Energistyrelsen

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2nd exploration and CO_2 storage licensing round

FAQ – updated on 19 January 2024

In order to secure transparency during the application process, the DEA is providing an FAQ. Questions are numbered and answers are marked in *blue italics.*

Q1. How should the licence duration be defined?

A1. In the application, the duration of the exploration licence must be defined as the amount of time the applicant requires to sufficiently define a suitable CO_2-storage location, as set out in the model licence, section 4, subsection 2.

The defined duration should not include any potential extension of the investigation licence. The duration of the licence will run from the date that the licence is awarded, as set out in section 5, subsection 1. The specific dates of the duration of the exploration licence will therefore be determined after the licence has been granted.

Q2. Is there a special terminology preferred by the DEA in terms of project phases/activities/processes in the Work Plan?

A2. The DEA does not require a fixed terminology when describing the project in the application. It is however important that it is possible to distinguish clearly which parts of the project that are conditional and which that are unconditional, cf. section 4 of the invitation letter.

Q3. How far out in time do DEA expect the Work Plan to cover? FID, Potential commencement of Storage facility etc.

A3. The Work Programme ('Arbejdsprogram') should cover the exploration period for defining the suitability of a CO_2-storage location. The application should however also give a description of the actual plans for a storage project in the

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licence. In this regard, the DEA accepts that conditionalities will increase further down the timeline, and especially when considering a move from the exploration phase to the storage/operations phase.

Q4. Should the budget information cover the exploration period only? What type of budget information is expected for project phases beyond the exploration phase?

A4. The budget information should cover all phases up until the establishment and commissioning of a potential CO_2-storage facility. A description of the financing method for the activities of each phase up until the potential commissioning of the particular CO_2-storage facility should be included. If the applicant plans to engage a third party who might affect the financial capabilities of the applicant, the cooperation agreement between the parties should be included in the application.

Q5. Can the budget breakdown be adapted compared to the table in the guidelines?

A5. The breakdown of budget information will be included in the overall evaluation of the application, namely in determining the financial capacity of the applicant. The budget breakdown may be adapted compared to the table, as long as the budget information covers all phases up until the establishment and commissioning of a potential CO_2-storage facility.

Q6. Concerning Finance plan, what is expected here? – If the activities are financed by cash, issuing debt or other measures? If yes, is this piece of information of significant importance? (It might not be decided upon yet). Is a finance plan expected from each applicant?

A6. The Finance Plan will be included in the overall evaluation of the application, namely in determining the financial capacity of the applicant. The contents of the Finance Plan should be sufficient to convince the DEA that the applicant is capable of financing each phase up until the commissioning of the CO_2-storage facility. The content should therefore comprise of sufficient characteristics to determine whether the applicant possess such capabilities. The information will be included in the determination of whether the applicant is suited to perform the necessary exploration.

Q7. Please elaborate further on the intention of B.1.3.k) in the documentation guidelines, concerning DataBank, and what role this will play in the assessment by the DEA.

A7. The intention of B.1.3.k. is relevant for determining the technical abilities and foundation of the applicant or the technical abilities that the applicant is able to acquire, in order to perform a satisfactory exploration of a potential CO_2-storage facility. The section is for example relevant where an applicant already has a large amount of data available on the area.

Q8. How do DEA weight the individual selection criteria?

A8. The DEA evaluates the application as a whole, and compares the application to other applications to determine, which applicant has the exploration Work Programme best suited for exploration of the particular area. The Danish Subsoil Act does not provide a method for setting scoring criteria when tendering § 23 licenses.

Applications will be evaluated according to the selection criteria described in the tender material, namely data collection, provability and timetable.

Q9. If several participants apply, a legally binding cooperation agreement must be attached to the application. Could you elaborate on what is expected and what the relation is to the requirement that a successful applicant must enter into a JOA no later than 90 days after permission is granted to ensure the permission is effective?

A9. Annex 2, section B.1.1.d does not necessarily refer to a binding JOA between the applying parties, however in order to evaluate technical and financial capacity it is necessary for the DEA to see documentation for the cooperation relationship between the applying parties (AMI agreement or similar).

