

The Minister  
The Department of Infrastructure  
The Sea Terminal Building  
DOUGLAS  
IM1 2RF  
CC: Cameron Michell

*Crogga Reference: LL165 CSO Licence(2)*

*Thursday 28<sup>th</sup> April 2022*

Dear Minister Crookall,

**License:** Seaward Production Innovate License, DOI and Crogga Limited, License 1, dated 5<sup>th</sup> October 2018

**Subject:** License extension.

Further to your letter dated 28<sup>th</sup> April 2022 I confirm on behalf of Crogga Limited that the board of Directors agree to give an irrevocable commitment to the matters raised in items 1 to 4 of your letter.

The company will use all reasonable endeavours to comply with these commitments in the future and agree that these commitments will form part of the license (as varied) or as work programme or field development programme in the license as applicable in the future.

The Variation of License as also received by email on 28<sup>th</sup> April 2022 is also acceptable.

Yours sincerely,



Mark Pearce

Director of Crogga Limited



Eric Evenson

Director of Crogga Limited

**Registered address:**

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4-8 Circular Rd  
Douglas IM1 1AG  
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**Isle of Man**  
Government

*Reilrys Eilan Vannin*



Office of the Minister  
and Chief Executive

The Directors  
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IM9 2AE

Contact: Hannah Griffiths  
Telephone: (01624) 686105  
Email: hannah.griffiths@gov.im  
Date: 28<sup>th</sup> April 2022

Dear Sirs,

**Re: Potential Extension of Phase B - Seaward Production Innovative Licence**

I write further to our exchange of correspondence regarding the above.

I attach draft second Deed of Variation that has been prepared on the Department's behalf by the Attorney General's Chambers, acting upon instructions from the Department. The draft second variation of licence covers a large number of the conditions that have previously been discussed and agreed between DOI and your company.

However, certain of the conditions the Department considers, at this stage, cannot be included in the draft second variation of licence, but in order to allow the Department to agree to the extension, the Department will require the contents of this side letter to be agreed by Crogga so that they will form part of either the licence (as varied) or a work programme and/or field development programme in the licence as applicable in the future.

The irrevocable commitments the Department is requiring from Crogga are as follows:-

1. The Department requires irrevocable commitment from Crogga that it will ensure that any onshore production facility and any ancillary activities connected with Crogga at such site will be powered using only renewable and/or zero carbon energy sources.
2. The Department acknowledges that the likely economic benefits of the proposed development may be large, particularly for the local economy. Accordingly, the Department will require to see a clear and sustainable contribution from Crogga in respect of investing in the local employment market, including but not limited to preference being given to procuring services for Isle of Man workers and/or Isle of Man companies, both in the terms of human resources and goods materials in relation to the project. Furthermore, the Department would expect to see jobs being created and retained on Island after any main construction phase of any onshore facilities has been completed.
3. The Department would want to see a commitment from Crogga that opportunities will be available and provided and promoted to Manx workers, and also the provision of training and development over the course of the project.

**Department of Infrastructure**  
Sea Terminal Building, Douglas, Isle of Man, IM1 2RF

4. Crogga understands that there is an Agreement for Lease with Orsted for the development of an offshore windfarm adjacent to, and overlapping the Crogga hydrocarbon block. The Department seeks confirmation from Crogga that it will continue to engage with Orsted as and when appropriate as part of any offshore windfarm development. It is imperative that the two parties understand both these seabed projects are fundamental to the Department's responsibilities to maximise the financial opportunities from the Island's seabed and that both Crogga and Orsted will act in a manner as not to frustrate or prevent the other in exercising their respective rights.

Can you please confirm that Crogga will use all reasonable endeavours to comply with these commitments in the future and agree that these commitments will form part of the licence (as varied) or as work programme or field development programme in the licence as applicable in the future.

I look forward to hearing from you and would be grateful if the above can be agreed, if you can please sign and return a duplicate of this letter to indicate your acceptance of the above commitments.

Yours faithfully,



**Hon T Crookall MHK**  
**Minister for Infrastructure**



Mark Pearce  
Director Crogga Limited



Eric Evenson  
Director of Crogga Limited

**THIS VARIATION OF LICENCE** is dated the day 28<sup>th</sup> of APRIL 2022

### **Parties**

- (1) **The Department of Infrastructure** (a Department of the Isle of Man Government) of Sea Terminal Buildings, Loch Promenade, Douglas, Isle of Man, ("the Department") of the first part; and
- (2) **Crogga Limited** (a company incorporated in the Isle of Man with a registered number 015235V having its registered office situate at Floor 3, Atlantic House, 4-8 Circular Road, Douglas, Isle of Man ("the Licensee")) of the second part.

### **RECITALS**

- (A) The Department and Licensee are party to a Seaward Production ("Innovate") Licence with a Start Date of the 1<sup>st</sup> January 2019 (the "Licence").
- (B) The Licence was subsequently varied by a Variation Agreement dated the 21<sup>st</sup> December 2021 (the First Variation Agreement) where the Phase B Period of the Licence was amended to finish on the 30<sup>th</sup> April 2022
- (C) The Licensee has requested a further extension to the Phase B Period of the Initial Term of the Licence and that the Phase C Period remains as 3 years and both Parties have sought certain other amendments to the Licence as varied.
- (D) The Department and Licensee have agreed to extend the Phase B Period of the Initial Term of the Licence by twenty seven (27) months from the 1<sup>st</sup> May 2022 together with the other amendments set out in this Variation of Licence (the Second Variation of Licence). The Licence as previously varied needs to be further varied to set out the matters agreed between the Parties.
- (E) Both Parties acknowledge and agree that the Phase C Period shall remain as 3 years.
- (F) The Department and Licensee wish to amend the Licence with effect from the 1st May 2022.
- (G) This Second Variation of Licence is supplemental to the Licence.

