STATUTORY INSTRUMENTS

2026 No. 632

ENVIRONMENTAL PROTECTION

The Carbon Dioxide Transport and Storage (Financing of Costs of Offshore Decommissioning) Regulations 2026

Made - - - -	*11th June 2026*
Laid before Parliament	*15th June 2026*
Coming into force - -	*10th July 2026*

The Secretary of State makes these Regulations in exercise of the powers conferred by sections 92, 93, 330 and 331(2) of the Energy Act 2023(**1**).

Before making these Regulations, the Secretary of State served a notice on each relevant devolved authority(**2**) in accordance with section 94(1) of that Act, and has considered any representations duly made by those authorities.

Part 1

Introduction, interpretation and application

Citation, commencement and extent

1.—(1) These Regulations may be cited as the Carbon Dioxide Transport and Storage (Financing of Costs of Offshore Decommissioning) Regulations 2026.

(2) These Regulations come into force on 10th July 2026.

(3) These Regulations extend to England and Wales, Scotland and Northern Ireland.

Interpretation

2.—(1) In these Regulations—

"the 1998 Act" means the Petroleum Act 1998(**3**);

(**1**) 2023 c. 52.
(**2**) "Relevant devolved authority" is defined in section 94(2) of the Energy Act 2023.
(**3**) 1998 c. 17. Section 30 of the Energy Act 2008 (c. 32) provides that Part 4 of the Petroleum Act 1998 applies in relation to a carbon storage installation as it applies in relation to an offshore installation with modifications contained in that section, and subject to section 30A of the Energy Act 2008 (which was inserted by section 107(2) of the Energy Act 2011 (c. 16)).

"the 2008 Act" means the Energy Act 2008(**4**);

"the 2023 Act" means the Energy Act 2023;

"abandonment programme" means an abandonment programme for a carbon storage installation(**5**) or submarine pipeline prepared in accordance with section 29 of the 1998 Act as modified by section 30 of the 2008 Act;

"accountable person" means—

(a) a person who will carry out, or will arrange the carrying out, of a decommissioning action, and

(b) who is a relevant person(**6**), or another person who has a duty or an obligation under an enactment or UK court order, to ensure that the decommissioning action is carried out;

"accounting code" means a number assigned to an infrastructure estimate and the related infrastructure report for accounting purposes;

"accounting principles" has the meaning given in regulation 26;

"annual contribution" means the annual contribution to the offshore decommissioning fund that is proposed in a funding and investment strategy and approved by the Secretary of State under Part 4 of Schedule 4;

"approval request" is a request to the Secretary of State that is in a form specified in paragraph 1 of Schedule 3, and seeks approval of a matter requiring Secretary of State approval under these Regulations;

"approved decommissioning action" is to be interpreted in accordance with regulation 2(3);

"approved fund estimate" means a fund estimate or revised fund estimate that has been approved by the Secretary of State under regulation 7;

"approved holding arrangement information" means the information submitted under regulation 8(1) that is approved by the Secretary of State under regulation 9 and includes changes to that information approved under regulations 11(5), 12(4) or 12(5);

"carbon storage installation estimate" means an estimate of the costs relating to measures proposed to be taken in connection with the abandonment of a carbon storage installation, where—

(a) no part of that installation is included in the infrastructure comprising a storage site pursuant to a storage permit granted by the OGA, and

(b) the installation is subject to a notice served by the Secretary of State or Scottish Ministers under section 29 of the 1998 Act;

"covered offshore infrastructure" means the offshore carbon dioxide-related infrastructure that is, has been, or is intended to be used, in connection with activities authorised by a single section 7 licence;

"decommissioning action" means an action in respect of covered offshore infrastructure, that has been or is intended to be carried out in connection with—

(a) performing a decommissioning obligation, or

(**4**) 2008 c. 32. Section 30 of the Energy Act 2008 was amended by: the Energy Act 2011 (c. 16), section 107(4); the Energy Act 2016 (c. 20), Schedule 2, paragraphs 13(2) to (4); the Energy Act 2023, sections 95(2) and (3), and 299(2); and the Storage of Carbon Dioxide (Amendment of the Energy Act 2008 etc.) Regulations 2011 (S.I. 2011/2453), regulation 11(b). Section 18 of the Energy Act 2008 was amended by: the Storage of Carbon Dioxide (Amendment of the Energy Act 2008 etc.) Regulations 2011 (S.I. 2011/2453), regulation 3; the Energy Act 2008 (Storage of Carbon Dioxide) (Scotland) Regulations 2011 (S.S.I. 2011/224), regulation 2; the Energy Act 2016, Schedule 1, paragraph 53; and the Crown Estate Transfer Scheme 2017 (S.I. 2017/524), Schedule 5, paragraph 39.

(**5**) "Carbon storage installation" is defined in section 92(11) of the Energy Act 2023.

(**6**) "Relevant person" is defined in section 92(5) of the Energy Act 2023.

(b) performing a duty in connection with decommissioning or abandonment of that infrastructure;

“decommissioning obligation” means an obligation mentioned in section 92(1) of the 2023 Act;

“Energy Act 2008 licence” means a licence granted under section 18 of the 2008 Act;

“final decision” means a decision of the Secretary of State—

(a) determining whether a matter or document requiring approval under these Regulations is to be approved,

(b) taking a form that is permitted under paragraph 2(2) of Schedule 3,

(c) that may be withdrawn by the Secretary of State under paragraph 10 or 11 of Schedule 3, and

(d) that may be replaced by another final decision, as provided for under these Regulations (including a final decision on revisions or other changes);

“financial contribution” means the financial contribution payable in respect of a storage site under regulation 10(5) of the Termination Regulations;

“financial year” means a period of twelve months ending with the 31st March;

“fund accrual profile” has the meaning given in paragraph 1 of Schedule 4;

“fund administrator” has the meaning given in regulation 8(2)(b);

“fund assets” means the assets held for the benefit of an offshore decommissioning fund at any given time, irrespective of whether those assets are held by a deposit taker or invested by other means, and irrespective of whether the assets derive from annual contributions, investment returns or other lawful payments into the offshore decommissioning fund;

“fund estimate” means an estimate of decommissioning costs(**7**) relating to the future abandonment or decommissioning of the covered offshore infrastructure of a section 7 licensee;

“fund holder” has the meaning given in regulation 8(2)(a);

“fund sufficiency target” means the amount of fund assets (in real terms) estimated to be required and incorporated in the fund accrual profile, to meet the decommissioning costs relating to infrastructure held against an accounting code, at the time those costs need to be incurred, based on—

(a) the work breakdown in the approved fund estimate, and

(b) the accounting principle in regulation 26(2)(a);

“funding and investment strategy” means a document meeting the requirements of Part 2 of Schedule 4;

“holding arrangement proposal” means a proposal made under regulation 8(1) for a legal mechanism to establish and hold an offshore decommissioning fund;

“infrastructure estimate” means either a storage site estimate, pipeline estimate or carbon storage installation estimate;

“infrastructure report” means a report prepared for each financial year in relation to an infrastructure estimate, in accordance with regulation 18(5);

“Licensing Regulations” means any, or all, of the following, as may be applicable—

(**7**) “Decommissioning costs” are defined in section 92(11) of the 2023 Act.

(a) the Storage of Carbon Dioxide (Licensing etc.) Regulations 2010(**8**) ("the Licensing Regulations (OGA)"),

(b) the Storage of Carbon Dioxide (Licensing etc.) Regulations (Northern Ireland) 2015(**9**) ("the Licensing Regulations (NI)"), or

(c) the Storage of Carbon Dioxide (Licensing etc.) (Scotland) Regulations 2011(**10**) ("the Licensing Regulations (Scotland)");

"monthly contribution" means a monthly amount that a section 7 licensee must pay into an offshore decommissioning fund in accordance with regulation 14;

"offshore carbon dioxide-related infrastructure" means carbon dioxide-related sites, pipelines or installations located in, under or over—

(a) the territorial sea of the United Kingdom, or

(b) waters in a Gas Importation and Storage Zone(**11**);

"offshore decommissioning fund" means a decommissioning fund(**12**) established under these Regulations for covered offshore infrastructure;

"OGA" means the Oil and Gas Authority;

"periodic review date" means the 5 yearly anniversary of—

(a) the date on which the section 7 licensee submitted an approval request in respect of the most recent approved fund estimate, or

(b) an alternative date to that in sub-paragraph (a), that has been notified in writing to the section 7 licensee and the economic regulator(**13**) by the Secretary of State;

"pipeline estimate" means an estimate of the costs relating to measures proposed to be taken in connection with the abandonment of a submarine pipeline, where that pipeline, or part of that pipeline—

(a) is not part of the infrastructure comprising a storage site pursuant to a storage permit granted by the OGA,

(b) is authorised under Part 3 of the 1998 Act(**14**) for the transport of carbon dioxide, or is otherwise authorised under that Part to be used for carbon dioxide-related purposes, and

(c) is subject to a notice served by the Secretary of State under section 29 of the 1998 Act;

"post operations fund administration costs" means overheads and expenses (including statutory fees and charges) to be incurred by the fund holder in the post operations period, where the costs are—

(a) wholly attributable to managing the offshore decommissioning fund or complying with requirements under these Regulations, or with other legal requirements in relation to the offshore decommissioning fund, and

(b) consistent with the requirement in regulation 17(1)(d);

"revised fund estimate" means a revision of a fund estimate in accordance with Part 4 of Schedule 2;

(**8**) S.I. 2010/2221, amended by: the Energy Act 2016 (c. 20), Schedule 1, paragraphs 78, 79 and 80; the Energy Act 2023 (c. 52), section 104 and Schedule 6; S.I. 2012/461, 2016/912, 2019/544, 2022/1190.
(**9**) S.R. 2015 No. 387.
(**10**) S.S.I. 2011/24, amended by S.S.I. 2011/457, 2021/354, 2021/383 and S.I. 2016/912.
(**11**) "Gas Importation and Storage Zone" has the meaning given in section 92(3)(b) of the Energy Act 2023.
(**12**) "Decommissioning fund" has the meaning given in section 92(7)(a) of the Energy Act 2023.
(**13**) "Economic regulator" is defined in section 92(11) of the Energy Act 2023.
(**14**) Section 14 of the Petroleum Act 1998 was amended by the Energy Act 2016 (c. 20), Schedule 1, paragraph 14. The Petroleum Act 1998 (Specified Pipelines) Order 2011 (S.I. 2011/423) was made under section 24(2A) and 25(7)(b) of the Petroleum Act 1998.

"safeguard measure" is a measure of a type listed in regulation 27(4), that the Secretary of State may require as a condition of approving a payment from the offshore decommissioning fund under Part 4 of these Regulations;

"section 29 notice" means a notice given by the Secretary of State or the Scottish Ministers(**15**) under section 29 of the 1998 Act in respect of a carbon storage installation, or a submarine pipeline used for carbon dioxide-related activities;

"section 7 licence" means a licence granted by the economic regulator in accordance with section 7(1) of the 2023 Act, or by the Secretary of State under section 16 and Schedule 1 of the 2023 Act, authorising the activities mentioned in section 2 of the 2023 Act;

"section 7 licensee" means a person holding a section 7 licence;

"storage site estimate" means an estimate of the decommissioning costs relating to a single storage site covered under a storage permit;

"submarine pipeline" has the meaning given by section 45 of the 1998 Act(**16**);

"Termination Regulations" means the Storage of Carbon Dioxide (Termination of Licences) Regulations 2011(**17**);

"third party investment manager" means a person who carries out investment functions on behalf of an offshore decommissioning fund, who is not the fund holder, fund administrator or other person employed by the fund holder;

"UK court order" means—

(a) an order made by a court in the United Kingdom, or

(b) a court order of a foreign court that has been recognised by a court in the United Kingdom.

