Public Accounts Committee

Jeremy Pocklington CB
Permanent Secretary
Department for Energy Security and Net Zero

By email

19 December 2024

Contingent liabilities on Carbon Capture projects – following the Committee's inquiry on 12 December 2024

Dear Permanent Secretary,

Following from my Committee's hearing on Thursday 12 December for our inquiry into DESNZ's carbon capture programme, we have noted recent reports that the Government has agreed potential compensation schemes with developers that could cost up to £6bn. The use of these contingent liabilities in relation to the risk posed by judicial review was not made clear to the Committee during the session.

In your reply to my question (Q61) highlighting a maximum exposure of £32bn from contingencies and liabilities, you stated, "The contracts that we are putting in place are absolutely designed to minimise those risks, and they strongly incentivise the investors and the developers to minimise the risks. There will also be regulatory oversight by Ofgem, with a system of penalties in place".

Please could you provide more detail on the arrangements that have been made for potential compensation? Please include whether the Department has included these liabilities as part of a worst-case scenario, how much the Department could expect to pay out as a result of these agreements, measures you are taking to minimise risks and protect value-for-money of the project, and the risks posed to the programme if the judicial review were to be successful.

Could you also set out the Department's current view on the achievability of previous carbon capture targets, specifically the ambition of capturing and storing 20-30 million tonnes of CO_2 per year by 2030?

I would be grateful if you could provide me with information on these points by 3 January 2025.

I am copying this letter to the Chair of the Energy Security and Net Zero Committee and the Comptroller and Auditor General.

Yours Sincerely

Sir Geoffrey Clifton-Brown
Chair of the Committee of Public Accounts

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