Harbour Energy plc
23 Lower Belgrave Street
London, SW1W 0NR
United Kingdom
+44 (0)20 7730 1111
harbourenergy.com

5 December 2022

Dear Mr Jones

The Decarbonisation of the power sector

Thank you for your letter of 29 November 2022. Please find below our responses to your questions. For consistency with our external market reporting, we have set out our figures in US dollars.

1. **How much does Harbour Energy envisage paying in windfall tax to the Treasury for financial years 2021/22 and 2022/23?**
   The Energy Profits Levy (EPL) was enacted with effect from 26 May 2022. As such no windfall tax was payable in the fiscal year 1 April 2021 – 31 March 2022.

   For fiscal year 1 April 2022 – 31 March 2023 we anticipate our EPL payments will be c.$400 million, as per our Trading and Operations update of the 3 November.

2. **How much would Harbour Energy have paid if it had not benefitted from the investment allowance included in the windfall tax for financial years 2021/22 and 2022/23?**
   The EPL was enacted with effect from 26 May 2022. As such no windfall tax was payable in the fiscal year 1 April 2021 to 31 March 2022.

   For fiscal year 1 April 2022 to 31 March 2023, it is expected that the investment allowance will reduce our EPL payments by c.$80 million to our previously disclosed estimated EPL payments of c. $400 million as per our Trading and Operations update of the 3 November.

3. **Will the changes to the windfall tax impact your investment decisions in the UK, and if so, why?**
   We are still assessing the impact of the EPL on our business and capital allocation decisions. We are currently in the middle of our annual budget processes, as part of which we are re-assessing the amount of capital now available for re-investment given the material reduction of our cash flow as a result of the higher tax payments. We also need to take into account the fact that the increased EPL rates will now continue to apply even if oil and gas prices return to more normal levels. We are also scrutinising all future expenditure plans to ensure they remain robust and make strategic sense given the new fiscal regime we now face in the UK.

4. **How much are you planning to invest in efforts to decarbonise your operations and over what time frames? What proportion of your total investment does that account for?**
   Harbour expected to spend c.$1.1 billion on decarbonising its operations over the period 2022 to 2024, as set out in our Capital Market Day (CMD) presentation in December 2021. This comprised c.$150 million on emission reduction activities and c.$900 million on retiring late life offshore assets in the UK. As per our CMD presentation, Harbour expected to invest c.$1.3 billion per annum over the period 2022 to 2024, over 80 per cent of which was anticipated to relate to investment in the UK. On this basis, our UK decarbonisation investment of c. $1.1 billion equates to over a third of Harbour's total $3.1 billion UK investment. However, as described above, Harbour is now in the process of reviewing these investment plans given the more onerous UK fiscal regime.

Harbour Energy

5. **You previously ruled out investment in renewables. Please can you explain why?**
Harbour is a pure-play upstream oil and gas company and does not have the skill set or capabilities to invest successfully and compete in renewable energies such as wind and solar. We are however well-positioned to leverage our extensive subsurface and offshore expertise and existing asset base to accelerate CO_2 Capture and Storage (CCS) which has a critical role to play in achieving the UK's Net Zero goal by 2050. As stated in our Trading and Operations update, Harbour remains focused on reducing our greenhouse gas emissions and advancing our two UK CCS opportunities, the Harbour-led Viking CCS project in the Humber region of England and Acorn in Scotland.

6. **What progress has Harbour Energy made against the decarbonisation targets in the North Sea Transition Deal?**
Harbour is delivering emissions reduction projects in line with commitments made in our Climate Change and Sustainability policies and is on track to meet the North Sea Transition Deal (NSTD) decarbonisation targets. As at year end 2021 we had delivered a 15 per cent reduction in our gross operated emissions against the NSTD 2018 baseline year, equating to an absolute reduction of 167kt CO_2e.

Our commitments are documented in our Emissions Reduction Action Plans (ERAPs) which were submitted to the North Sea Transition Authority (NSTA) in the past few months.

7. **A large body of research, including from the International Energy Agency (IEA), IPPC, Stockholm Environmental Institute, and UCL demonstrates that emissions from planned and current investments in global oil and gas production will exceed global carbon budgets for 1.5°C and that the global fossil fuel production needs to decline. What action are you taking to align your operations with the IEA's Net Zero pathway? If you are following a different pathway to that set out by the IEA, why is that?**
Harbour is committed to addressing its environmental impact proactively and taking action to achieve its Net Zero 2035 goal. This is significantly ahead of the IEA's Net Zero 2050 pathway.
We plan to achieve our Net Zero 2035 goal through reducing our own emissions – predominately via improved operational efficiencies as set out in our ERAPs and retiring offshore assets – as well as through investing in nature-based carbon offsetting.

In addition, Harbour is participating in two UK CO_2 Capture and Storage (CCS) opportunities, Harbour-led Viking CCS in England and Acorn in Scotland, which could capture and store multiple times Harbour's annual CO_2 emissions and play a critical role in achieving the UK's Net Zero goal.

Yours sincerely,

DocuSigned by:
Linda Z. Cook
1CCFF3F13C0A4DD...
Linda Z. Cook

Chief Executive Officer of Harbour Energy plc