(2) The expressions "storage permit" and "storage site" have the meanings given in the Licensing Regulations.

(3) In these Regulations—

"approved decommissioning action" means a decommissioning action for which a relevant person has obtained and must obtain the prior written approval of a relevant regulator, including an approval sought through a document listed in column 1 of Table 1 and approved by a regulatory decision listed in column 2 of that Table—

Table 1

Approved decommissioning action

Document	*Decision*
Abandonment programme	Approval of Secretary of State or Scottish Ministers under section 32 of the 1998 Act(**18**)
Revision of abandonment programme	Approval of Secretary of State or Scottish Ministers under section 34 of the 1998 Act

(**15**) Section 30(2) of the Energy Act 2008 (c. 32) provides that in relation to a carbon storage installation established or maintained at a controlled place under a licence granted by the Scottish Ministers under section 18 of that Act, the functions conferred on the Secretary of State by Part 4 of the 1998 Act are exercisable by the Scottish Ministers rather than the Secretary of State. Section 30(2) of the Energy Act 2008 was amended by section 299(2) of the Energy Act 2023 (c. 52).

(**16**) Section 45 of the Petroleum Act was amended by the Energy Act 2008 (c. 32), Schedule 5, paragraph 11; and the Marine and Coastal Access Act 2009 (c. 23), Schedule 8, paragraph 8.

(**17**) S.I. 2011/1483, amended by S.I. 2016/912, 2019/544, 2022/1190.

(**18**) Section 32 was amended by the Energy Act 2016 (c. 20), Schedule 2, paragraph 4(2), in respect of offshore installations and submarine pipelines. Section 30 of the Energy Act 2008 provides for modifications in how Part 4 of the Petroleum Act 1998 applies to carbon storage installations, including that the amendments made to Part 4 of the Petroleum Act 1998 by Schedule 2 to the Energy Act 2016 are to be disregarded.

Document	*Decision*
Post-closure plan	Approval of the OGA, the Department for the Economy in Northern Ireland, or Scottish Ministers under the Licensing Regulations(**19**)
Draft termination notice under regulation 9 of the Termination Regulations	Determination by the OGA or Scottish Ministers of the financial contribution

(4) In these Regulations, the expressions "fund operational period" and "post operations period" are to be interpreted and determined, at any given time, in accordance with Schedule 1, and Schedule 1 has effect.

(5) In these Regulations, a "material deficit" is a shortfall occurring at any given time, between the value of fund assets in an offshore decommissioning fund and the required value in the fund accrual profile where the amount of the deficit is greater than the following—

(a) in the last 5 years of the fund operational period and in the post operations period, the amount of the monthly contribution in the final year of the fund operational period;

(b) at any other time during the fund operational period, 3% of the total amount that the fund accrual profile had projected to accrue by the next periodic review date.

(6) In these Regulations—

(a) "relevant regulators" has the following meanings, as applicable—

(i) in the case of offshore carbon dioxide-related infrastructure that is covered by an Energy Act 2008 licence that has been granted by the Scottish Ministers, those Ministers and the economic regulator,

(ii) in the case of offshore carbon dioxide-related infrastructure that is covered by an Energy Act 2008 licence that has been granted by the Department for the Economy in Northern Ireland, that Department and the economic regulator,

(iii) in the case of offshore carbon dioxide-related infrastructure that is covered by an Energy Act 2008 licence that has been granted by the OGA, that Authority and the economic regulator,

(b) in a case where a regulator mentioned in sub-paragraph (a)(i) to (iii) had granted a licence and that licence has terminated—

(i) the Secretary of State may cease to treat that regulator as a relevant regulator, and

(ii) a relevant person may cease to treat that regulator as a relevant regulator provided that person has obtained prior written confirmation from the Secretary of State that the Secretary of State has ceased to treat that regulator as a relevant regulator,

(c) reference to a single "relevant regulator" means one of the two relevant regulators mentioned in the applicable paragraph of sub-paragraph (a).

Application

3. These Regulations apply in relation to offshore carbon dioxide-related infrastructure.

Covered offshore infrastructure

4. An offshore decommissioning fund must be established by a section 7 licensee to provide security for decommissioning costs in relation to that licensee's covered offshore infrastructure.

(**19**) Regulation 13(3) of S.I. 2010/2221, regulation 13(3) of S.R. 2015 No. 387 and regulation 12(3) of S.S.I. 2011/24.

Part 2

Estimate of offshore decommissioning costs

Estimate of offshore decommissioning costs

5.—(1) As soon as reasonably practicable following the date on which a section 7 licence was granted, a section 7 licensee must submit a fund estimate to the Secretary of State for approval.

(2) Parts 1 to 3 of Schedule 2 make provision as to the information to be included in—

(a) a fund estimate, and

(b) a revised fund estimate.

Revision of an approved fund estimate

6. Part 4 of Schedule 2 makes provision concerning revision of a fund estimate, including the circumstances where a section 7 licensee must seek the Secretary of State's approval for a revised fund estimate.

Approval of fund estimate or revised fund estimate

7. The Secretary of State must reach a final decision on whether to approve a fund estimate or revised fund estimate and may not give such approval unless satisfied that—

(a) the estimate is based on reasonable forecasts and assumptions, on the basis of information reasonably available at the time the estimate is provided, and

(b) it includes all information required by Schedule 2.

Part 3

Offshore decommissioning fund

Submission of holding arrangement proposal

8.—(1) As soon as reasonably practicable following the date on which a section 7 licence was granted, a section 7 licensee must submit a proposal for a legal mechanism to establish and hold the offshore decommissioning fund that must be established pursuant to regulation 4 ("holding arrangement"), to the Secretary of State for approval.

(2) A holding arrangement proposal under paragraph (1) must include the following information, unless the Secretary of State notifies otherwise under paragraph (9)—

(a) the draft documents demonstrating the legal and beneficial ownership arrangements for the proposed offshore decommissioning fund, including the name of the person who will have legal ownership of the fund ("fund holder") and any relevant information concerning the matters in paragraphs (3) to (5),

(b) the name of the person who will be responsible for the day-to-day management of the offshore decommissioning fund and the keeping of approved holding arrangement information ("fund administrator"),

(c) if the proposal is to use an existing offshore decommissioning fund established under these Regulations, the value of that fund and an explanation of how the fund estimate and infrastructure estimates for that fund will be affected by the new proposal,

(d) an explanation of how any other activities of the fund holder (if applicable) will be managed so as to ensure the offshore decommissioning fund can meet the requirements of these Regulations,

(e) the intended date by which the offshore decommissioning fund will be set up in accordance with the proposal (unless the proposal is to use an existing offshore decommissioning fund established under these Regulations),

(f) the estimated costs of establishing and running the offshore decommissioning fund,

(g) where applicable, contractual documents relating to investment arrangements proposed on behalf of the offshore decommissioning fund,

(h) an explanation of why the proposed holding arrangement is considered to be more suitable than other potential arrangements,

(i) an explanation of how the requirements of paragraph (6) will be met before, during and after the fund operational period,

(j) an explanation of how the fund holder will ensure an orderly winding up of the offshore decommissioning fund, including in circumstances where early closure is required under regulation 30,

(k) temporary emergency measures to ensure the offshore decommissioning fund will continue to be managed effectively, in the event of circumstances such as mentioned in regulation 11(9),

(l) arrangements to ensure the offshore decommissioning fund will be protected in the event of the insolvency or dissolution of the fund holder, or that there are protections to ensure the likelihood of such an event is remote,

(m) details of at least one deposit taker in which it is proposed that monthly contributions, or other payments received, may be held, and that meets the requirements of paragraph (7), and

(n) any other information necessary to demonstrate compliance with the criteria in paragraph (6).

(3) The fund holder must—

(a) be established and located in the United Kingdom,

(b) if incorporated, be incorporated in the United Kingdom,

(c) be a fit and proper person, having regard to the matters in paragraph (5), and

(d) be subject to duties, obligations or restrictions that form part of the arrangements pursuant to paragraph (2)(l).

(4) The fund administrator must be a fit and proper person, having regard to the matters in paragraph (5).

(5) The Secretary of State must take account of the following matters when assessing whether a fund holder or fund administrator is fit and proper to act in those capacities—

(a) proceedings or arrangements against such a person, under insolvency laws anywhere in the world,

(b) a prohibition or disqualification that at any time has prevented such a person from acting as a trustee, or a director,

(c) criminal convictions that are not spent within the meaning of the laws of any part of the United Kingdom dealing with rehabilitation of offenders, and

(d) evidence of relevant knowledge, skills and experience to act in the capacity of fund holder or fund administrator, as applicable.

(6) A holding arrangement must enable an offshore decommissioning fund to comply with the following criteria—

(a) it must be managed in the United Kingdom, be subject to the laws of a part of the United Kingdom and be subject to the jurisdiction of the courts in a part of the United Kingdom,

(b) its only and continuous purposes must be to—

(i) accrue sufficient security for decommissioning costs in respect of the covered offshore infrastructure,

(ii) enable accountable persons to comply with their decommissioning obligations or duties, by making payments for the purpose of meeting the costs of decommissioning actions, as authorised under these Regulations,

(c) it must exist separately and operate independently from the section 7 licensee, from other relevant persons holding a section 29 notice in respect of covered offshore infrastructure, and from a person connected with the section 7 licensee or those relevant persons, except as provided for in sub-paragraph (g),

(d) it must be constituted so that the fund assets do not form part of the insolvent estate of a person mentioned in sub-paragraph (c), in the event of the insolvency of such a person,

(e) it must be constituted so as to act in accordance with the requirements of these Regulations,

(f) the fund assets must be managed in accordance with regulation 17 and an approved funding and investment strategy,

(g) accountable persons must have standing to enforce the duties and obligations of the fund holder and fund administrator,

(h) the fund holder, fund administrator, third party investment manager or a person employed by the offshore decommissioning fund, may not be a person mentioned in sub-paragraph (c),

(i) the governance arrangements must demonstrate that the offshore decommissioning fund will be independently, competently and properly managed on a continuous basis in accordance with best practice, and

(j) the form of and management arrangements for the offshore decommissioning fund must demonstrate value for money.

(7) A deposit taker that is to be used for money deposited for the purposes of an offshore decommissioning fund must be—

(a) a bank within the meaning given by section 2 of the Banking Act 2009(**20**),

(b) the Bank of England, or

(c) the National Savings Bank, within the meaning given by section 1 of the National Savings Bank Act 1971(**21**).

(8) In this regulation, a person ("A") is connected with a relevant person, if A is—

(a) an associate of that relevant person, as determined by section 435 of the Insolvency Act 1986(**22**) or Article 4 of the Insolvency (Northern Ireland) Order 1989(**23**), or

(**20**) 2009 c. 1. Section 2 of the Banking Act 2009 was amended by: the Financial Services Act 2012 (c. 21), section 101 and Schedule 17, paragraph 3; The Financial Services and Markets Act 2000 (Permissions, Transitional Provisions and Consequential Amendments) (Northern Ireland Credit Unions) Order 2011 (S.I. 2011/2832), article 12(2); the Financial Services and Markets Act 2023 (c. 29), Schedule 11, paragraph 162(3); and the Bank Recovery and Resolution Order 2016 (S.I. 2016/1239), article 29(3).

(**21**) 1971 c. 29.

