest to seek to impede that.</p> <p>P66 is welcome to negotiate power requirements with the district network operator directly or with VPI on reasonable market terms. There is no reason that this needs to be documented within the ESA. Further, P66 does not need to secure the additional power from VPI. It could purchase from the Grid or acquire from a third party. It is VPI's position that P66 is choosing to leverage the power it says it requires from VPI in return for the land required for the Proposed Development at a better than market price and term.</p>

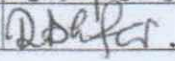
		<p>element of the Humber Zero. Unless there are two anchor projects (of which the P66 CC Plant is one), Humber Zero will no longer meet the eligibility rules for funding of CCS Clusters.</p>	
	Temporary land	<p>It is P66's position that VPI has not demonstrated a compelling case in the public interest necessary to justify the acquisition of all of the freehold interest in the Order Land when some of the land is only required temporarily for construction purposes. No prior warning was provided of the need for the whole of the Order Land in negotiations with P66. P66 maintains that if part of the Order Land is only required for a temporary period of time then it cannot be in the public interest to acquire all of the freehold interest over such Order Land. It is possible (and a common-place approach) for VPI to acquire a package of rights that would allow the site to be used for construction purposes. Acquiring the land freehold is a disproportionate interference with P66's interests and is not justified. Any need for any of the Order Land by Harbour Energy cannot be relied on by VPI to justify its own compulsory acquisition of the land. In any event, Harbour has since obtained any compulsory acquisition powers it may need to deliver its project through the grant of its own DCO.</p>	<p>As is made clear in VPI's statement of reasons and letter dated 11 April 2025, VPI is willing to offer back the P66 pipeline corridor to P66 or grant rights over it once temporary use of that parcel of land has ceased. A CPO under the Electricity Act 1989 cannot make provision for temporary possession of land, nor the imposition of a lease. The CPO must provide for the freehold acquisition of land or the acquisition of rights in land. In this case, rights would not be possible as exclusive possession of the temporary land is required for the construction period and modification of Harbour's rights to facilitate construction of the Proposed Development was required. Neither of these things are achievable through acquiring a package of rights. P66 knew the extent of land that would be optimal for VPI's development – it was agreed and a plan appended to the heads of terms (the only document related to land which P66 has agreed in 4 years of negotiating).</p>
Alternatives	Availability of alternatives compulsory acquisition to	<p>It is P66's position that VPI has failed to consider and evidence that any reasonable alternative sites in the vicinity of the Order Land have been considered, let alone all such reasonable alternatives have been discounted for technical, legal or commercial grounds. In addition, negotiations to date have related to an area of land</p>	<p>VPI's position is that there are no reasonable alternative sites and all such sites have been considered and discounted on technical, legal or commercial grounds. The only available site is the Order Land. P66 has never challenged this position previously or questioned at any point over the past 5 years. As a founding member of Humber Zero, P66 has actively promoted the site as the location of the Proposed</p>

		<p>which is smaller than the extent of the Order Land.</p>	<p>Development, including through jointly instructing the preparation of an environmental statement for Humber Zero (which includes the Order land as the location of the Proposed Development) and actively participating in consultation with the local community advocating for the Proposed Development to be located on the Order Land to facilitate the delivery of the wider Humber Zero objectives. The suggestion that the Order Land is no longer suitable because alternatives have not been considered is both incorrect and inconsistent with the actions of Humber Zero over the last 5 years.</p> <p>The Order Land is the same footprint as that which was agreed and shown on a plan appended to the heads of terms (the only document relating to land that P66 have agreed in 4 years).</p>
Funding	Funding availability	<p>It is P66's position that VPI, as a limited liability partnership, has failed to evidence funds necessary to deliver the Proposed Development. VPI has asserted in its Statement of Case that it is backed by the VPI Group and ultimately by the Vitol Group but no mechanism has been disclosed which would allow VPI to drawdown on these funds or rely on the Vitol group for financial support. In addition, the Proposed Development would be contingent on securing Track-2 funding, with there being no evidence provided of when that might be forthcoming. This is supported by a recent joint P66, Harbour and VPI meeting with DESNZ on 8 April 2025. In that meeting, senior civil servants responsible for carbon capture have expressed a view that it is extremely unlikely that any funding will be allocated for Track 2 to progress within 2025.</p>	<p>VPI's position is that the VPI Group has the funds to pay the necessary compensation for the land values concerned, with reported profits in excess of £742 million in the year ending 31 December 2022, and a total adjusted revenue of £6 billion. VPI has also explored external debt and equity funding with many offers available from established market lenders/investors.</p> <p>It would be an inefficient use of capital to hold funds on account in circumstances where no powers had yet been granted. = Funds will be made available from VPI's holding company when necessary and at the relevant stage. Whilst funding to deliver the Proposed Development is reliant on Track 2 allocation and funding, as of 24 April 2025 Government policy on carbon capture remains overwhelmingly supportive (such that it is considered critical national priority).</p>

5. SIGNATORIES

5.1 The above SoCG is agreed between VPI and P66 as specified below.

Duly authorised for and on
behalf of **VPI Immingham LLP**

Name:	ROSS CORSER
Job Title:	Solicitor
Date:	2 May 2025
Signature:	

Duly authorised for and on
behalf of **Phillips 66 Limited**

Name:	SIMEON NEWMAN
Job Title:	SENIOR COUNSEL
Date:	2 MAY 2025
Signature:	