

## **PRESS RELEASE**

### **Kellas Midstream Welcomes the Phase 1 Industrial Cluster Decision**

**25<sup>th</sup> October 2021**

Kellas welcomes the Government's formal announcement that the East Coast Cluster has been selected as one of the first CCUS clusters to be developed in the UK. This brings us a step closer to the development of a Carbon Transport & Storage network, supporting our 'H2NorthEast' project which will create low carbon hydrogen production in the Tees Valley.

The government support for the East Coast Cluster reflects the opportunity and capability that exists within the Teesside & Humber regions, with new and highly credible projects such as H2NorthEast bringing substantial regional economic benefits and hundreds of new jobs.

Andy Hessel, Kellas Midstream's Managing Director said, "The decision by the Government to advance the East Coast Cluster onto Track 1 of Cluster Sequencing highlights the strength of the cluster and supports the development of key decarbonisation projects such as H2NorthEast. Kellas is committed to investing in the North East region and developing hydrogen production in Teesside. Supporting the East Coast Cluster is key to decarbonising energy infrastructure, and we firmly believe that the time to invest is now".

Moving on to the next stage of the cluster sequencing process, Kellas is preparing the submission for our H2NorthEast project.

H2NorthEast will create a low carbon hydrogen facility that will significantly reduce carbon emissions both locally and nationally. We will do this by using the strength of our existing assets and the knowledge, experience and determination of our teams, together with the support of our owners BlackRock & GIC. The availability of low carbon hydrogen will create new employment opportunities, safeguard jobs, both on and offshore, and strengthen the UK's home-grown low carbon energy supply chain.

"We are pleased the UK government has announced it will fast-track the East Coast Cluster that includes Kellas Midstream's H2NorthEast project. Blue hydrogen is a key component in creating the hydrogen economy and reducing global carbon dioxide emissions, and we look forward to supporting this important project with the Kellas Midstream team" said Mark Florian, MD, Head of BlackRock's Global Energy and Power Infrastructure platform.

"Along with our partners, we are very excited with the progress that the H2NorthEast project is making. We believe blue hydrogen will have a key role to play in enabling the decarbonisation of industry, especially in hard to abate sectors. As a shareholder of Kellas, we are very pleased to support the company in pursuing this important project" said Ang Eng Seng, Chief Investment Officer of Infrastructure at GIC.

Kellas owned infrastructure plays a significant role in keeping gas flowing to the UK gas consumers. The Central Area Transmission System (CATS) Terminal and Pipeline on Teesside transports about 26% of the UK's domestic natural gas production. Kellas is proud of our excellent safety and environmental performance and understands the need for industry to play its part in reaching Net Zero. The H2NorthEast project will be instrumental in helping the UK achieve this, while creating around 1,200 jobs during construction and 400 additional jobs once operational.

The Tees Valley has a rich history of world class innovation and industrial growth and H2NorthEast will build on this heritage, to ensure that the region leads the way for green growth and planting the seed for future investment in the region.

We celebrate the government's decision and will continue to work with local industry and key stakeholders to ensure that H2NorthEast is successful in the next stage of cluster sequencing, so that we can deliver the environmental and economic benefits of the project to the Tees Valley as quickly as possible.

**Ends**

### **Notes to Editors**

Kellas Midstream is an energy infrastructure company that delivers safe, reliable, innovative solutions and growth for its customers and partners.

Kellas is focused on investing in critical, long-life energy infrastructure, running it safely and efficiently, and seeking to encourage and incentivise continued natural gas project developments in the UK to ensure long-term security of supply.

Kellas Midstream has interests in both the Central and Southern North Sea:

- CATS (Central Area Transmission System); 99% equity interest
- ETS (Esmond Transportation System); 65% equity interest
- HGS (Humber Gathering System); 50% equity interest

By 2022 our assets are anticipated to deliver around 12 billion cubic meters of natural gas to market in the UK, which is estimated to be about 40% of UK domestic natural gas production.

Kellas is developing the **H2NorthEast** project, a 1GW low carbon hydrogen facility based around its existing assets on Teesside

H2NorthEast is a strategic initiative to build a 1GW facility producing low carbon, blue hydrogen utilising UK North Sea natural gas that is already processed at the existing CATS Terminal. Over 95% of the CO<sub>2</sub> produced will be captured and transported offshore for storage using infrastructure developed by the Northern Endurance Partnership. H2NorthEast is being developed in response to customer demand and is in line with the UK government's strategy to create a hydrogen economy and would contribute 20% of the government's target of 5GW of blue hydrogen capacity by 2030.

The CATS Terminal location is at the heart of the geographically compact industrial area of Teesside, and ideally placed to access existing pipeline corridors and new infrastructure for capturing the CO<sub>2</sub> emissions and the distribution of hydrogen. The terminal can provide a long-term supply of natural gas for a blue hydrogen production facility on Teesside and help to underpin the CCUS infrastructure investment on Teesside.

The Northern Endurance Partnership between bp, National Grid, Equinor, Shell, Total and ENI enables the East Coast Cluster by providing the common infrastructure needed to transport CO<sub>2</sub> from emitters in the Humber & Teesside to secure offshore storage in the North Sea.

## **Regional Impact**

Kellas's blue hydrogen facility is a significant infrastructure project that will create around 1,200 construction roles over a three-year development period as well as around 400 long term roles for at least 25 years once operational.

## **Blue Hydrogen**

Blue Hydrogen is low carbon hydrogen produced from natural gas, via a 'reforming' process with the CO<sub>2</sub> by-product captured and permanently stored. (unlike 'grey' hydrogen where the harmful CO<sub>2</sub> is released to atmosphere).

Much greater CO<sub>2</sub> mitigation can be achieved cost effectively in a centralised blue hydrogen plant than trying to capture the CO<sub>2</sub> downstream (post combustion) at multiple decentralised customer sites. When customers use hydrogen, there are no CO<sub>2</sub> emissions at the point of use (only water).

Modern hydrogen production facilities are much more efficient than earlier incarnations incorporating carbon capture readiness as an integral part of the design and capable of much higher capture rates and lower costs.

## **BlackRock**

BlackRock is the largest investment fund in the world, the Global Energy and Power Infrastructure platform is part of a wider BlackRock Real Assets platform.

## **GIC**

Established in 1981 as a private company, GIC manages Singapore's foreign reserves and is now one of the largest investment management organisations in the world.

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