(**22**) 1986 c. 45. Section 435 of the Insolvency Act 1986 was amended by the Civil Partnership Act 2004 (c. 33), Schedule 27, paragraphs 122(2), 122(3) and 122(4); by the Bankruptcy (Scotland) Act 2016 (Consequential Provisions and Modifications) Order 2016 (S.I. 2016/1034), Schedule 1, paragraph 4(10); by the Companies Act 2006 (Consequential Amendments, Transitional Provisions and Savings) Order 2009 (S.I. 2009/1941), article 8 and Schedule 1, paragraph 82(2); and the Civil

(b) the relevant person is a company and A is connected to the relevant person as determined by section 249 of the Insolvency Act 1986 or Article 7 of the Insolvency (Northern Ireland) Order 1989(**24**).

(9) Where a person makes an application to the Secretary of State for approval of a holding arrangement proposal under this regulation or of changes to a holding arrangement under regulations 11 or 12, without providing all information specified in paragraph (2)—

(a) that person may explain in writing how the Secretary of State may be satisfied under regulation 9, without that information being provided and necessary, and

(b) the Secretary of State may notify the person in writing whether the Secretary of State agrees to consider the application for approval without the information.

Approval of holding arrangement

9. The Secretary of State must reach a final decision on whether to approve a holding arrangement proposal and may not give such approval unless satisfied that—

(a) the offshore decommissioning fund has or will be established in a way that will enable it to meet the criteria in regulation 8(6),

(b) the fund holder meets the criteria in regulation 8(3),

(c) the fund administrator meets the criteria in regulation 8(4), and

(d) the information provided pursuant to regulation 8 adequately demonstrates how the holding arrangement will be established and operate in a manner consistent with these Regulations.

Duty to carry out approved holding arrangement proposal

10. Where the Secretary of State approves a holding arrangement proposal under regulation 9, the section 7 licensee who submitted the proposal must—

(a) ensure that the approved proposal is carried out within a reasonable timescale and that any conditions or modifications relating to the approval are complied with;

(b) notify the approval to other relevant persons holding a section 29 notice in respect of the covered offshore infrastructure and ensure that they have access to approved holding arrangement information.

Changes relating to an offshore decommissioning fund

11.—(1) A relevant person, fund holder or fund administrator must not, except in accordance with this regulation, or regulation 12, make, or require others to make, changes—

(a) transferring the legal or beneficial ownership of an offshore decommissioning fund,

(b) relating to the management, control, or constitutional arrangements in respect of an offshore decommissioning fund,

Partnership Act 2004 (Overseas Relationships and Consequential, etc. Amendments) Order 2005 (S.I. 2005/3129), Schedule 4, paragraph 8.

(**23**) S.I. 1989/2405 (N.I. 19). Article 4 of the Insolvency (Northern Ireland) Order 1989 was amended by: the Civil Partnership Act 2004 (c. 33), Schedule 29, paragraphs 80(1), 80(2), 80(3) and 80(4); the Insolvency (Amendment) Act (Northern Ireland) 2016 (c. 2 (N.I.)), Schedule 4; the Bankruptcy (Scotland) Act 2016 (Consequential Provisions and Modifications) Order 2016 (S.I. 2016/1034), Schedule 1, paragraph 37(2); the Companies Act 2006 (Consequential Amendments, Transitional Provisions and Savings) Order 2009 (S.I. 2009/1941), article 8 and Schedule 1, paragraph 106(5); the Civil Partnership Act 2004 (Consequential Amendments) Order (Northern Ireland) 2005 (S.R. 2005 No. 479) Schedule 1, paragraph 6.

(**24**) Article 7 of the Insolvency (Northern Ireland) Order 1989 was amended by the Corporate Insolvency and Governance Act 2020 (c. 12), Schedule 7, paragraph 2.

(c) involving a transfer of fund assets, that is not a payment approved by the Secretary of State under Part 4 of these Regulations, or

(d) other changes that affect approved holding arrangement information.

(2) The persons mentioned in paragraph (1) must ensure that—

(a) the offshore decommissioning fund is operated in accordance with the approved holding arrangement information;

(b) the Secretary of State is notified promptly of legal proceedings, or other circumstances, that may affect a person mentioned in paragraph (1), or that may result in a change of the type mentioned in paragraph (1).

(3) A section 7 licensee must notify the Secretary of State of—

(a) an application to a relevant regulator to approve—

(i) a transfer of the ownership or operation of any of the licensee's covered offshore infrastructure, or

(ii) a transfer of an Energy Act 2008 licence for any of the licensee's covered offshore infrastructure, or a change of control of the person holding that licence,

(b) the progress of such an application,

(c) the date such a transfer is intended to take place and the date it does take place (if different), and

(d) whether it is proposed that—

(i) the current holding arrangement will continue to apply to the same covered offshore infrastructure, and if so, what the proposed changes to the approved holding arrangement information will be, or

(ii) some or all of the covered offshore infrastructure should be covered by a different offshore decommissioning fund and that a transfer of fund assets should occur.

(4) If a relevant person, fund holder or fund administrator wishes to propose a change relating to the offshore decommissioning fund or approved holding arrangement information, or a transfer of fund assets (including a change that would be a consequence of matters notified to the Secretary of State under paragraph (3)), the person proposing a change must—

(a) consult with other persons mentioned in paragraph (1) who are entitled to propose a change under this regulation,

(b) take the representations of such persons into account, and

(c) submit an approval request to the Secretary of State for the proposed change, including information about consultation under sub-paragraphs (a) and (b).

(5) The Secretary of State must make a final decision on whether to approve a proposed change submitted under this regulation.

(6) The Secretary of State may not approve a change to the holding arrangement or to matters covered by approved holding arrangement information where the Secretary of State considers that—

(a) the proposed change would result in the offshore decommissioning fund no longer complying with the criteria in regulation 8(6),

(b) the proposed change would breach a legal requirement, or

(c) it would not be in the public interest for the change to occur.

(7) The Secretary of State may not approve a change involving a transfer of fund assets, unless satisfied that—

(a) the transfer of fund assets out of the first fund ("Fund 1") will be to a different approved offshore decommissioning fund ("Fund 2"),

(b) certain covered offshore infrastructure will no longer be covered by Fund 1, but will be covered by Fund 2 instead, and

(c) the fund assets being transferred to Fund 2 represent the amount accrued in Fund 1 by the date of the transfer, for the infrastructure mentioned in sub-paragraph (b).

(8) Where the Secretary of State has approved a change under paragraph (5), the fund holder must give effect to it.

(9) In a case where it was not possible for a person to provide prior notification to the Secretary of State of a change otherwise requiring prior approval under paragraph (5) (for instance, in the case of the death or sudden incapacity of a person named for the purposes of the approved holding arrangement information)—

(a) a relevant person, fund holder or fund administrator must notify the Secretary of State as soon as possible, and

(b) a relevant person, fund holder or fund administrator may carry out the temporary emergency measures included in the approved holding arrangement information, pending the outcome of the change process in paragraphs (3) to (5).

UK court orders or transfer scheme changes

12.—(1) A fund holder must, in accordance with this regulation, make, or facilitate, changes in respect of an offshore decommissioning fund, the holding of fund assets, or that affect approved holding arrangement information, in order to give effect to—

(a) a UK court order,

(b) a T&S transfer scheme,

(c) a scheme made by the Secretary of State under section 50 of the 2023 Act, or

(d) a T&S company of last resort direction given by the economic regulator under a section 7 licence.

(2) A fund holder, fund administrator or a relevant person must, unless the Secretary of State is already party to the relevant action—

(a) promptly notify the Secretary of State, as soon as such a person becomes aware of action being threatened or commenced that may result in an outcome referred to in paragraph (1)(a) to (d),

(b) provide to the Secretary of State updates on the progress of such an action, or such information relating to the action, as the Secretary of State may reasonably require, and

(c) provide any other cooperation that may be required by the Secretary of State, should the Secretary of State wish to intervene in the action.

(3) Where a circumstance mentioned in paragraph (1)(a) to (d) has occurred, the fund holder must notify the Secretary of State, as soon as reasonably practicable and prior to giving effect to the order or scheme, of any changes in respect of an offshore decommissioning fund, the holding of fund assets, or that affect approved holding arrangement information that are proposed in order to give effect to the order or scheme.

(4) Where the Secretary of State is notified of proposed changes under paragraph (3), the Secretary of State must determine, as soon as reasonably practicable, whether the proposal—

(a) is wholly consistent with and required by the relevant scheme or UK court order, or

(b) includes changes that are—

(i) additional changes beyond those strictly or expressly required by the relevant scheme or UK court order, or

(ii) that involve a selection of one option above another viable option.

(5) In a case where paragraph (4)(b) applies—

(a) the Secretary of State may require the fund holder to submit an approval request, and

(b) where an approval request is required under sub-paragraph (a)—

(i) Schedule 3 is to apply as if the fund holder was a relevant person, and

(ii) the Secretary of State must reach a final decision on whether to approve the request, as if it were a request made under regulation 11.

(6) For the purposes of this regulation, "T&S transfer scheme" is to be interpreted in accordance with section 44 of the 2023 Act.

Funding and investment strategy

13.—(1) As soon as reasonably practicable following the date on which a section 7 licence was granted, a section 7 licensee must submit a funding and investment strategy to the Secretary of State for approval.

(2) Schedule 4 makes provision for matters relating to a funding and investment strategy.

Monthly contributions to the offshore decommissioning fund

14.—(1) On or before the last day of each month during the fund operational period, a section 7 licensee must pay, or ensure payment of, the monthly contribution into the offshore decommissioning fund.

(2) The monthly contribution is the amount that is one twelfth of the annual contribution specified in a funding and investment strategy, as that strategy is approved from time to time by the Secretary of State under Part 4 of Schedule 4.

(3) When approving an amendment to the annual contribution in a funding and investment strategy under Part 4 of Schedule 4, the Secretary of State must confirm in writing the date from which the amended monthly contribution must be paid.

Other payments into the offshore decommissioning fund

15. Nothing in these Regulations shall preclude other lawful payments being made into an offshore decommissioning fund, including a payment that a relevant person is required by a relevant regulator to make into an offshore decommissioning fund pursuant to the requirements of a section 7 licence, an Energy Act 2008 licence, or under section 38 of the 1998 Act(**25**).

Restrictions on fund activities

16.—(1) It is prohibited for a person to do any of the following in relation to an offshore decommissioning fund—

(a) carry on activities or enter into transactions other than for the purposes of—

(i) accruing sufficient security for decommissioning costs,

(ii) making investments in accordance with an approved funding and investment strategy,

(iii) enabling accountable persons to comply with their decommissioning obligations or duties and making payments in relation to decommissioning costs in accordance with an approval of the Secretary of State given under Part 4 of these Regulations,

(iv) meeting any other requirements that are—

(**25**) Section 38 of the Petroleum Act 1998 was amended by the Energy Act 2008 (c. 32), section 73.

(aa) expressly provided for in these Regulations, or incidental to the obligations in these Regulations, including the obligations in respect of management and oversight in regulation 17,

(bb) necessary to comply with the law of a part of the United Kingdom ("a UK legal requirement"), provided the Secretary of State has approved the action or transaction under paragraph (2) below;

(b) pay dividends to shareholders;

(c) enter into transactions that incur debt, other than as permitted under an approved funding and investment strategy;

(d) act as a guarantor for a person;

(e) be party to banking arrangements that allow a right to set-off;

(f) grant security over the offshore decommissioning fund or its assets, unless required to do so by a written notice of the Secretary of State;

(g) enter into a contract (including employment contracts) under which the offshore decommissioning fund may be liable to third parties, unless—

(i) the Secretary of State has given prior written approval for that contract, or for contracts of a particular specified type that include that contract, and

(ii) the contract contains—

(aa) an unconditional waiver of any claim against the fund insofar as this is permitted by the law of any part of the United Kingdom,

(bb) an indemnity for any claim against the fund that cannot be excluded under paragraph (aa), and

(cc) a restriction on the counter-party taking any action to wind up or apply for any insolvency proceedings concerning the fund;

(h) commence an action to wind up, dissolve or otherwise close the offshore decommissioning fund other than in accordance with—

(i) a proposal approved under regulation 11(5),

(ii) a UK court order or a transfer scheme that has been given effect in accordance with regulation 12, or

(iii) a fund closure authorised by the Secretary of State under regulation 29 or 30.