Section 18 of the model licence refers to the Joint Operations Agreement (JOA), a model JOA has been provided along with the tender material. The DEA is in the process of revising the model JOA and is expecting to publish a new version before the application deadline

Q10. Please confirm potential Environmental implications of the work programme at this point in time do not play a role in the assessment as such will be evaluated specifically later by the DK authorities? (In line with the overall Environmental Impact Assessment performed by the DK authorities as a basis for the tender)?

A10. The DEA does not consider environmental impact assessments related to the storage projects as an evaluation criteria for the tender of licenses. Such impact

assessments will however be required for certain works within the scope of the Danish Subsoil Act, i.e. in connection with § 28 permits.

Q11. Para.1 in § 3 of the Permit states the licence grants an exclusive right to inject and store CO_2. Para. 2 in § 3 states the licence holder must respect other licence holders' activities with respect amongst other things, storage. Please elaborate on the exclusivity in light of Para. 2 and other potential permit holders.

A11. Subsection 1 of the model licence grants the exclusive right to inject and store CO_2 in the particular area, however, it does not follow from the Subsoil Act that a licence for the storage of CO_2 formally precludes giving licenses for other uses according to law. Possible interfaces with other licenses are considered when licenses are awarded according to the Subsoil Act.

Q12. Section 6(1) and Section 5(3) of the Permit; there appear to be a repetition between section 5(3) and 6(1) of the permit with regard to submission and request for approval of a storage plan being a condition of the extension. Section 5(3) states that "The right to an extension referred to in subsection (2) is subject to the licensee having fulfilled his obligations, including…submitting, in accordance with section 4 of the permit, a request for approval of a plan for the storage undertaking'. Section 4 of the permit refers to the storage plan under s.23 d (2) of the Subsoil Act.

Section 6 (1) states that 'Extension of the permit pursuant to section 23(2) for the purpose of storing CO2 shall be subject to the condition that the rights holder submits a storage plan for the storage business, including the organisation of the storage undertaking and its facilities (storage measures, etc.), which the competent authority may approve in accordance with section 23 d (2) of the Danish Underground Act'. Please confirm, these two sections say the same or alternatively please explaining the difference.

A12. The DEA can confirm that the Storage Plan referred to in both sections, refer to a Storage Plan submitted for approval according to section 23 d, subsection 2 of the Subsoil Act.

Q13. Section 32(3) of the Permit regarding financial security – Please elaborate on how subsection (3) is different from, or what does it add, to subsection (1) regarding the requirement for financial security under s. 24 f of the Subsoil Act? What additional security (over and above what is requested in subsection (1)) is covered by subsection (3)? What form would it have and what amount?

A13. Section 32(3) of the model licence does not confer further obligations on the licensee than what is already applicable pursuant to section 24 f of the subsoil act. It does however specify that the licensee will be under obligation to put security in place, for assets also in use in connection with other activity governed by the Subsoil Act, if the other activity should cease.

Q14. The invitational letter states that competencies that rely on external subcontractors must be documented by ”legally binding agreements with subcontractors as a “minimum requirement” that needs to be complied with in order to be considered for a licence in the first place”. Such legally binding agreements (i.e. delivery of seismic surveys, drilling rigs or consultancy services) cannot be expected to be made, until the bidder has been awarded a licence and thus can be certain that the offered work programme must be delivered due to the burdensome nature of such agreements. Otherwise, it would lead to significant costs for the bidder to; for example, make reservations for ships, rigs or equipment. On top of that is the short time limit for announcing such minimum requirements for the tender [of licenses] that make it impossible to reach such agreements [within the time limit]. Sustaining the minimum requirement will therefore realistically mean that it will keep most bidders from applying under the tender.

A14. The evaluation criteria described in the invitational letter regarding technical and financial capacity derives from the rules in chapter 7 a, of the Subsoil Act. While the DEA recognizes that it could, in certain situations, be seen as unreasonably burdensome for an applicant, to commit to a binding agreement with a subcontractor or consultancy before a licence is actually awarded, the DEA reiterates that in order to determine that an applicant has the necessary technical capacity, it must be documented that such agreements will be in place from the moment the licence is awarded. Alternatively, the licence cannot be given in conformity with chapter 7 a, of the Subsoil Act.

