

SECTION 10 – FINANCIAL ASSURANCE

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10.1 Introduction

This financial assurance section for WC IW-B No. 001 and No. 002 was prepared to meet the requirements of Statewide Order (SWO) 29-N-6 **§3607.C.2.m** and **§3609.C.1** [Title 40, U.S. Code of Federal Regulations (40 CFR) **§146.82(a)(14)** and **§146.85(a)**].

10.2 Financial Assurance

Harvest Bend CCS LLC (Harvest Bend CCS) will secure a combination of insurance policies and surety bonds, which will be used to provide sufficient coverage and funding for any corrective action, injection and monitor well plugging, post-injection site care and site closure, and emergency and remedial response. The total amount of financial assurance will be [REDACTED] in the form of insurance policies, [REDACTED] in the form of surety bonds [REDACTED] and [REDACTED] in the form of surety bonds [REDACTED]—and will reflect the minimum amount of funding to cover the costs for which financial responsibility must be maintained.

Table 10-1 summarizes costs associated with financial assurance submitted with the first application for the White Castle CO₂ Sequestration (White Castle) Project pertaining to the proposed WC IW-A No. 001 [REDACTED].

Table 10-1 – Summary of Costs Associated with Financial Assurance – WC IW-A No. 001

Financial Assurance Cost Breakdown	
Cost Category	Estimated Cost
Corrective Action (0 wells)	[REDACTED]
Injection Well Plugging	
Deep, Above-Zone Monitoring Wells (x1 Well)	
Shallow, USDW Monitor Wells (x1 Wells)	
Post-Injection Site Care and Site Closure	
Emergency and Remedial Response	
TOTAL	

Certain final assurance costs in Table 10-1 apply specifically to WC IW-A No. 001. Other costs such as certain emergency and remedial response costs are project-level costs or only increase by a limited extent with the addition of injection wells to the project, such as the subject injection wells on [REDACTED]. Table 10-2 breaks down the estimated incremental financial assurance costs associated with the subject injection wells as prepared by a third party.

Table 10-2 – Breakdown of Costs Associated with Financial Assurance – WC IW-B No. 001 & No. 002

Financial Assurance Cost Breakdown			
<i>Corrective Action (0 wells)</i>			
<i>Injection Well Plugging (x2 wells)</i>			
<i>Deep, Above-Zone Monitoring Wells (x1 Well)</i>			
<i>Shallow, USDW Monitor Wells (x1 Wells)</i>			
<i>Post-Injection Site Care and Site Closure</i>			
<i>Emergency and Remedial Response</i>			
TOTAL			

10.3 Corrective Action Plan

The Corrective Action Plan was discussed in detail in *Section 3 – Area of Review and Corrective Action Plan*. If applicable, the plan specifically outlines not only revised plugging plans for wells found within the currently predicted carbon and critical pressure fronts, but also the recompletion schedule whereby the wellbore modifications will have been completed.

With regard to WC IW-B No. 001 and No. 002, there exist no wells requiring plugging modifications to be completed within the currently predicted area of review (AOR). As such, there is no financial risk for existing wells requiring corrective action.

The AOR will be reevaluated every 5 years to determine if any new wellbore penetrations have occurred, or if changes to the AOR require changes to the Corrective Action Plan and associated financial assurance.

10.4 Injection Well Plugging and Abandonment

Plugging and abandonment (P&A) of WC IW-B No. 001 and No. 002 will meet the requirements of SWO 29-N-6 **§631** [40 CFR **§146.92**]. The P&A of the injection wells must be designed so that no movement of fluids will occur from the injection interval. A more detailed P&A plan was discussed in *Section 6 – Injection Well Plugging Plan*. Funds will be guaranteed, via a surety bond, to ensure that P&A operations are properly managed. These funds include costs for logs/wireline to be run in the wellbore before cementing occurs. CO₂-resistant cement will be used in the initial plugs of the wells, to ensure the cement does not react with the injected fluid—so a higher cement expense than that for a typical well of these depths is to be expected. All expenses relating to personnel and equipment have been accounted for in Table 10-2. Pressure-test costs are also included to account for proving the integrity of the wells.

10.5 Monitoring Wells Plugging and Abandonment

The P&A of the monitoring wells associated with WC IW-B No. 001 and No. 002 will also meet the requirements of SWO 29-N-6 **§631** [40 CFR **§146.92**]. The P&A of these shallow monitoring wells will be designed so that no movement of fluids will occur from the injection interval, nor will fresh, treatable water found within the Underground Source of Drinking Water (USDW) be threatened. A more detailed P&A plan is discussed in *Section 6*. Funds will be guaranteed via a surety bond to ensure that P&A operations are properly managed. Because these wells will be completed above the uppermost confining geologic interval, conventional plugging procedures will be utilized. These funds include costs for logs/wireline to be run in the wellbore before cementing occurs. All expenses relating to personnel and equipment have also been accounted for in Table 10-2. Pressure test costs are also included to account for proving the integrity of the well.

10.6 Post-Injection Site Care and Site Closure

The PISC and Site Closure Plan will be designed to meet the requirements of SWO 29-N-6 **§633** [40 CFR **§146.93**]. The costs associated with the plan have been highlighted as well in Table 10-2. The plan is discussed in *Section 7 – Post-Injection Site Care and Site Closure Plan*.