(2) Where the fund holder or a relevant person believes that a transaction needs to be entered into or an activity carried on, in order to comply with a UK legal requirement as mentioned under paragraph (1)(a)(iv)(bb)—

(a) that person must notify and consult with the Secretary of State concerning the requirement and seek the Secretary of State's prior approval for a proposed action or transaction;

(b) the Secretary of State must—

(i) consider whether a UK legal requirement applies,

(ii) if so, whether the proposed action or transaction complies with the requirement and is the only or best way of complying with it, and

(iii) reach a final decision on whether to approve the action or transaction.

Managing and oversight of offshore decommissioning fund

17.—(1) A fund holder and a fund administrator must manage the offshore decommissioning fund, with reasonable care and skill, commensurate with the duties given to each in the approved holding arrangement information and the approved funding and investment strategy—

(a) in accordance with any duties imposed upon them by the law of a part of the United Kingdom,

(b) ensuring the fund operates in accordance with its constitutional document and other approved fund information,

(c) ensuring the fund complies with the requirements of these Regulations, and

(d) ensuring that the costs of running the fund are kept as low as possible whilst also being consistent with efficient management.

(2) A relevant person must take all reasonable measures to ensure the offshore decommissioning fund is managed in accordance with these Regulations, such measures to include—

(a) notifying the Secretary of State, if a relevant person reasonably believes that the fund is not being so managed, and

(b) exercising rights to enforce performance of obligations by the fund holder and, if applicable, the fund administrator.

(3) A relevant person, a fund holder or a fund administrator must promptly notify the Secretary of State—

(a) if required to do so by regulation 11(2)(b) or 12(2), and

(b) where such a person receives notice that the offshore decommissioning fund, its assets or its investments may be affected by legal proceedings threatened or issued in any jurisdiction.

Accounts

18.—(1) The fund holder and a fund administrator must ensure that—

(a) fund assets of a single offshore decommissioning fund are segregated and held in a separate account from—

(i) an account or assets used for the costs and expenses related to running that offshore decommissioning fund during the fund operational period,

(ii) an account or assets used by the fund holder or fund administrator for any other purpose unrelated to that offshore decommissioning fund, including an account or assets of a different decommissioning fund,

(b) where fund assets are invested, those investments are kept in an account separate from other investments,

(c) an account holding fund assets is designated in such a way as to show that it is an account that is held for the purposes of providing security for offshore decommissioning costs, and

(d) no person may have any interest in, or right over fund assets placed in an account in accordance with sub-paragraphs (b) or (c) except as provided for by or under these Regulations (including in accordance with a Secretary of State approval under these Regulations).

(2) The fund holder must—

(a) keep proper accounts and proper records in relation to the offshore decommissioning fund, in accordance with paragraph (1),

(b) prepare a statement of accounts in respect of the fund for each financial year that—

(i) conforms so far as practicable with relevant accounting and reporting standards required under any other enactment and with best practice, and

(ii) includes the information required by paragraph (3), and

(c) provide a copy of the statement of accounts to the Secretary of State, by no later than the 15th May following the end of each financial year.

(3) The statement of accounts provided to the Secretary of State pursuant to paragraph (2)(c) must include the following information for the financial year—

(a) the value of the offshore decommissioning fund, including investments made and assets held, at the end of the financial year,

(b) the change in value of the fund since the end of the previous financial year,

(c) payments made into the fund,

(d) payments made out of the fund or payment obligations incurred but not yet paid,

(e) interest earned and the return on investments,

(f) calculation of tax due for that financial year and date that payment of tax will be due,

(g) where the financial year, or part of it, occurs during the post operations period, a breakdown of the post operations fund administration costs paid out of the fund,

(h) infrastructure reports, and

(i) an explanation of—

(i) the reasons for any variance between the value of fund assets in an offshore decommissioning fund and the figures in the fund accrual profile,

(ii) the impact of that variance on the fund sufficiency targets,

(iii) whether, in the case of a deficit against one or more fund sufficiency targets, it is reasonable to believe that the deficit may be remedied by the next periodic review date.

(4) For the matters mentioned in paragraphs (3)(c), (d) and (e), the statement of accounts must include—

(a) a cumulative total, and

(b) the individual transactions for the financial year.

(5) An infrastructure report must include the accounting code for the infrastructure estimate covered and must set out—

(a) the relevant fund sufficiency targets, and

(b) an assessment of the impact of fund value against fund sufficiency targets, in light of the explanation given pursuant to paragraph (3)(i).

(6) The Secretary of State must consider the information and explanations provided pursuant to paragraphs (3) and (5) to determine whether any actions may be required, including—

(a) remedial measures under regulation 19,

(b) recovery measures under regulation 20, or

(c) an interim adjustment of fund sufficiency targets for the purposes of infrastructure reports, which may include re-allocation between accounting codes, pending the next revision of the approved fund estimate or the approved funding and investment strategy.

Remedial measures

19. Where there is a shortfall between the value of fund assets in an offshore decommissioning fund and the figures in the fund accrual profile and the Secretary of State considers that this has been caused, or contributed to, by a breach of an obligation under these Regulations, the Secretary of State may serve a notice—

(a) requiring one or more relevant persons to make a payment of a specified amount into the offshore decommissioning fund, that amount being no greater than the amount of the shortfall, within 60 days or such other later date that the Secretary of State may specify in the notice,

(b) requiring a relevant person to pay an increased monthly contribution of an amount specified by the Secretary of State, with effect from the next date the monthly contribution is due to be paid, provided that date is no less than 14 days after the date of the Secretary of State's notice, or

(c) requiring a relevant person or the fund holder to take any other action to remedy any non-compliance with the approved funding and investment strategy.

Recovery measures

20.—(1) This regulation applies where—

(a) the Secretary of State does not consider that regulation 19 applies,

(b) one or more of the grounds in paragraph (2) applies, and

(c) where the ground is one in paragraph (2)(a), (b) or (c)—

(i) the next periodic review date is in the fund operational period and is more than six months after the date on which the Secretary of State learns of the likely or actual material deficit, and

(ii) the Secretary of State is not satisfied that the deficit is likely to reduce to the relevant amount mentioned in regulation 2(5) by the next periodic review date.

(2) The grounds for the purposes of paragraph (1)(b) are that—

(a) the Secretary of State has received a statement of accounts that show a material deficit,

(b) the Secretary of State is notified of the likelihood of a material deficit in the next statement of accounts or by the next periodic review date,

(c) the Secretary of State learns of the likelihood of a material deficit in the next statement of accounts or by the next periodic review date, through other means,

(d) the Secretary of State approves a payment against a different accounting code under regulation 26(2)(c),

(e) the Secretary of State approves a payment against the correct accounting code, but that payment exceeds the amount estimated for the decommissioning actions that the payment will cover, or

(f) there is a deficit in the post operations period, or in the two year period ending on the last day of the fund operational period.

(3) Where paragraph (1) applies, the Secretary of State may, in a written notice giving reasonable dates for compliance—

(a) require a section 7 licensee to submit one or more changes to an approved funding and investment strategy to remedy the deficit (which may include a change to the annual contribution) and to seek approval of the revised funding and investment strategy under Part 4 of Schedule 4, or

(b) require the fund holder or fund administrator to exercise any flexibility contained within an approved funding and investment strategy to modify the approach to investment to remedy the deficit.

Part 4

Payments from an offshore decommissioning fund

Payment requests

21.—(1) It is prohibited for a person to make a payment out of an offshore decommissioning fund, unless in accordance with an approval given by the Secretary of State under regulations 11, 12, 27, 29 or 30.

(2) For the purpose of this Part, "payment" does not include—

(a) investments made in accordance with an approved funding and investment strategy,

(b) fees automatically deducted from a deposit taker account that has been approved by the Secretary of State under regulation 9, or under an approved funding and investment strategy, or

(c) fees deducted by a third party investment manager that have been approved by the Secretary of State under an approved funding and investment strategy.

(3) A person seeking a payment from the offshore decommissioning fund must submit a written payment request to the Secretary of State for approval, specifying—

(a) the amount of payment sought,

(b) the reason for the payment, which must relate to a decommissioning action,

(c) the date by which the decommissioning action to be funded by the payment is expected to be carried out,

(d) the date by which payment is required and the consequences of late payment,

(e) the payee's account details, and

(f) confirmation that the sole purpose for which the payment is to be used is to meet decommissioning costs.

Persons who may receive a payment from an offshore decommissioning fund

22. The only persons who may receive payments from an offshore decommissioning fund are the persons mentioned in this paragraph—

(a) an accountable person, for decommissioning costs in accordance with an approved payment request,

(b) a person who has entered into a contract or other arrangement for the purposes of carrying out, or facilitating the carrying out, of a decommissioning action, pursuant to a safeguard measure required under an approval granted by the Secretary of State under regulation 27,

(c) a fund holder or fund administrator, where the payment is made in accordance with an approved payment request for post operations fund administration costs,

(d) the Secretary of State, or

(e) His Majesty's Revenue and Customs, where the payment is made to meet tax liabilities relating to the offshore decommissioning fund.

Payment request from an accountable person

23.—(1) A payment request made to the Secretary of State by an accountable person must include—

(a) a breakdown of the payment requested against the relevant accounting code,

(b) documents evidencing that the payment is—

(i) for a decommissioning action, and

(ii) if the accountable person is a relevant person, that the decommissioning action is an approved decommissioning action,

(c) a breakdown of the costs of carrying out a decommissioning action, including quotations or other evidence to demonstrate that the costs represent value for money,

(d) details of how and when decommissioning actions will be packaged or programmed, so as to ensure (whether by means of the timing of the measures proposed, the inclusion of provision for collaboration with other persons, or otherwise) that the cost of carrying them out is kept to the minimum that is reasonably practicable in the circumstances,

(e) the most recent statement of accounts,

(f) if applicable, the infrastructure report that relates to the decommissioning action for which the payment is requested,

(g) the sum accrued in the offshore decommissioning fund and notionally accrued for the purposes of the infrastructure report, both at the date of the payment request,

(h) the estimated cost of the proposed decommissioning action in the current approved fund estimate and where applicable the approved infrastructure estimate, and

(i) an explanation for any difference between the payment requested to carry out the action and the corresponding amount estimated for that action in the approved fund estimate, or under the fund sufficiency target.

(2) If a person has good reason for being unable to provide all the information mentioned in paragraph (1), that person must—

(a) supply as much of the information as reasonably practicable, and

(b) explain in the request why some information is unavailable and the efforts made to locate it.

(3) Where a relevant person submits a payment request under this regulation, the Secretary of State may presume, in the absence of contrary information, that a relevant person who obtained the approval of a regulator for an approved decommissioning action is the accountable person who will carry out that action, or arrange and control the carrying out of that action.

Payment pursuant to a safeguard measure

24. A person must not make a payment from an offshore decommissioning fund to a person responsible for the carrying out or facilitating of a safeguard measure, unless—

(a) the Secretary of State has granted an approval authorising the fund holder to make the payment to the proposed recipient, and

(b) the payment is made in accordance with the terms of the approval of the Secretary of State.