The DEA would also like to clarify that the agreement examples mentioned in the question (for example for seismic surveys or drilling rigs) are not necessarily relevant for evaluating technical capacity on all projects.

Q15. The invitational letter states that it is recommended that the scope of guarantees and economic securities is described and delimited in relation to e.g. a worst-case scenario. Requiring a parent company guarantee could potentially keep possible bidders from applying under the tender.

A15. The requirement for parent company guarantees stems from chapter 7 a of the Subsoil Act, namely the rules regarding financial capacity. The DEA wishes to reiterate that unlimited parent company guarantees based on the DEA model

guarantee are currently viewed as necessary for establishing sufficient economic safety for a licence governed by the Subsoil Act. The DEA is currently assessing whether other forms of guarantees can be deemed suitable in the longer run.

Q16. The documentation guidelines on work programme and budget state that information is requested on how the work programme should be scheduled, i.e. how far ahead in time the DEA expects the work programme to go. (I.e. all the way to or even after initiation of storage or only until the time of applying for a storage permit based on the results of the exploration activities). Furthermore, the descriptions of the budget- and table view are unclear, and it lacks clarification on whether the accounts of the table are specific minimum requirements or examples. Furthermore the shown table indicates that salary costs should be specified – it is however unclear, why the DEA needs information on this matter. Please clarify these matters.

A16. The DEA refers to section 4 of the invitation letter regarding evaluation criteria, namely the subsection regarding conditional and unconditional activities, where unconditional activities are generally favoured. The DEA refers to the answers to Q2-6.

Concerning the table in the guidelines, this should be seen as an example for guidance in terms of both format and content. However, the application should make it possible for the DEA to distinguish inter alia between costs related to actual exploration activity and administration or similar, and in this aspect, the DEA reiterates that the example costs would be suitable for this.

Q17. It is requested that the DEA's requirements for awarding of a storage licence be published.

A17. The requirements for obtaining a storage licence are set out in the model licence section 4, 5 and 6.

Q18. What is considered 'provide security equalling the amount and nature as may be approved by the DEA' (ref. the invitational letter) What sort of guarantee is required? Payment guarantee or performance guarantee? Or any other form of bank guarantee or any form covering the committed work program is sufficient? What amount should be guaranteed? (work program value as defined by applicant?) Is a Standard bank guarantee against the committed work programme value suitable?

When would such a guarantee come into effect? After granting of licence? Treatment of guarantees from other parties to the application: Is this to be understood as joint & several liability? If yes, please confirm whether liability principle of joint liability under the licence can be modified. Is there a template adapted for CCS?

A18. As mentioned in the invitational letter, the main rule is that an unlimited parent company guarantee as defined in the attached model guarantee from the ultimate parent company is required to comply with section 24 f and 23 q of the Subsoil Act and section 32 of the model licence. The DEA is currently assessing whether other forms of guarantees can be deemed suitable in the longer run.

The guarantee must be provided no later than 30 days after the award of the licence.

It follows from the model licence section 31 that where a licensee consists of several parties, they are jointly and severally liable for claims for damages under section 35 of the Subsoil Act. The DEA has not found any reasonable basis for modifying this rule.

Q19. Is the application binding from moment of award or could the applicant(s) decline to accept the award? Please confirm there are no consequences of not accepting the award If the DEA wishes to amend the surface or definition applied for how will the applicant be contacted and what will be their timeframe for acceptance of any proposals? What would be the consequence if for some reason the unconditional work program were not fulfilled?

A19. The application to the tender itself is not binding. However, when the minister awards a licence, this is a binding decision, and so from that moment the licensee is obligated to complete the work programme under the licence.

It follows from section 36, subsection 2 of the model licence that If any part of the work programme has not been carried out when the licence is relinquished, the licensee shall (unless the competent authority grants a derogation thereof) pay to the Exchequer an amount equal to what the fulfilment of the obligations would have cost.

It should be noted however that the DEA can enter into a dialogue with the applicants as part of the evaluation of the applications. As a step in this dialogue, the DEA will send an offer letter with the proposed licence to the applicant before the licence is presented to Parliament with a view to the minister making his decision.