10.6.1 Post-Injection Monitoring

As discussed in *Section 5 – Testing and Monitoring Plan*, time-lapse seismic monitoring will be conducted every 5 years to ensure the integrity of the wells and to track the migration of the plume.

[REDACTED]. The costs estimated in Table 10-2 cover additional post-injection monitoring activities to occur until the owner is released from post-injection site duties, including groundwater and above-zone monitoring activities.

10.6.2 Site Closure

Site closure will occur when the Underground Injection Control (UIC) Program Director (UIC Director) has released the owner from all post-injection site duties. The costs above reflect the amount expected to close the site and restore the facility to its natural state. Dismantling of surface facilities includes removing storage vessels, piping, pumps, and surface equipment, etc. Concrete and debris removal are also included in surface facilities costs. Funds will be allocated for site restoration to leave minimal environmental impact.

10.7 Emergency and Remedial Response Plan

The Emergency and Remedial Response Plan, referenced eponymously in *Section 8*, is designed to be in compliance with SWO 29-N-6 **§623.A.1** [40 CFR **§146.94**]. The total cost for all scenarios determines the final levels of insurance required, which ensures the operator will have the ability to remediate any given scenario. For the purposes of assigning value to the categories listed on the Risk Assessment Matrix, the following modifiers shown in Table 10-3 have been applied to account for the levels of likelihood and severity (i.e., Total Score) determined from the matrix:

Table 10-3 – Risk Assessment Matrix Cost Modifiers

Risk Level	Threat Scores	Cost Modifier
High	[REDACTED]	
Moderate		
Low		

The resultant costs for the Emergency and Remedial Response Plan were shown in Table 10-2.

The following is a discussion regarding the costs associated with various scenarios that may occur at any phase during CO₂ sequestration as identified in the Risk Assessment Matrix.

10.7.1 Scenario 1: CO₂ Release to or at the Surface

CO₂ released at the surface can create a potential risk to human health as well as the local environment and ecosystems. The release could result from a variety of events such as major mechanical and integrity failures or damage to the CO₂ distribution and storage facilities, unidentified orphan wells, well integrity issues, operating equipment over designed pressures, and geological complications. The costs in Table 10-2 consider the amount needed to correct the source of the release, such as system repair and plugging or remediation costs of the problem well, as well as potential litigation fees and regulatory fines. Table 10-2 also includes costs for closure of WC IW-B No. 001 and No. 002 in the event the release cannot be repaired.

10.7.2 Scenario 2: Water Quality Contamination

If, during the drilling of the injection wells, the USDW is contaminated with drilling fluids—or during the operation of the injection wells, the injectate leaks into the USDW—the costs in Table 10-2 demonstrate the amount needed to remediate the impact of contamination of potable water. This expense amount also accounts for returning the USDW to conditions before the intrusion of CO₂; the potential local, state, and federal regulatory fines; litigation; damages; and closure of the geologic storage project.

10.7.3 Scenario 3: Storage Rights Infringement

In the event that the carbon front migrates out of the controlled or leased pore space into adjacent pore space, the costs in Table 10-2 demonstrate the amount needed to resolve any potential storage rights issues. This estimate considers the cost of addressing potential litigation and damages, as well as acquiring additional pore space.

10.7.4 Scenario 4: Mineral Rights Infringement (Trespass)

In the event that the carbon front migrates out of the controlled or leased pore space into adjacent oil and gas mineral resources, the costs in Table 10-2 demonstrate the amount needed to remediate the impact to current or future mineral resource production. As the Carbon Dioxide Sequestration agreement discussed in *Section 0 – Introduction* is in place with not only the pore space owner, but also the mineral owner, this risk has been fully mitigated.

10.7.5 Scenario 5: Entrained Contaminant (Non-CO₂) In Injection Stream

During injection operations, the composition and properties of the injectate can deviate from chemically desired conditions. The change in composition can have metallurgical effects and induce corrosion. Additionally, the contaminant-containing injectate stream can initiate microbial activity, such as H₂S gas production, thus impacting dissolution, leading to unexpected geochemical

reactions and impacting wellbore and reservoir integrity. The estimate in Table 10-2 covers repair and cleanup costs.

10.7.6 Scenario 6: Accidents/Unplanned Events

Unforeseen events, such as accidental surface-infrastructure damage, pipeline leak, and weather-related events (e.g., hurricanes), may occur while operating the CO₂ storage facility. The costs identified in Table 10-2 are tied to repair and cleanup costs due to such events or accidents and supported by insurance.

10.8 Updates to Financial Assurance

During the active life of this project, Harvest Bend CCS will adjust the cost estimate for inflation within 60 days, prior to the anniversary date of the establishment of the surety bond and provide this adjustment to the UIC Director. Harvest Bend CCS will also provide written updates of adjustments to the cost estimate within 60 days of any amendments to the Area of Review and Corrective Action Plan, the Injection Well Plugging Plan, the PISC and Site Closure Plan, and the Emergency and Remedial Response Plan. If the updated cost estimate increases to an amount greater than the face value of the surety bond in use, Harvest Bend CCS will either obtain an increase in the surety bond at an amount at least equal to the current cost estimate or obtain other financial responsibility instruments to cover the increase—and supply evidence of such to the UIC Director. If the estimated value is reduced due to changes in the operational cycle of the project, the bond will be reduced in value accordingly if approved by the UIC Director.