Payment request from fund holder or fund administrator

25. A payment request made to the Secretary of State by a fund holder or fund administrator may only be for post operations fund administration costs and must include—

(a) an estimate of those costs for a period not exceeding twelve months,

(b) a breakdown of—

(i) the costs that the fund holder has incurred or expects to be incurred during the period claimed for and the accounting code the costs relate to,

(ii) the sum estimated for those post operations fund administration costs in the last approved fund estimate, and

(c) an explanation for any difference between the sums in sub-paragraphs (b)(i) and (b)(ii).

Accounting principles

26.—(1) Before approving a payment request, the Secretary of State must apply the accounting principles, specified in paragraph (2), unless a UK court order or transfer scheme provides otherwise.

(2) The accounting principles are—

(a) a payment to meet the cost of an approved decommissioning action must be made against the accounting code that is relevant to that action;

(b) where the sum notionally held against a relevant accounting code for a decommissioning action is insufficient to meet the cost of carrying out that action ("a deficit situation"), no payment to meet that cost may be made against a different accounting code unless sub-paragraph (c) applies;

(c) where a deficit situation occurs, the Secretary of State may exceptionally allow a payment to be against a different accounting code ("the second accounting code") within the same offshore decommissioning fund, provided—

(i) both accounting codes relate to security for the decommissioning costs relating to the same section 7 licence,

(ii) the Secretary of State has consulted with the relevant regulators,

(iii) the Secretary of State requires one or more recovery measures to be taken under regulation 20, unless this would be impractical or there is a public interest reason not to require such a measure, and

(iv) the Secretary of State is satisfied it is in the public interest for the payment against the second accounting code to be permitted;

(d) where the sum notionally held against a relevant accounting code for a decommissioning action exceeds the cost of carrying out that action and the Secretary of State is satisfied that all decommissioning actions in respect of that accounting code are complete—

(i) that sum must remain in the offshore decommissioning fund until the fund is closed in accordance with regulation 29 or regulation 30,

(ii) the section 7 licensee may make a proposal as to which accounting code the sum should be notionally allocated to pending closure of the offshore decommissioning fund, and

(iii) the Secretary of State may—

(aa) approve the proposal made under paragraph (ii), or

(bb) require the sum to be notionally held against a different accounting code, provided the Secretary of State gives reasons.

Secretary of State approval of payment

27.—(1) The Secretary of State must reach a final decision on whether to approve a payment request and may not give such approval unless satisfied that—

(a) the payment is intended to be used to meet the decommissioning costs as set out in a request,

(b) the decommissioning action will be carried out within a reasonable period of time,

(c) the costs of the decommissioning action are—

(i) less than, or sufficiently proximate to, the corresponding estimated costs in the last approved fund estimate, or

(ii) if the costs are greater than set out in paragraph (i), reasonable and represent value for money, and that there is a reasonable explanation for the difference in costs, and

(d) a safeguard measure is in place if paragraph (2) or (3) applies.

(2) Where the Secretary of State believes the person asking to receive the payment may be in financial difficulty, or otherwise at risk of insolvency or other creditor actions, the Secretary of State may not provide approval under paragraph (1), unless—

(a) a condition requiring one or more appropriate safeguard measures has been attached to the approval, and

(b) the appropriate safeguard measure has been arranged to be carried out.

(3) In a case other than that mentioned in paragraph (2), the Secretary of State may attach conditions relating to safeguard measures, when approving a payment.

(4) For the purposes of paragraphs (2) and (3) examples of an appropriate safeguard measure include—

(a) staged payments, which may include a process for evidencing the completion of stages of an approved decommissioning action before the next stage of payment and action proceeds,

(b) delaying release of payment until after a decommissioning action has been completed,

(c) use of escrow arrangements,

(d) use of a separate account subject to a charge in favour of the fund holder or Secretary of State, or

(e) authorising the fund holder or fund administrator to make a payment directly to a contractor who has entered into a contract to carry out decommissioning actions, in accordance with such conditions as the Secretary of State may attach to the approval (which must include conditions as to oversight and completion of decommissioning actions if these are not yet carried out).

Duty to carry out decommissioning action and report actual incurred costs

28.—(1) Where a payment is approved by the Secretary of State under regulation 27, a person who submitted the payment request must ensure—

(a) the decommissioning action is carried out, including in accordance with other applicable legal obligations that apply,

(b) a safeguard measure required by the Secretary of State is complied with,

(c) conditions attached to the payment approval or to a relevant regulator's approval of the decommissioning action, are complied with, and

(d) completion of the decommissioning action is reported to the Secretary of State.

(2) Other relevant persons must use reasonable endeavours to ensure the matters in paragraph (1) are complied with, insofar as a decommissioning action is relevant to their decommissioning obligations.

(3) Where a direct payment to a person has been approved as a safeguard measure, the persons required to ensure oversight under conditions attached to the approval granted by the Secretary of State must ensure those conditions are complied with.

(4) Where the Secretary of State has approved a payment in advance of the decommissioning cost having been incurred, or the decommissioning action having been completed, the person to whom the payment was made, or any other person where required by approval conditions to do so, must promptly—

(a) report the cost incurred as soon as it is paid, or as soon as it is known, and

(b) repay any amount left out of the approved payment sum that has not been used, or is not to be used, for the decommissioning action in question, unless conditions attached to the payment approval permit the use of the payment for other decommissioning actions.

Closure of offshore decommissioning fund

29.—(1) This regulation applies where—

(a) decommissioning actions in respect of covered offshore infrastructure have been completed, including the payment of a financial contribution for each covered storage site, and

(b) the licences under section 7 of the 2023 Act and under section 18 of the 2008 Act have been terminated in respect of all covered offshore infrastructure.

(2) A relevant person must give written notice to the Secretary of State and the fund holder within 30 days of completion of the final matter under paragraph (1)—

(a) confirming that the matters in paragraph (1) are completed, and

(b) attaching relevant evidence to support this confirmation.

(3) The Secretary of State must serve a notice on a person who provides a notification under paragraph (2), with a copy to the fund holder, stating whether—

(a) the Secretary of State is satisfied that all matters mentioned in paragraph (1) have been completed and that the offshore decommissioning fund should be closed, or

(b) the Secretary of State is not satisfied that all matters mentioned in paragraph (1) have been completed, the reasons why the Secretary of State is not satisfied and the further matters that will need to be undertaken by a relevant person.

(4) Where the Secretary of State has served a notice confirming the matters under paragraph (3)(a), the fund holder must—

(a) close the offshore decommissioning fund, as soon as reasonably practicable, in accordance with any steps required by the constitutional document establishing the fund, or required by law, and

(b) serve on the Secretary of State a final request for approval of payment of post operations fund administration costs.

(5) Following the final decision of the Secretary of State on the approval request served under paragraph (4)(b), the fund holder—

(a) may receive payment of the sum approved from the offshore decommissioning fund, and

(b) must pay any balance left in the offshore decommissioning fund to the Secretary of State.

Early closure of the offshore decommissioning fund

30.—(1) This regulation applies where—

(a) all covered offshore infrastructure has been or will be transferred to a different relevant person, who has established an offshore decommissioning fund in accordance with these Regulations and a transfer of fund assets to that fund has been approved by the Secretary of State under regulations 11 or 12, or

(b) the Secretary of State considers that—

(i) the offshore decommissioning fund is in breach of legal obligations,

(ii) the offshore decommissioning fund is not being managed in accordance with these Regulations,

(iii) there are other more viable and cost effective ways of holding and managing fund assets and using fund assets to meet the decommissioning costs of the covered offshore infrastructure,

(iv) closure of the offshore decommissioning fund is appropriate in order to give effect to a scheme or UK court order in accordance with regulation 12, or

(v) closure of the offshore decommissioning fund is necessary to comply with a requirement of the approved holding arrangement, or a legal requirement of a part of the United Kingdom.

(2) Where paragraph (1)(a) applies, the Secretary of State may serve a notice on the fund holder specifying—

(a) the person to whom the fund assets are to be transferred,

(b) the proposed date of the transfer of fund assets, which must occur on or after the date of the transfer of the covered offshore infrastructure and must afford the fund holder reasonable notice to effect the transfer of fund assets, and

(c) the fact that the offshore decommissioning fund must be closed as soon as reasonably practicable after the date of the transfer of fund assets.

(3) Where the Secretary of State considers that at least one of the grounds in paragraph (1)(b) apply, the Secretary of State may serve a notice on the fund holder and relevant persons, specifying—

(a) the ground in paragraph (1)(b) relied upon,

(b) the person to whom the fund assets are to be transferred, which may include the Secretary of State,

(c) the proposed date of the transfer, which must be reasonable,

(d) the fact that the offshore decommissioning fund must be closed as soon as reasonably practicable after the date of that transfer,

(e) a date by which a relevant person must make representations.

(4) The Secretary of State must consider representations received before the date specified under paragraph (3)(e).

(5) The Secretary of State must notify the fund holder and the relevant persons notified under paragraph (3), within a reasonable period of time, whether having considered the representations, the Secretary of State has determined that—

(a) a transfer of fund assets and early closure of the fund should proceed as the notice under paragraph (3) had proposed,

(b) a transfer of fund assets and early closure of the fund should proceed with specified modifications to the matters set out in the notice served under paragraph (3), or

(c) no transfer of fund assets or early closure of the fund should occur at the relevant time.

(6) Fund assets may not be transferred to a person under this regulation, unless that person is to hold them for the purpose of providing security for decommissioning costs in respect of some or all of the covered offshore infrastructure.

(7) Where an offshore decommissioning fund is closed under this regulation, the post operations fund administration costs for which a payment may be claimed under regulation 25 may only be the costs incurred for the period ending on the date of the transfer of fund assets prior to closure.

Part 5

Decommissioning Obligations - general

Decommissioning obligations

31. Nothing in these Regulations affects a relevant person's decommissioning obligations.

Obligations of relevant persons who are not a section 7 licensee

32.—(1) Where these Regulations impose an obligation solely on a section 7 licensee, one or more other relevant persons may be required to perform that obligation where—

(a) some or all of the covered offshore infrastructure is covered by a section 29 notice served on another relevant person, and

(b) either—

(i) the section 7 licence has been terminated and the infrastructure covered under the terminated licence is not covered by the section 7 licence of a different person, or

(ii) the section 7 licensee has failed to perform the obligation.

(2) Where paragraph (1) applies, the Secretary of State may serve a written notice on the other relevant person, confirming—

(a) that the Secretary of State has determined that the person must perform the obligations under these Regulations, as if that person was a section 7 licensee,

(b) the infrastructure to which the obligations apply, which may only be infrastructure covered under the person's section 29 notice,

(c) the date from which the notice takes effect, which must be no less than 14 days after the date the notice is served, and

(d) any other information that would enable the relevant person to perform the obligations.

(3) Where these Regulations impose obligations or duties on a relevant person—

(a) where a matter is not directly controlled by the relevant person, such a person must act in a diligent way and take all reasonable steps to ensure an obligation is performed or a breach of these Regulations does not occur, and

(b) where a relevant person does not hold a section 7 licence, the obligations or duties under these Regulations apply only in respect of the infrastructure covered under the person's section 29 notice.

Part 6

General

Secretary of State approvals

33. Schedule 3 makes provision for the process of obtaining the Secretary of State's approval where such approval is required under these Regulations, in the following cases—

(a) regulation 7 (approval of fund estimate or revised fund estimate),

(b) regulation 9 (approval of holding arrangement),

(c) regulation 11 and 12 (approval of changes to the offshore decommissioning fund),

(d) Part 4 of Schedule 4 (approval of funding and investment strategy or revised funding and investment strategy),

(e) regulation 16(1)(g) (approval to enter into contracts),

(f) regulation 16(2) (approval of action or transaction pursuant to a UK legal requirement),

(g) regulation 20 (approval of recovery measures), and

(h) Part 4 (payments from an offshore decommissioning fund).