Q20. Please confirm, that if anybody requests access to the content of an application submitted by an applicant, such application material will not be released prior to award and the applicant will anyway get the opportunity to remove 'sensitive' information.

A20. If a request for access to information is made in relation to the tender of CO_2 exploration and storage licenses under the Publicity Act or the Public Administration Act, a decision must be made specifically and within the time limits of the Environmental Information Act.

When assessing such a request, the DEA would have to ask the opinion of the applicant, which the information concerns, on which information must be considered sensitive.

Please note that licenses and their work programmes will be published on the DEA webpage.

Q21: What kind of documentation does the DEA expect in regards to insurance? Must an applicant provide an actual offer of insurance (that would practically be time limited and thus outdated at the time it is actually needed) or could it be a confirmation from an insurance broker that the insurance?

A21. While the subsoil act does stipulate that the responsibility for damages of the licensee must be covered by insurance, the DEA is aware that at the time of application it may not be possible to present the binding terms and price of an actual insurance offer.

The DEA refers to its "Guidelines on security and insurances for companies holding an exploration and production licenses pursuant to the provisions of the Danish Subsoil Act", which can be found on the DEA webpage.

Q22: The maps provided in the executive order contain both a surface designation and a plan designation for the tendered areas. How is that to be interpreted?

A22. The delimitation of the surface areas is made in order to ensure compliance with environmental regulations regarding namely the strictly protected Natura 2000 areas. It will not be possible to place surface installations and facilities in relation to storage operations outside the surface designation, but it will still be possible to perform CO_2 storage activities in the subsoil below the Natura 2000 areas within the limits of the subsoil designation. A Natura 2000 impact assessment will still be required as a part of any permit application. If the projects requires an

Environmental Impact Assessment (EIA), the Natura 2000 impact assessment is to be included in the assessment and report.

Q23: The strategic environmental assessment encompasses another 3 areas near the west coast of Denmark, why are these not included in the tender? And when can they be expected to be tendered?

A23. The 3 nearshore areas are not a part of the current Maritime spatial plan (havplanen) as areas in which CO_2 storage is possible, and legislative changes in the spatial maritime plan are necessary before the areas Inez and Jammerbugt can be tendered out.

To ensure fair competition and an efficient administration of the licensing round, all three nearshore areas will be tendered at a later date. The DEA expects to announce the nearshore licensing round in the first half of 2024. The conditions for the nearshore licensing round are expected to resemble those for the current onshore round, except for regulations that are only relevant onshore.

Q24: Earlier this autumn, the DEA postponed the second tendering round of CO_2 exploration and storage licenses in the western part of the North Sea, when will that tender be held?

A24. A screening is currently being made regarding which areas in the North Sea that are most suitable for offshore wind electricity production. When that has been concluded, it will be possible to decide when and where CO_2 storage licenses can be tendered in the western part of the North Sea.

Q25: Regarding the Danish version of the invitation, section 2, it is mentioned that digital maps can be found on [webpage/public GIS database]. Which webpage/database does this refer to?

A25. The DEA has updated the reference, and it now correctly specifies that digital maps can be found on the DEA webpage here: https://ens.dk/en/our-responsibilities/ccs-carbon-capture-and-storage/licenses-exploration-and-storage-co2-including under the sub-menu regarding the 2nd exploration and CO_2 storage licensing round.

Q26: On page 5 of the invitation [in fine] it is mentioned that the DEA will require documentation in the form of legally binding agreements with suppliers. How far ahead of planned activities must these agreements be sent to the DEA?

A26. Legally binding agreements with suppliers is an example of documentation that can be used to satisfy the need to demonstrate the applicant's necessary technical capacity to meet all unconditional obligations under the work programme under the application.

Documentation of legally binding contracts could be especially relevant, where the work programme is based on a very compressed timeline that implies a need for the operator to have secured the necessary procurement before the potential award of the licence. In such a case, the DEA may need to see the legally binding agreement to ensure that the timeline is realistic.

