



## EXECUTIVE SUMMARY

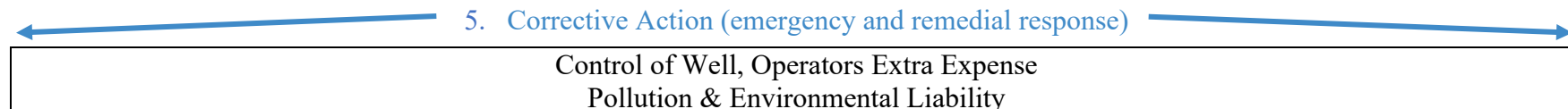
This document is a general guideline for establishing a risk program for a company developing and operating Carbon Capture and Sequestration wells.

**Two primary objectives are used to establish such a risk program:**

- Providing the essential financial protection for operating companies
- Conforming to Financial Responsibility (FR) requirements per 40 CFR 146.85

<b>1. Construction Phase</b>	<b>2. Operations Phase &amp; Injection</b>	<b>3. Well Plugging</b>	<b>4. Post injection site Care (PISC)</b>
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Commercial General Liability	Commercial General Liability	Commercial General Liability	Commercial General Liability
Control of Well, Operators Extra Expense	Control of Well, Operators Extra Expense	Control of Well, Operators Extra Expense	Pollution & Environmental Liability
Pollution & Environmental Liability	Pollution & Environmental Liability	Pollution & Environmental Liability	Reclamation Surety Bond
Well Site Property	Well Site Property	Well Site Property	



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# GENERAL INFORMATION ON INSURANCE COVERAGES FOR TYPICAL DRILLING OPERATIONS OF CCS WELLS

1. Commercial General Liability
  - a. Well drilling program to be structured similar to a salt water injection / disposal well
  - b. Endorse current CGL program for tanks, pipelines, pressure vessels and other drilling site property
  - c. Establish a CGL program for operations if no policy currently in force
2. Control of the Well – Operators Extra Expense
  - a. To address blow outs or loss of well control
  - b. Can cover drilling contractors down hole drilling equipment such as bits, mud motors, BHA, if the need arises to shear pipe for a well control incident
  - c. Can cover extra expense to redrill or side track
  - d. Coverage for pollution and clean up specific to a well control event
    - i. Stand alone pollution policies will generally exclude a well control event
  - e. Generally required of well operator to carry per IADC contracts
3. Pollution and Environmental Coverage
  - a. Gradual
    - i. Non-owned disposal site: well cuttings disposal, cradle to grave
    - ii. CO2 plume leaks
  - b. Sudden
    - i. Fuel spill
    - ii. Well head / X-mas tree leaks
  - c. Emergency and Crisis Management Costs
4. Auto coverage
  - a. Coverage to endorse hazmat hauled by trucks – as necessary
    - i. CO2 cargo:  $7\text{kgal} \times 8.47\text{ppg CO}_2 = 29.6\text{tonnes} @ \$85/\text{tonnes (45Q tax credit)} = \$2,519/\text{load}$  for the average 18 wheeled tank truck

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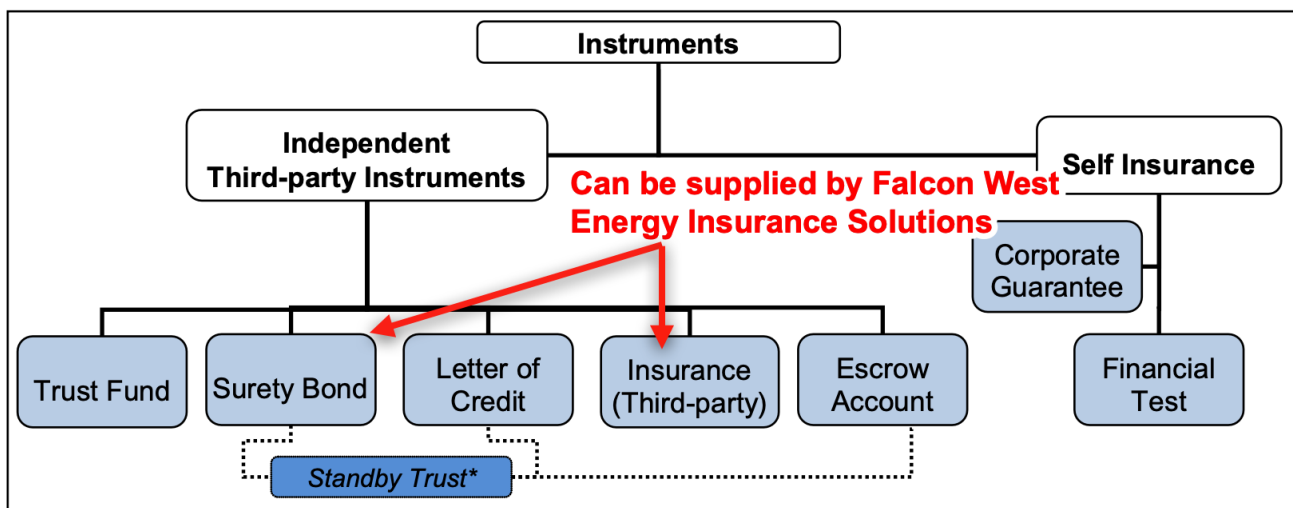
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## FINANCIAL RESPONSIBILITY PER 40CFR146.85