Verification

34. The Secretary of State may serve a notice on a person who submits a document for approval, requiring that the document be verified by a person who has relevant expertise and who is independent of the applicable relevant persons and the applicable fund holder.

Request for information

35. The Secretary of State may serve a notice at any time on a relevant person or a fund holder to request information concerning—

(a) the constitution, ownership and management of the fund,

(b) matters concerning the approved fund information,

(c) costs of running the fund,

(d) transactions relating to the fund,

(e) the fund accounts,

(f) the fund investments, or

(g) any other information the Secretary of State reasonably requires for the purposes of functions exercised under these Regulations.

Notices

36. Where a notice is served by the Secretary of State under these Regulations, requiring a person to provide information, submit a document for approval or carry out any other action, the notice must—

(a) be in writing;

(b) state the date for the information or document to be provided or the action to be carried out and that date must allow a reasonable time for compliance;

(c) state whether the person upon whom the notice is served must consult other persons.

Provision of information and consultation with other persons

37.—(1) The Secretary of State may require a relevant regulator to supply information to the Secretary of State for the purposes of the Secretary of State's functions under these Regulations.

(2) The Secretary of State may share with a relevant regulator such information received in accordance with these Regulations as the Secretary of State considers necessary for the exercise of the Secretary of State's functions under these Regulations.

(3) The Secretary of State may consult with—

(a) a relevant regulator, on other matters arising in connection with these Regulations, where the requirement to consult under paragraph 2(3) of Schedule 3 does not apply;

(b) the persons specified in paragraphs (i) to (viii), on a fund estimate or revised fund estimate submitted to the Secretary of State for approval under Part 2 and Schedule 2 of these Regulations—

(i) the Crown Estate;

(ii) the Crown Estate Scotland;

(iii) the Health and Safety Executive;

(iv) the Marine Management Organisation;

(v) Natural Resources Wales;

(vi) the Scottish Environment Protection Agency;

(vii) the Welsh Ministers;

(viii) the Department for Agriculture, Environment and Rural Affairs in Northern Ireland.

Michael Shanks
Minister of State
11th June 2026 Department for Energy Security and Net Zero

Schedules

Schedule 1

Regulation 2(4)

Fund operational period and post operations period

1. The "fund operational period", at any given time, is to be interpreted and determined as the period—

(a) beginning with the first day that an activity mentioned in section 2(2) of the 2023 Act, and authorised by a section 7 licence, commences, and

(b) ending on the day on which the last storage site covered by the section 7 licence is planned to close, or closes, pursuant to either paragraph 2(1) of Schedule 1 to the Licensing Regulations (OGA), paragraph 1(1) of Schedule 1 to the Licensing Regulations (Scotland), or paragraph 1(1) of Schedule 1 to the Licensing Regulations (NI).

2. The "post operations period", at any given time, is to be interpreted and determined as the period that—

(a) begins with the day that immediately follows the last day of the fund operational period, and

(b) ends on the day the last financial contribution is planned to be paid to, or is received by, the appropriate minister under the Termination Regulations.

3. A relevant person may submit a request to the Secretary of State to amend the dates of the fund operational period, or the dates of the post operations period, provided the request includes evidence that—

(a) a relevant person has notified all relevant regulators of the proposed amended dates, and

(b) all relevant regulators have confirmed in writing that there is no objection.

4. Where a proposal for amended dates as mentioned in paragraph 3 is approved by the Secretary of State, with effect from the date of the Secretary of State's approval—

(a) the amended fund operational period replaces the previous fund operational period, and

(b) the amended post operations period replaces the previous post operations period.

5. For the purposes of this Schedule, reference to a date that is "planned" means—

(a) in a case where a date is approved by, notified by, or notified to, a relevant regulator, the date approved or notified, and

(b) in any other case, the date a relevant person expects an event to occur, in the absence of early termination or revocation of a licence or storage permit.

Schedule 2 Regulations 5 and 6

Information required for a fund estimate or revised fund estimate

Part 1

Work breakdown

1. A fund estimate or revised fund estimate must include a work breakdown.

2. A work breakdown must include—

(a) the decommissioning actions that are likely to be included in an abandonment programme under Part 4 of the 1998 Act and a post-closure plan under the Licensing Regulations,

(b) estimated dates for carrying out the measures that will be taken under that programme or plan,

(c) the estimated dates for carrying out other decommissioning actions covered in the fund estimate, and

(d) the estimated spend relating to those dates, estimated in nominal terms and linked to the decommissioning cost categories in Part 3 of this Schedule.

Part 2

Infrastructure estimates

3.—(1) A fund estimate or revised fund estimate must include infrastructure estimates, each to be assigned its own accounting code, as specified below—

(a) a separate storage site estimate for each storage site covered under a storage permit;

(b) where there is covered offshore infrastructure that is not part of a storage site, as applicable—

(i) a carbon storage installation estimate;

(ii) a pipeline estimate.

(2) A fund estimate or revised fund estimate does not need to include a separate infrastructure estimate where the only covered offshore infrastructure is comprised in a single storage site covered under a single storage permit.

4. Where there is a decommissioning cost that will be applicable to more than one infrastructure estimate ("shared decommissioning cost")—

(a) each relevant infrastructure estimate must include an appropriate proportion of the shared decommissioning cost,

(b) there must be sufficient explanation and evidence to explain the method for the apportionment of costs, based on the extent to which the shared decommissioning cost is relevant to the infrastructure estimate, and

(c) the sum of all proportions of a shared decommissioning cost—

(i) must equal the total amount of the shared decommissioning cost, and

(ii) the total amount must be framed so as to ensure (whether by means of the timing of the measures proposed, the inclusion of provision for collaboration with other persons, or otherwise) that the cost of decommissioning is kept to the minimum that is reasonably practicable in the circumstances.

Part 3

Decommissioning cost categories

5.—(1) A fund estimate and revised fund estimate, and each infrastructure estimate included within a fund estimate or revised fund estimate, must provide a breakdown of decommissioning costs, estimated in nominal terms and based on reasonable forecasts and assumptions, relating to covered offshore infrastructure.

(2) The breakdown of decommissioning costs must include each of the following categories of decommissioning actions—

(a) monitoring of the storage site after closure, in accordance with paragraph 2 of Schedule 2 to the applicable Licensing Regulations,

(b) reporting the monitoring results to the relevant regulator, in accordance with the applicable Licensing Regulations,

(c) preparatory work occurring after the cessation of transport and storage activity, that is proposed to take place prior to the carrying out of an abandonment programme,

(d) abandonment of the site including sealing the storage site and removal of the injection facilities in accordance with an abandonment programme,

(e) abandonment of carbon storage installations not captured by paragraph (d) and submarine pipelines in accordance with an abandonment programme,

(f) continuing inspection, monitoring and maintenance of any covered offshore infrastructure that is not removed, until the date the last financial contribution is paid in respect of a storage site covered under the section 7 licence,

(g) environmental surveys conducted after a storage site has been closed and reporting of potential remedial works in accordance with an abandonment programme,

(h) the financial contribution for each storage site covered under the section 7 licence,

(i) costs relating to the provision of insurance cover for risks relating to a closed storage site or for other risks properly attributable to decommissioning obligations (including contributions required under insurance provided pursuant to the exercise of the Secretary of State's powers to provide financial assistance under section 129 of the 2023 Act),

(j) rent arising during the post operations period, under a lease or authorisation to exercise rights granted by the Crown Estate, or the Crown Estate Scotland, in respect of that storage site,

(k) administration costs, overheads and expenses (including statutory fees or levies) to be incurred by the relevant person where these are properly attributable to matters in paragraphs (a) to (j),

(l) post operations fund administration costs, and

(m) a proposed contingency sum in accordance with paragraphs 6 to 8 and paragraph 10 of this Schedule.

(3) The estimate must include an individual cost for each category of decommissioning costs listed in sub-paragraph (2), as well as a total figure for all the decommissioning costs.

(4) An estimate under this Schedule must, where applicable—

(a) incorporate information submitted under Part 4 of the 1998 Act, or submitted in a post-closure plan, or provisional post-closure plan, under the Licensing Regulations;

(b) explain any differences between information submitted as mentioned in paragraph (a) and the information submitted for the purposes of a fund estimate.

(5) A revised fund estimate under this Schedule does not need to include an estimate for the costs of a decommissioning action once that action has been carried out and completed.

Contingency sum

6. A fund estimate and revised fund estimate must include a proposed contingency sum ("contingency sum") that must take into account—

(a) potential future inflation that is in excess of the inflation assumptions in the fund accrual profile,

(b) other forms of market volatility affecting assumptions underpinning the fund estimate or fund accrual profile,

(c) works or other actions being required beyond those planned for in the work breakdown,

(d) the range of decommissioning actions and variability of associated costs, due to known uncertainties, such as environmental conditions in different parts of the seabed, or weather conditions,

(e) evolving experience in offshore carbon dioxide transport and storage activities, both in the United Kingdom and elsewhere, and

(f) the risks attached to different decommissioning cost categories, or decommissioning actions.

7. The overall value of the contingency sum proposed and approved must be no less than 10% of the estimated decommissioning costs, before the contingency sum is applied.

8. The amount of contingency may vary between different categories of costs, or different actions in a work breakdown, according to the level of uncertainty.

9. When exercising the right to require a modification to the fund estimate as provided for under paragraph 2(2)(b) and 3(1)(b) of Schedule 3, the Secretary of State may require a higher contingency sum than that proposed by the section 7 licensee.

10. Where a contingency sum is proposed by a section 7 licensee, or modified by the Secretary of State, the proposal or modification respectively must—

(a) include reasons for the amount of contingency, and

(b) provide the calculation and method by which the contingency sum has been estimated.

Part 4

Revision of fund estimate

Interpretation of Part 4 of Schedule 2

11. In this Part—

(a) paragraphs 13 to 20 apply during the fund operational period, and

(b) paragraphs 21 to 23 apply during the post operations period.

12. For the purposes of this Part—

"contingency sum" means the contingency sum included in a fund estimate in accordance with paragraphs 6 to 10 of this Schedule;

"fully revised fund estimate" means a fund estimate for which all decommissioning cost categories and assumptions have been reviewed;

"material change" means a change during the fund operational period affecting the facts or assumptions underpinning an approved fund estimate (including a change to the technical, market or legal assumptions), that the Secretary of State has determined under paragraph 17 that it is, or may be, a material change, based on the matters in paragraph 19;

"partially revised fund estimate" means a fund estimate in respect of which specific, but not all, decommissioning cost categories, assumptions, infrastructure estimates or other discrete elements have been reviewed;

"periodic review period" means the six month period that begins with the day that is twelve months before and ends on the day that is six months before the periodic review date.

Periodic review during fund operational period

13. During the fund operational period, a section 7 licensee must submit a fully revised fund estimate to the Secretary of State for approval—

(a) during each periodic review period, and

(b) during the period that begins twelve months before and ends ten months before, the expected date of closure of a storage site, unless the Secretary of State agrees in writing that the last revised fund estimate submitted under sub-paragraph (a) is sufficiently recent.

Other grounds for review of estimate during the fund operational period

14.—(1) Where a section 7 licensee has submitted an application to a relevant regulator to make a change affecting the scope, construction or operation of covered offshore infrastructure, a section 7 licensee must submit to the Secretary of State either—

(a) an approval request for a revised fund estimate, or

(b) a request for the Secretary of State to make a determination under paragraph 17 that the change is not a material change.