Q27: In section B.1.4 in the documentation requirements for the application, it is mentioned that the application must contain a *"geological/geophysical map in sufficiently good resolution to be able to read the axes, which as a minimum should cover the area under application and any interpreted seismic lines that the applicant is in possession of at the time of application. Associated drilling data, and interpretation of this, which the applicant is in possession of on the date of application."* How much data is the DEA interested in receiving with the application and similarly drilling data? Would it be sufficient with a sampled selection representing the area applied for? E.g. interpreted 2D lines and structural maps based on interpreted 3D seismics?

A27. The DEA does not require any actual data to be delivered. What is, however, required, is an account of the applicant's database in terms of seismic surveys, wells and well log data and other relevant data. This can be in the form of lists, tables or maps that show the location of the various data types. Select examples of interpreted seismic lines and well logs should also be included.

Q28: At the information meeting on 13 December GEUS mentioned that applicants are expected to offer new seismic in their applications. Does the DEA see it as a mandatory requirement or a significant factor for evaluating applications that new 3D seismic are offered?

A28. The need for new seismic surveys will depend upon the quality and coverage of existing data. If good coverage and good quality seismic data already exist acquisition of new data will be considered less relevant. It will however always be a specific case for each site based on the quality and scope of the existing data in the area.
The DEA generally expects that acquisition of new data will be necessary in order for an exploration project to proceed to a final investment decision (FID).

Q29: Can activities that will not be relevant until a licence has been extended as a storage license such as baselines for inSAR, seismicity studies and seismic, be offered as part of the work programme, when they are not expected to commence until then?

A29. Satisfactory implementation of the work programme is a precondition for extending the license to carry out storage activities. It follows, that any activity performed after such an application should not be included in the work programme.

Baseline studies are expected of any licensee before storage operations can commence, and will be specified as part of the monitoring plan submitted with the application to proceed to the storage phase. Baseline studies can be included in the work programme, but will not be taken into consideration, when evaluating the ambition or scope of the work programme.

Q30: The invitation states that at the end of the application period, it will be made public who has applied. Will it also be made public, which area(s) the applicants have applied for?

A30. After expiry of the application deadline, the DEA intends to publish a press release similar to the one made after the first tender of CO2 storage licenses in 2022. The press release will contain the names of the companies that have applied, but not which areas they have applied for.

Q31: Is it possible to apply for an approval according to Section 23 d, Subsection 2, Section 23 u or Section 28, Subsection 1, of the Subsoil Act simultaneously with the application for the Section 23 licence?

A31. It is formally possible to make all the mentioned applications simultaneously, however the phased structure of the license means that certain requirements must be met, before a license can be extended for the purpose of storage operations.

The requirements are, amongst other, to complete the offered work programme and following the requirements in the Danish Subsoil Act section 23(3), 23 d and chapter 3 in the Danish CCS Executive Order, the latter implements article 7 in the EU CCS Directive.

Q32: Will the DEA be available for meetings regarding the application before the application deadline on 24 January?

A32. The DEA does not intend to participate in bilateral meetings with applicants or potential applicants until the end of the application deadline on 24 January 2024.

The DEA is open to answering written questions regarding the tender anonymously in this FAQ, which is made available to all applicants through the DEA home page.

The DEA expects to invite applicants to an introduction meeting with a view to present the applied project, after the application deadline has passed.

Q33: The Havnsø and the Rødby license areas are limited to the shoreline as compared to the initial areas that were shown on previous documents and communications from DEA and GEUS, as a consequence of Denmark being party to the Helsinki Convention. It would be very difficult if not impossible to guarantee that no CO_2 could migrate into the seabed beyond the shoreline, even if the injected volumes are limited and the injection period is rather short compared to the license duration, leading to potential liabilities not only of the CCS licensee under the CCS regulatory regime, but also of Denmark under the Helsinki Convention. What type of guarantee can DEA provide tenderers on this specific issue?

A33. While it is, subject to permits, possible to perform exploration activities (e.g. seismic investigations) that exceed the designated licence areas, the DEA will not be able to approve CO_2 storage activities, including migration of CO_2 outside the areas. The DEA acknowledges that restrictions imposed by the Helsinki Convention pose a risk to potential CO_2 storage projects, but also that they serve the purpose of nature preservation that cannot be derogated from.

