**Introduction**

It is normal practice for Accounting Officers to scrutinise significant policy proposals or plans to start or vary major projects, and then assess whether they measure up to the standards set out in Managing Public Money. From April 2017, the government has committed to make a summary of the key points from these assessments available to Parliament when an Accounting Officer has agreed an assessment of projects within the government’s Major Projects Portfolio.

This Accounting Officer Assessment was made for Track-1 of the Carbon Capture, Usage and Storage Programme. Track-1 is made up of the initial two CCUS clusters: HyNet and the East Coast Cluster. Both clusters have completed their Full Business Case stage and these business cases are published separately. I have made the assessment as the Accounting Officer for the Department for Energy Security and Net Zero.

**Background and Context**

Track-1 of the Carbon Capture, Usage and Storage (CCUS) programme aims to deliver the first two CCUS clusters in the UK as part of the government’s wider ambition to build a self-sustaining CCUS industry.

CCUS Track-1 comprises both HyNet and East Coast Cluster (ECC) “anchor” and “build out” projects. The scope of this Accounting Officer Assessment relates to the Full Business Case (FBC) approvals sought for anchor projects in both the HyNet and ECC cluster. The anchor comprised both Transport & Storage (T&S) and capture projects (‘Users’). This included Eni (T&S), Hydrogen Production Plant 1 (HPP1) and Protos for HyNet, as well as Northern Endurance Partnership (NEP) (T&S) and Net Zero Teesside (NZT) for ECC. Funding approval for further build-out projects will be sought through individual FBCs.

The HyNet and East Coast Clusters include projects supporting CCUS-enabled low-carbon (‘blue’) hydrogen, gas fired power CCS, industrial carbon capture and CCUS-enabled energy from waste.

**Assessment against the Accounting Officer standards**

**Regularity**

Track-1 of the CCUS programme is underpinned by powers under the Energy Act 2023, Energy Act 2013 and the Secretary of State’s common law power to enter into contracts. The relevant legislation provides the authority for the Secretary of State to provide financial assistance to support the establishment of CCUS and low carbon hydrogen in the UK, and to designate and direct a counterparty to enter into contracts. It also establishes an economic regulation and licensing framework for carbon dioxide transport and storage, given the current monopolistic characteristics of the infrastructure, where oversight by Ofgem will ensure appropriate protections for users of the networks, and consumers where relevant, ensuring costs are economic and efficient. The Secretary of State fulfilled the requirement, pursuant to section 9(4) (as modified by Section 16 and Schedule 1) of the Energy Act 2023, to give notice of the proposal to grant economic licenses to the Track-1 carbon dioxide transport and storage companies.

There are several contingent liabilities associated with the contracts enabling delivery of these two clusters. Parliament has been notified of these contingent liabilities.

The Chancellor has approved the funding for this programme, which was announced in October 2024.

**Overall assessment**: My assessment is that the regularity test is satisfied.

**Propriety**

The CCUS Programme has been approved at both Strategic Outline Business Case and Outline Business Case stage by the BEIS Portfolio and Investment Committee. The Programme received conditional approval to proceed to the Full Business Case stage from the HMG Major Projects Review Group in May 2022.

Track-1 of the CCUS Programme (HyNet and the East Coast Cluster) was approved via two Full Business Cases by the DESNZ Portfolio and Investment Committee in July 2024. It was approved by the Major Projects Review Group in August 2024 subject to conditions.

The programme will continue to provide information through annual Government Major Projects Portfolio reporting. Summaries of the Full Business Cases have also been published. The programme delivery model is structured to allow delivery oversight, management of risks and transparency across the partner organisations. This includes consideration of fraud risk.

**Overall assessment**: My assessment is that the propriety test is satisfied.

**Value for money**

There is a clear rationale for government intervention in the market for CCUS. Intervention is intended to correct market failures, including first mover disadvantage due to the high start-up costs of establishing a new CCUS market, investment coordination failure, the negative externalities of carbon emissions not being fully internalised, and the market price for carbon being too low to incentivise CCUS uptake. Without intervention, market failures would prevent a CCUS market from developing in the UK.

The cost benefit analysis conducted for the Full Business Cases demonstrates that both HyNet and the East Coast Cluster offer value for money when appraised against a Net Zero consistent counterfactual. This indicates that investment in these clusters offers a cost-effective route to meeting Net Zero targets.

The benefits of HyNet and the East Coast Cluster primarily accrue from carbon abatement. Wider social and economic benefits are also expected to be delivered, such as energy security, jobs and investment across regions of the UK. Establishing initial CO2 transport and storage will provide future opportunities to connect more projects to HyNet and the East Coast Cluster, facilitating further carbon abatement and the option to deploy CCUS-enabled GGRs in the UK, necessary to meet Carbon Budgets.

**Overall assessment**: My assessment is that the value for money test is satisfied.

**Feasibility**

Delivery of the two Track-1 CCUS clusters is complex and as such it presents many technical, financial and operational risks. HMG has set out mitigations to the risks and assessed the risks to be acceptable relative to other choices. Consequently, the government remains committed to the deployment of CCUS due to the strategic benefits it presents.

Prior to the Full Business Case approvals, the two clusters underwent Gate 3 reviews in April and May 2024, which resulted in Amber ratings for both. The reviews tested the clusters’ readiness to move towards Final Investment Decisions and provided sufficient confidence in delivery, with all recommendations now being fully implemented.

The Full Business Cases were then approved by the Department’s Portfolio and Investment Committee and by the Major Projects Review Group, before the investments were approved by DESNZ and HM Treasury Ministers.

The delivery of the CCUS Programme is a combined effort between industry, DESNZ and other organisations including other government departments and arm’s length bodies. Following contract signature and licence issue, the programme will move into a new delivery model with the roles of DESNZ, Ofgem and the Low Carbon Contracts Company changing in line with changing roles and responsibilities. DESNZ officials are working closely with our delivery partners to support their readiness.

**Overall assessment**: My assessment is that the feasibility test is satisfied, although I note the risk to achieving the full targets.

**Conclusion**

As the DESNZ Accounting Officer I have considered the assessment of Track-1 of the Carbon Capture, Usage and Storage Programme (HyNet and East Coast Cluster) and approved it on 20th March 2025.

I have prepared this summary to set out the key points which informed my decision. If any of these factors change materially during the lifetime of this project, I undertake to prepare a revised summary, setting out my assessment of them.

The summary included in this letter will be published on the government’s website (GOV.UK). Copies of this letter will be deposited in the Libraries of the House and sent to the Comptroller and Auditor General and Treasury Officer of Accounts.

**Jeremy Pocklington
Permanent Secretary, DESNZ**