(2) The section 7 licensee must submit an approval request under sub-paragraph (1)(a), or a request under sub-paragraph (1)(b), within 28 days beginning with the day after the day on which the section 7 licensee submitted the application to a relevant regulator to make a change affecting the scope, construction or operation of covered offshore infrastructure.

15. The Secretary of State may serve a notice on a section 7 licensee, requiring that licensee to submit a revised fund estimate for approval, where—

(a) the Secretary of State considers that there is or may be a material change affecting the approved fund estimate, or

(b) a written request, explaining why there is or may be a material change affecting the approved estimate, has been made to the Secretary of State by a relevant regulator or a relevant person.

16. A revised fund estimate submitted under paragraph 14(1)(a) or required under paragraph 15 must include—

(a) a statement confirming whether it is a partially revised fund estimate or fully revised fund estimate and the reason why the section 7 licensee considers that type of estimate to be appropriate,

(b) a description of relevant changes that have occurred since the last approved estimate was submitted,

(c) the proposed changes to the information included in the previous approved fund estimate, together with an explanation of why those changes are necessary, and

(d) an updated breakdown of decommissioning costs, in accordance with Parts 1 to 3 of this Schedule.

Procedure for determining if a change is a material change during the fund operational period

17. The Secretary of State must respond in writing to a request made under paragraph 14(1)(b) or paragraph 15(b), within a reasonable period of time, determining whether—

(a) the change is not a material change, or

(b) the change is or may be a material change.

18. Where the Secretary of State determines under paragraph 17 that a change is or may be a material change—

(a) the Secretary of State may specify in a notice to the section 7 licensee that a revised fund estimate must be submitted to the Secretary of State for approval and the date for submission, and

(b) the section 7 licensee must submit the revised fund estimate to the Secretary of State for approval by the date required in the notice.

19. For the purposes of paragraph 17, the Secretary of State must determine that a change affecting the information in an approved fund estimate is or may be a material change, unless the Secretary of State determines that—

(a) one or more of the circumstances in paragraph 20 apply, or

(b) the Secretary of State is satisfied for other reasons (including costs impact or timing), the change is not sufficiently significant to require, before the next periodic review date, a review of either—

(i) the monthly contribution, or

(ii) other matters in the funding and investment strategy.

20. The circumstances for the purposes of paragraph 19(a) are that—

(a) there is likely to be no change, or a decrease, in the overall value of the fund estimate,

(b) it is likely that an increase in the value of the fund estimate would not constitute a material deficit, or

(c) a change affecting the scope, construction or operation of covered offshore infrastructure—

(i) will take effect in the two year period ending on the last day of the fund operational period and will be considered as part of an upcoming review of the fund estimate under paragraph 13(b),

(ii) at any other time during the fund operational period, will take effect in the six month period ending on a periodic review date and will be considered as part of an upcoming review of the fund estimate under paragraph 13(a).

Revision of estimate during the post operations period

21. During the post operations period, a relevant person must submit a fully revised fund estimate, for all outstanding decommissioning actions yet to be carried out, to the Secretary of State for approval—

(a) no later than six months after the last day of the fund operational period, unless the Secretary of State agrees in writing that a later date may apply,

(b) on every 5th anniversary after the submission of the revised fund estimate under sub-paragraph (a).

22. A relevant person must notify the Secretary of State and a relevant regulator, where the relevant person becomes aware that the remaining estimated decommissioning costs have increased, or are likely to increase, by an amount that is more than 5% of the remaining contingency sum in the fund.

23. In addition to reviews under paragraph 21, the Secretary of State may serve a notice on a relevant person, requiring a partially revised fund estimate or fully revised fund estimate to be submitted to the Secretary of State for approval, by a particular date (which must be reasonable), where—

(a) the Secretary of State receives a notification under paragraph 22, or

(b) the Secretary of State otherwise becomes aware that the remaining estimated decommissioning costs have increased, or are likely to increase, by an amount that is more than 5% of the remaining contingency sum in the fund.

Schedule 3

Regulations 12 and 33

Process for Secretary of State approval

1.—(1) Where the approval of the Secretary of State is required under these Regulations, the person making an approval request (“the requester”) must submit—

(a) a written request to the Secretary of State, setting out the matter requiring approval,

(b) where applicable, a draft of a document requiring approval,

(c) evidence in support of the request, and

(d) any other information required under these Regulations relating to the particular request.

(2) Where approval is required by a particular date, the approval request must specify—

(a) the date,

(b) the reason why the person considers the date to be relevant, and

(c) the consequences of delay in obtaining the approval.

2.—(1) Upon receipt of an approval request, the Secretary of State may seek further information from the requester, or may indicate that modifications to a document are needed before approval can be granted.

(2) The Secretary of State must reach a final decision on an approval request under the applicable provision of these Regulations, which may be to—

(a) approve the request unconditionally, or with conditions,

(b) approve a modified version of the request or document, or

(c) reject the request, giving the reasons for the rejection.

(3) Before making a final decision in respect of an approval request, the Secretary of State must consult the relevant regulators.

3.—(1) The Secretary of State must notify the requester in writing and offer an opportunity for that person to make written representations, before the Secretary of State makes a final decision to—

(a) attach conditions to an approval,

(b) modify a request or document, or

(c) reject a request.

(2) The Secretary of State's notification under sub-paragraph (1) may specify a date, which must be at least 14 days after the date of the Secretary of State's notification, by which the requester may make representations.

(3) The Secretary of State must consider the representations received under sub-paragraph (2), before making a final decision on an approval request.

4. The Secretary of State's final decision on whether or not to approve a request must be made within a reasonable period of time, following the date on which the Secretary of State has been provided with the necessary information to reach a decision.

5. A reasonable period of time for the purposes of paragraph 4 depends upon—

(a) the nature and complexity of the request;

(b) the sufficiency of the information submitted by the requester, whether it was submitted in accordance with the timescale required under these Regulations and whether the sequencing of different submissions reflects any inter-dependency between different matters requiring Secretary of State approval;

(c) whether the requester has been invited to provide more information or propose modifications under paragraph 2(1);

(d) whether the requester, when submitting one document or matter for approval, has already submitted a different document or matter for approval.

6. A relevant person must provide a copy of the Secretary of State's final decision on an approval request to the relevant regulators.

7. Where a relevant person is required by these Regulations to submit a matter for approval and the Secretary of State rejects an approval request—

(a) the relevant person must submit a further approval request, remedying the matters leading to the rejection of the previous request, and

(b) the process in this Schedule must be repeated.

8. In deciding whether to grant an approval under these Regulations, the Secretary of State is entitled to—

(a) rely on information provided unless the Secretary of State has reason to doubt its accuracy;

(b) consider other evidence, including that provided by other relevant regulators.

9. Where the Secretary of State has already approved a document submitted by the requester and a revised document is later submitted and approved, the later approval and later document are to be treated as replacing the previous approval and document, with effect from the date on which the Secretary of State notifies the requester of the approval.

10. The requester may withdraw an approval request submitted pursuant to these Regulations, but—

(a) if the Secretary of State has approved the request, the approval remains effective unless and until—

(i) a revised approval request is approved by the Secretary of State, or

(ii) the Secretary of State withdraws the approval under paragraph 11;

(b) a withdrawn request does not satisfy any requirement under these Regulations.

11. The Secretary of State may withdraw an approval given under these Regulations where—

(a) the requester has provided false information or has deliberately omitted to provide relevant information, or

(b) the requester makes a request under paragraph 10 to withdraw the approval request and the Secretary of State considers the approval should not remain in effect.

Schedule 4 Regulation 13

Funding and Investment Strategy

Part 1

Interpretation of Schedule 4

1. In this Schedule—

"Financial Conduct Authority" is to be interpreted in accordance with section 1A of the Financial Services and Markets Act 2000(**26**);

"fund accrual period" means the period that starts on the first day of the fund operational period and ends on the last day of the post operations period;

"fund accrual profile" means a document or part of a document that shows how fund sufficiency targets will be met through a combination of contributions, net investment returns and any other lawful payments into the offshore decommissioning fund, in accordance with paragraph 4;

"investment" includes the deposit of fund assets in an interest-bearing bank account;

"net investment return" means—

(a) the change in value of fund assets in nominal terms, resulting from the management of those assets and after deduction of the offshore decommissioning fund administration costs, and

(b) includes interest earned from depositing fund assets with a deposit taker.

Part 2

Objectives and content

2. A funding and investment strategy is a written document that must—

(a) be designed to meet the objectives in paragraph 3, and

(b) contain the information required by paragraph 8.

(**26**) 2000 c. 8. Section 1A was inserted into the Financial Services and Markets Act 2000 by section 6(1) of the Financial Services Act 2012 (c. 21), whereby the body corporate previously known as the Financial Services Authority was renamed as the Financial Conduct Authority.

3. The objectives of a funding and investment strategy are to explain how an offshore decommissioning fund will—

(a) accumulate sufficient fund assets to meet fund sufficiency targets,

(b) ensure there is sufficient liquidity of fund assets at the time decommissioning costs are required to be paid,

(c) achieve fund sufficiency targets through a combination of—

(i) contributions that are—

(aa) made only during the fund operational period, and

(bb) as far as reasonably practicable, of equal value in real terms,

(ii) net investment returns that—

(aa) at least maintain the value of fund assets in real terms, and

(bb) are earned on investments made in accordance with the investment requirements of paragraph 7, and

(iii) where relevant, any other lawful payments into the offshore decommissioning fund.

4. The objectives in paragraph 3 must be met by including in the funding and investment strategy a fund accrual profile that—

(a) illustrates how fund assets will accrue and be drawn down over the fund accrual period, and

(b) contains sufficient detail to show, over the fund accrual period—

(i) the expected amount of fund assets on the last day of each financial year,

(ii) the fund sufficiency targets and dates these need to be achieved,

(iii) what the expected combination of contributions and investment returns will be,

(iv) how contributions, investment returns and any other lawful payments into the offshore decommissioning fund will be notionally allocated to meet the fund sufficiency targets for each accounting code, where applicable.

5. The Secretary of State may, when considering whether to approve a funding and investment strategy, require separate accrual profiles for each infrastructure estimate.

6. The fund accrual profile and any separate accrual profile required under paragraph 5 must be consistent with—

(a) either—

(i) the approved fund estimate, including applicable infrastructure estimates, or

(ii) where a first fund estimate has been submitted under regulation 5(1), but not yet approved, the submitted estimate, and

(b) the accounting principle in regulation 26(2)(a).

7. The investment requirements are as follows—

(a) investments must be made in a manner calculated to ensure the sufficiency and security of the offshore decommissioning fund and therefore in the interests of enabling accountable persons to perform their obligations or duties;

(b) investment choices must be made in the interests of meeting or exceeding the objective in paragraph 3(c)(ii)(aa), provided those choices do not create undue risk to the sufficiency and security of the offshore decommissioning fund;

(c) investments must be designed to take into account the timing and amounts of payments that will need to be made to meet decommissioning costs in line with fund sufficiency targets;

(d) fund assets held with a deposit taker—

(i) must be held in a deposit taker of the type mentioned in regulation 8(7), and

(ii) must be held in an interest-bearing account, so far as reasonably practicable and provided this does not prevent the fund holder from making a payment, at the time that payment is anticipated to be required, to meet the costs of a decommissioning action;

(e) no investments may be made—

(i) in a person or entity that the fund must operate independently from, in accordance with regulation 8(6)(c),

(ii) in the fund holder or fund administrator or a person connected with those persons (and a person is to be treated as connected with a fund holder or fund administrator, based on the test applied to a relevant person in regulation 8(8)), or

(iii) that would otherwise give rise to a conflict of interest for the person making an investment decision;

(f) the allocation of fund assets—

(i) in the five year period immediately before the end of the fund operational period and during the post operations period, must be in low risk investments, meaning that the value of the investment is highly resilient to short-term adverse changes in market conditions,

(ii) at other times during the fund operational period, must consist of investments that—

(aa) are suitable types of investment, having regard to sub-paragraphs (a) to (c), and

(bb) for which transparent, comprehensive, accurate and regularly updated information is available, including as to valuation, and

(iii) must be diversified so as to ensure a prudent spread of risk and concentration limits for particular categories of investment or issuer;

(g) the funding and investment strategy must include a strategy to hedge against risks and the allocation of assets must enable steps under that hedging strategy to be implemented;

(h) investments must be selected with due diligence for social, environmental and corporate governance considerations;

(i) where the funding and investment strategy permits a person to carry out "regulated activities", within the meaning given by section 22 of the Financial Services and Markets Act 2000(**27**), that person must be authorised by the Financial Conduct Authority to do so.