As long as sub-seabed CO_2 storage is forbidden in the Helsinki Convention, and the areas are not included in the designation of a tender, the DEA cannot issue storage permits unless the applicant can ensure by documentation that there is no risk of CO_2 migration exceeding the designated areas.

The DEA can thus not provide tenderers with guarantees on this issue.

Q34: In the invitation, section 8, there is a sentence regarding charge for cost for the DEA handling the application. Is it possible to provide an amount for this?

A34. The DEA's fee for handling the application will be based on a calculation of the number of hours the DEA spends on processing the application. The rules regarding the fee can be found here:
https://www.retsinformation.dk/eli/lta/2023/1105

Q35: Appendix 3 (Documentation requirements for the application) to the invitation letter of 13 December 2023 sets out the requirements for financial and technical capacity, including documentation in the form of recent annual reports, previous experience and technical expertise.

Would it be possible for a newly established company (SPV) to apply for a licence and provide documentation for its technical and financial capacity based on its parent company's financial and technical capacities? I.e. would it be possible for a newly established company to document technical and financial capacity by submission of the annual reports and technical experience and expertise of its parent company where the parent company by an agreement or a letter of support provides the newly established company with the required financial and technical capacities to fulfill the work programme in the application. Further, would the technical expertise need to be employed in the newly established company or would it be sufficient that there is an agreement/letter of support that the newly established company can use the technical expertise of the parent company?

A35. The DEA has published a guidance on security and insurances for hydrocarbon licenses, which is based on the same principles and rules as for CO_2 storage licenses. The rules of the Subsoil Act do not as such preclude an applicant from basing its financial capacity on the financial capacity of its parent company.

The essential part is that the DEA can be assured through documentation that the licensee's financial capacity is sufficient for the licensee to carry out the activities during the forthcoming phase of the operations under the licence, including a contingency fund and the provision of financial security to cover a potential claim for damages arising out of the operations. The financial capacity must include funds for immediate implementation and uninterrupted continuation of all measures required for effective emergency response and subsequent remediation, including if necessary the removal of installations after completion of production.

See A14 and A39 for elaboration on the technical capacity.

Q36: Generally, with respect to the financial and technical capacity, would a letter of support from a third party (as is known from the tenders from concessions for construction and operation of offshore wind farms) be sufficient documentation for financial and technical capacity, or would the Danish Energy Agency require binding agreements between the applicant and the third party for provision of financial or technical support?

A36: See A14, A35 and A39. The evaluation of financial capacity is always a specific assessment, and the DEA cannot beforehand decide which documentation is sufficient.

Q37: Please can you confirm for the current CO_2 licence round, in terms of the surface area designation, whether the definition of 'surface installations and facilities in relation to storage operations' includes pipelines of any sort (e.g. trunk pipelines, in-field pipelines between potential well locations), or is limited to well site and associated reception/injection facilities only.

A37: The surface area designation is made in order to ensure compliance between the licenses and protected nature areas. The protection of these areas pertain to any sort of installation, including pipelines.

Q38: Are there any requirements for local presence for the applicant? I.e. can a company registered and domiciled in another country than Denmark apply for and be awarded a licence, or does such a foreign-based company need to have a Danish presence/address or a Danish company to apply and be awarded a licence?

A38: The Subsoil Act or the model licence do not contain provision that mandate a local presence for the applicant.

However, this does not preclude that there could be a requirement under other legislations or due to other authorities' approvals.

Q39: In terms of technical capacity, agreements with subcontractors can contain GDPR sensitive information (e.g. CV's). Is it possible to delimit the material to, for example, a front page and a signature of the agreements and then make the rest available upon request?

A39: In terms of technical and financial capacity, these are minimum requirements that must be met by the applicant in order for the application to be evaluated. Referring to section B1.3 k) in the documentation requirements, description of the technical expertise regarding the activities being done in the work program, should include CV's for the documenting technical expertise within the applicant's staff. If the applicant does not have the required expertise, there should be a description of how this will be acquired. Whether the documentation provided with the application is sufficient is subject to assessment of the specific case. The DEA may request further documentation if necessary.

Q40: When and where will a link to the FTP-server (Filkassen) be available for upload of applications?

A40: A dedicated link for each applicant will be provided upon request in writing to ccs-lagring@ens.dk.