## Agreed terms

### 1. Terms defined in the Licence

In this Second Variation of Licence, expressions defined in the Licence as previously and used in this Variation of Licence have the meaning set out in the Licence.

### 2. Consideration

In consideration of the sum of £1 (ONE POUND) (receipt of which the Department expressly acknowledges), the parties agree to amend the Licence as set out below.

### 3. Variation

With effect from the 1<sup>st</sup> day of May 2022 the Parties agree the following amendments to the Licence:

- (1) Clause 1 of the Licence a new definitions shall be added:

**"Decommissioning"** means the decommissioning, dismantlement and removal work required to be undertaken by the Licensee in the Licensed Area in the Decommissioning Phase

**"Decommissioning Phase"** means period specified as such in Schedule 5 to the licence in which period the Licensee shall carry out decommissioning dismantlement and removal work required in the Licensed Area"

- (2) In Schedule 3 **Work Programme** the paragraph headed **Phase B Period** shall be deleted and replaced with the following:

**"Phase B Period"** Start 1<sup>st</sup> January 2019 Max Duration 5 years seven (7) months Finish 31<sup>th</sup> July 2024"

- (3) In Schedule 3 a new paragraph shall be added to the **Phase B Work Programme** namely:-

"The Licensee shall provide written confirmation to the Department by the 30<sup>th</sup> April 2024 that it has fully and satisfactory completed all of the work described in the section of the Work Programme applicable to Phase B."

- (4) In Schedule 3 a new paragraph shall be added to the **Phase B Work Programme** namely:-

"The Licensee shall provide to the Department on or before the 30<sup>th</sup> April 2024 with evidence of its financial capacity to complete before the expiry of Phase C the work described in the section of Work Programme applicable to Phase C such evidence shall include but not limited to provision of documentation included executed contracts, agreements, loans, bank

statements and any other type of funding documentation to evidence its compliance with its financial capacity obligations, together with details of any change of Control (as defined) or corporate structure or ownership of the Licensee and fully and comprehensive details of the source of such funds to allow the Department to carry out all necessary due diligence.

- (5) In Schedule 5 of the Licence (**Timing and mandatory Surrender provisions**) the paragraph headed **Phase B** shall be deleted and replaced with:

“**Phase B** is the period of 5 years 7 months beginning at the Start Date”.

- (6) In Schedule 5 of the Licence the paragraph headed the **Third Term** shall be deleted and replaced with:

“The **Third Term** is the period of 17 years and five (5) months beginning with the day after the Second Term ends.”

- (7) In Schedule 5 of the Licence a new paragraph shall be added:-

The Decommissioning Phase is the period of 2 years from the beginning with the day after the Third Term ends and in any event such Decommissioning Phase must be concluded before the end of 2050”

- (8) The existing paragraph 7(6) of the Licence shall be deleted and replaced with the following:-

“Where Phase A or Phase B of the Initial Term is extended by a period, the subsequent phase of the Initial Term may (without prejudice to paragraph (2)) be reduced by the same amount.”

- (9) A new paragraph shall be added to paragraph 8(3):-

“8(3)(f) The Licensee shall comply with the provisions of the Climate Change Act 2021 as may be amended, varied or replaced during any term of this Licence in respect of any emissions (as defined in the Climate Change Act 2021)

- (10) A new paragraph shall be added at paragraph 9C:-

“9C (3) The Licensee (or any Operator appointed) shall maintain insurance for such risks and levels as set out in paragraph 9C(1) for the Decommissioning Phase;”

- (11) A new paragraph shall added to paragraph 17(2):-

“17(2)(d) Any development or production programme provided or requested under this paragraph shall include a methodology to be agreed by the Department in respect of the mitigation of any development or production emissions to comply with the provisions of the Climate Change Act 2021”.

- (12) A new paragraph shall be added to paragraph 41:

“41(l) any breach of the provisions of the Climate Change Act 2021 as may be amended, varied or replaced during the term of this Licence.”

(13) New paragraphs shall be added at the end of Schedule 2:-

"(i) Subject to the provisions of paragraph (iv) below in the event that the Licence continues into the Third Term (including the Producing Part) the Licensee agrees to provide Petroleum to the Department (or any other Isle of Government Department, Statutory Board or Office as notified to the Licensee) at a fixed maximum wholesale price of eighty (80) pence per therm for the period of the Third Term ("the Fixed Maximum Wholesale Price").

(ii) Any Petroleum purchased in accordance with paragraph (i) above shall be for domestic use and consumption in the Isle of Man only.

(iii) The Fixed Maximum Wholesale Price may be subject to an increase in line with any price index in use by the Isle of Man Government Treasury Department after the tenth year of the Third Term.

(iv) The Department (or any other Isle of Man Government Department, Statutory Board or Office) shall not be obliged to purchase Petroleum from the Licensee during the Third Term.

Provisions of the above paragraphs shall not affect the obligation of the Licensee to pay to the Department all monies which may be due under the Petroleum (Royalties) Regulations 2018 (as may be amended or superseded)"

4. Except as set out in clause 3, the Licence as previously varied shall continue in full force and effect.

IN WITNESS WHEREOF the parties have by their duly authorised representative executed this Second Variation of Licence

Signed by  
for and on behalf of the Department

: 

Signed by  
for an on behalf of Crogga Limited

:  MARK PEARCE

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