“EPA recommends that owners or operators demonstrate that third party providers have a credit rating in the top four categories from either Standard & Poor’s or Moody’s (i.e., AAA, AA, A, or BBB for Standard & Poor’s and Aaa, Aa, A, or Baa for Moody’s) or from any Nationally Recognized Statistical Rating Organization (NRSRO)”

Surety bonds “should be tested under U.S. Department of the Treasury Circular 570”



\*Not a stand-alone instrument. Dotted connection to standby trust from surety bond, letter of credit, and escrow account represents the need for a standby trust when EPA is the UIC Program Director. If authorized by applicable law, a standby trust might not be needed when a state or tribe is the UIC Program Director and is named as the beneficiary.

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## COMMON RISKS IN A CCS WELL PROGRAM...

### If Any Ethanol Plant Commissioning and Operations:

1. General Liability + Property
2. Endorsed for boilers, pressure vessels, tanks above ground and below
3. Pollution Gradual + Sudden
4. Equipment Breakdown – Business Income and extra expense

### End Products:

1. Product liability
  - a. Ethanol
  - b. Argon
  - c. CO2 for industrial or food grade use
  - d. CCS – 45Q tax credits

### Mineral Rights – Pore Space:

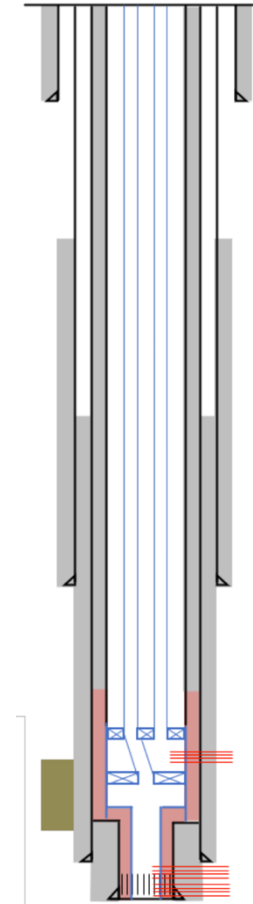
1. Legal Defense Coverage
  - a. Right of access (ingress and egress) to the minerals
  - b. In the event of a meritless claim of mineral rights

### Farming Operations – *As required:*

1. General Liability + Pollution
2. Agribusiness interruption
  - a. Income replacement
3. Farm Vehicle Insurance
4. Equipment and Machinery

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## FUNDAMENTAL AND ROUND OUT COVERAGE CONSIDERATIONS

1. Executive Protection – Directors and Officers – Management Liability
  - a. Critical when multiple investors are involved
  - b. Media crisis management costs - reputation
2. Fiduciary Liability
  - a. Coverage if 401k is offered to employees
3. Employee Benefits Liability
  - a. Coverage for errors made in the administration of employee benefits such as health insurance and Cobra
4. Employee Practices Liability
  - a. Coverage for the hiring-firing and administration of employees
5. Cyber Security Coverage
  - a. IT manager is not a replacement for cyber security coverage
  - b. Fundamental coverage for businesses

When consulting with Falcon West Energy Insurance Solutions, we tailor each insurance and surety product to meet the unique risks of your company. We've positioned our brokerage to be the leader in providing risk management solutions for CCS well development programs.



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