8. A funding and investment strategy must include—

(a) relevant accrual information, including the fund accrual profile and information listed in paragraph 9,

(b) relevant investment information, including the information listed in paragraph 10, and

(c) an explanation of how that information—

(i) meets the objectives of paragraph 3,

(ii) has been used in the fund accrual profile mentioned in paragraph 4, and

(iii) satisfies the investment requirements of paragraph 7.

(**27**) Section 22 of the Financial Services and Markets Act 2000 was amended by the Financial Services Act 2012 (c. 21), section 7(1); the Financial Services and Markets Act 2000 (Benchmarks) Regulations 2018 (S.I. 2018/135), regulations 38 and 39; the Financial Guidance and Claims Act 2018 (c. 10), section 27(4); the Financial Services and Markets Act 2023 (c. 29), section 69(3).

9. Relevant accrual information is the information underpinning the fund accrual profile and includes the following—

(a) the dates of the fund accrual period;

(b) the fund sufficiency targets and dates based on the approved fund estimate, or (if approval has not yet been granted) the submitted fund estimate;

(c) a summary (consistent with a submitted or approved fund estimate and work breakdown) of decommissioning actions under each accounting code that are likely to be required—

(i) before the end of the fund operational period, and

(ii) during the post operations period;

(d) inflation assumptions, to be based on—

(i) the Consumer Prices Index forecast published by the Office of Budget Responsibility(**28**), or

(ii) where justified by evidence of an alternative reliable forecasting model for a particular cost category, the alternative inflation assumption for that category;

(e) the assumed gross investment return and the estimated sums to be deducted to reach the assumed net investment return;

(f) payments that may need to be made to the fund holder under regulation 25 in respect of the post operations period;

(g) anticipated taxes payable, or anticipated reliefs to be received, in respect of the offshore decommissioning fund, based on tax legislation at the date the funding and investment strategy is submitted for approval;

(h) the proposed annual contribution estimated to be required during the fund operational period, as set out in the fund accrual profile;

(i) an explanation and justification for how contributions and net investment returns in the fund accrual profile are allocated against each accounting code;

(j) details of any other lawful payments made, or anticipated to be made, into the offshore decommissioning fund, including the estimated dates and amounts of such payments.

10. Relevant investment information must include at least the following—

(a) details of a person or entity who will select and allocate investments, including—

(i) whether this will be a person employed by the fund holder (which may include the fund administrator) or will be a third party investment manager,

(ii) how the appointment of such a person will be made and the terms of appointment, or contract, and

(iii) in the case of a third party investment manager, the fees that will be deducted from the investment return;

(b) the proposed categories of permitted investment, the reasons why these are considered suitable, the proportion of fund assets intended to be allocated to each category, and any flexibility sought in relation to adjustment of such allocation;

(c) an approach to risk, including the ways in which risks are to be assessed and managed;

(d) a policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;

(e) a policy on the exercise of the rights (including voting rights) attaching to investments;

(**28**) https://obr.uk/forecasts-in-depth/the-economy-forecast/inflation/#CPI.

(f) the basis for the net investment return figures used in the fund accrual profile, including expected realisation of and returns on investment;

(g) any other information necessary to explain how the investment requirements in paragraph 7 are to be met.

Part 3

Revision of funding and investment strategy

11. A person may not effect changes to an approved funding and investment strategy other than in accordance with—

(a) this Part, or

(b) a different approval granted by the Secretary of State under these Regulations.

12. Where a change occurs in relation to information contained in an approved funding and investment strategy, a relevant person or fund holder must promptly notify the change to the Secretary of State and inform the Secretary of State whether the change means it is likely there will be a material deficit at the end of the applicable financial year.

13. A section 7 licensee must submit a revised funding and investment strategy to the Secretary of State for approval in any of the following circumstances—

(a) before the last day of the periods specified in paragraphs 13(a), 13(b) and 21(a) of Schedule 2, and on the dates specified in paragraph 21(b) of Schedule 2, unless the Secretary of State agrees in writing that a revised funding and investment strategy does not need to be submitted during one or more of these periods;

(b) by the date specified in a notice served on the section 7 licensee by the Secretary of State, where any of the following apply—

(i) the Secretary of State has determined that a revised fund estimate should be submitted, under Part 4 of Schedule 2;

(ii) the Secretary of State has received an approval request for a revised fund estimate under paragraph 14(1)(a) of Schedule 2;

(iii) the Secretary of State considers that a revised funding and investment strategy should be submitted as a result of information communicated under paragraph 12 of this Schedule;

(c) by such date specified in a notice served under regulation 20(3)(a) ("recovery measures").

14. A relevant person or fund holder may submit a revised funding and investment strategy to the Secretary of State for approval, other than when required to do so by paragraph 13, where—

(a) that person has given prior written notice of the intended application to all relevant persons and to the fund holder;

(b) the submission to the Secretary of State includes any responses from the persons consulted and an explanation for the proposed revision.

Part 4

Approval of funding and investment strategy

15. The Secretary of State must reach a final decision on whether to approve a funding and investment strategy, or a revised funding and investment strategy submitted under paragraphs 13 or 14 and may not do so unless satisfied that—

(a) the proposals meet the objectives in paragraph 3,

(b) the annual contribution in the fund accrual profile should be adopted to calculate the monthly contribution amount, and

(c) investments will be managed in a prudent and competent manner.

16. Where the Secretary of State approves a revised funding and investment strategy, that approved strategy replaces the previous strategy, with effect from the date on which the Secretary of State notifies the relevant person of the approval.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make provision for the establishment of offshore decommissioning funds to meet the decommissioning costs relating to offshore carbon dioxide-related infrastructure. Obligations in respect of the decommissioning and abandonment of such infrastructure are established in other legislation – for instance, Part 4 of the Petroleum Act 1998, the Storage of Carbon Dioxide (Licensing etc.) Regulations 2010, and other licensing regulations applicable to different parts of the United Kingdom. These Regulations require security for the costs of such decommissioning obligations to be provided by way of an offshore decommissioning fund, and establish requirements for these funds in respect of the fund operational and post operations periods, as defined in regulation 2 and Schedule 1.

Regulations 3 and 4 determine the application of the Regulations and require an offshore decommissioning fund to be established. The term “covered offshore infrastructure” is defined in regulation 2. This is the offshore carbon dioxide-related infrastructure covered by a licence granted under section 7 of the Energy Act 2023.

Part 2 and Schedule 2 of the Regulations deal with estimates of decommissioning costs for covered offshore infrastructure. Estimates must be submitted by a section 7 licensee (regulation 5); revised at least 5-yearly and at other times when there is, for example, a material change (regulation 6 and Part 4 of Schedule 2); and must be approved by the Secretary of State (regulation 7). The approved fund estimate sets the overall decommissioning costs that the offshore decommissioning fund will need to meet. Within it there will be separate infrastructure estimates (Part 2 of Schedule 2) and a breakdown by cost categories (Part 3 of Schedule 2).

Part 3 of the Regulations deals with the holding arrangements for the offshore decommissioning fund. A section 7 licensee must submit a proposal for how the offshore decommissioning fund will be held under regulation 8. A proposal requires approval of the Secretary of State under regulation 9. The information in regulation 8(2) must be provided and the Secretary of State must assess a proposal against the matters in regulation 8(3) to (6). Regulation 8(9) allows some flexibility should the Secretary of State be satisfied that in a particular case, not all the information listed in regulation 8(2) needs to be provided. Once the holding arrangement has been approved the section 7 licensee must carry it out within a reasonable timescale (regulation 10).

Regulations 11 and 12 deal with changes affecting the approved holding arrangements. These will cover a variety of scenarios – including commercial transfers, UK court orders and administrative changes.

Regulation 13 and Schedule 4 make provision for the submission and approval of a funding and investment strategy. The purpose of that document is to meet the objectives in paragraph 3 of Schedule 4. It must include a fund accrual profile, with fund sufficiency targets, to demonstrate how the offshore decommissioning fund will accumulate sufficient assets to meet decommissioning costs at the time they need to be incurred. Decommissioning costs may be incurred at different times, for example, because one storage site closes sooner than another. Fund assets may be invested. The investment aspects of the strategy must meet the requirements in paragraph 7 of Schedule 4 and form part of the information approved under Part 4 of Schedule 4.

Regulation 14 imposes an obligation on a section 7 licensee to pay a monthly contribution during the fund operational period. The monthly contribution is one twelfth of the annual contribution figure in the approved funding and investment strategy. Regulation 15 clarifies that these Regulations do not preclude other lawful payments being made into an offshore decommissioning fund.

Regulation 16 imposes a number of restrictions relating to an offshore decommissioning fund. Regulation 17 imposes an obligation to manage a fund with reasonable care and skill in accordance with relevant laws of the United Kingdom.

Regulation 18 requires the submission of annual accounts to the Secretary of State, which may include separate infrastructure reports linked to specific infrastructure estimates. This enables the Secretary of State to see whether the offshore decommissioning fund is performing in accordance with the approved fund accrual profile. If not, the Secretary of State may require remedial measures under regulation 19, or recovery measures under regulation 20.

Part 4 makes provision for payments out of an offshore decommissioning fund. Regulations 21 to 25 require a payment request to be made to the Secretary of State, and impose requirements on who may receive a payment from an offshore decommissioning fund. In considering a payment request, the Secretary of State must apply the accounting principles in regulation 26 (unless a court order or transfer scheme provides otherwise). Those principles are linked to the requirements: in Part 2 of Schedule 2 for infrastructure estimates; and in regulation 18(3) for infrastructure reports. A payment request must be approved by the Secretary of State under regulation 27. Regulation 28 makes provision for ensuring a decommissioning action is carried out and reporting the costs incurred.

Regulation 29 deals with the planned closure of an offshore decommissioning fund. Regulation 30 makes provision for early closure of an offshore decommissioning fund in certain circumstances.

Regulation 31 clarifies that these Regulations do not affect a person's decommissioning obligations under other legislation. Regulation 32 sets out the nature and extent of obligations on other relevant persons under these Regulations.

Part 6 (regulations 33 to 37) deals with a number of miscellaneous matters that are relevant to many of the provisions in the Regulations. The Regulations specify a number of matters in respect of which a person is required to make an application or submit a draft document to the Secretary of State, for approval. The general process for submitting and approving such applications is set out in regulation 33 and Schedule 3. In addition, particular matters the Secretary of State must consider before reaching an approval decision are set out in the regulation or Part of a Schedule that establishes the requirement for approval.

A full impact assessment has not been produced for this instrument as no, or no significant, impact on the private, voluntary or public sectors is foreseen.