



Department for
Business, Energy
& Industrial Strategy

Oil and Gas Production and Exploration
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12 July 2018

Dear Mr Bales,

Thank you for your email of 14 June where you requested the following information:

1) Petroleum Exploration and Development Licences (PEDLs) create a contract between the Secretary of State for Energy and Climate Change and a Licensee, specifically an Operator with interests in Onshore Oil and Gas Exploration. The terms of such licences require the Operator to follow Work Programmes which are ultimately anticipated to achieve maximum economic extraction of shale gas from the allocated areas, in consideration for which the Operator will pay a nominal sum relating to the size of the area. I would be grateful if you would please answer the following enquiries: -

- a) Other than tax revenues, what interest or control does the Government retain in relation to the ultimate use of extracted gas, and in particular what is the mechanism by which such extracted gas is guaranteed available for use by UK consumers, either private or corporate?*
- b) Further to the above, what mechanism exists to ensure that prices to be charged by the Operators for such extracted gas will be acceptable to UK consumers in comparison to World Market Prices?*
- c) In the event that extracted gas is to be used by the Operator in its own business or that of its Parent Group, what pricing mechanism is agreed to ensure that such extracted gas is valued at arms-length pricing for the purposes of revenue measurement?*
- d) If mechanisms or guarantees in respect of a), b) or c) above are subject to side agreements between a Minister and the relevant Operators, please supply copies of such agreements and any correspondence detailing any further side agreements relating to valid PEDLs currently in progress.*

The above information is requested in order that I and other interested members of the public may be able to judge the extent to which shale gas might contribute to the UK's security of energy supply.

2) In 2014, in advance of announcement of the award of further PEDL licences to his company INEOS, Mr Jim Ratcliffe (CEO) made a public promise that 6% of extracted Shale Gas revenues would be paid to landowners and communities impacted by Shale Gas well-sites. That pledge

remains live on the INEOS Shale website literature section, titled "Community and the INEOS promise" and including the following statement: -

"OUR PROMISE Shale gas extraction has transformed communities in the USA where landowners own the mineral rights under their property. INEOS has developed an industry leading community benefits package that seeks to replicate this, giving communities a real stake in development. INEOS has promised to share 6% of revenues. Four percent of this would go to homeowners and landowners in the immediate vicinity of a well, and a further 2% to the wider community. Based on our estimates, a typical 10km by 10km development area would generate £375m for the community over its lifespan."

PEDL terms anticipate the potential sharing of revenues and identify necessary prior approvals to be obtained. For instance, the signed copy of PEDL 283, available on the UKOOG website, includes the following clause 40.2: -

"The Licensee shall not enter into any agreement providing for a person other than the Licensee to become entitled to, or to any proceeds of sale of, any Petroleum which, at the time when the agreement is made, has not been but may be won and saved from the Licensed Area unless the terms of the agreement have been approved in writing by the Minister either unconditionally or subject to conditions....."

I would be grateful if you would please answer the following enquiries: -

- a) Was prior written approval obtained from the Secretary of State or other authorised body before Mr Ratcliffe made his pledge? Please supply copies of such approval and any related correspondence between the parties by which the detail and purpose of the offer was examined. If retrospective approval was subsequently obtained, please supply the same details.*
- b) INEOS are now in the process of approaching landowners to secure access for Seismic testing to be carried out, to facilitate which they are outlining the prospect of future income for cooperating landowners. Irrespective of Mr Ratcliffe's original pledge and the continued content of the INEOS Shale website, the terms now being 'promised' are different to the original announcement. Has such a change in terms been further approved in writing by the Minister? If so, please supply copies of such written approvals and copies of correspondence by which the change was proposed, discussed and agreed.*
- c) Have any such or similar arrangements been agreed or discussed with other Operators to whom PEDL awards have been made? Please supply details and copies of relevant documentation and correspondence.*

The above information is requested in order that I and other interested members of the public may draw conclusions as to (i) the validity of revenue-sharing promises as inducements to contract and (ii) the likelihood of receiving income from shale gas exploration.

We have considered your request in accordance with the Environmental Information Regulations 2004 (EIR) as the information you have asked for falls within the definition of 'environmental information' in the EIR.

I am writing to advise you that, following a search of our paper and electronic records, I have established that the information you requested is not held by this Department.

Due to the nature of the information that you are seeking, your request may be more appropriately addressed to the Oil and Gas Authority (OGA). If you have not already done so, then you may wish to write to the OGA, at: foirequests@ogauthority.co.uk.

Appeals procedure

If you are dissatisfied with the handling of your request, you have the right to ask for an internal review. Internal review requests should be submitted within two months of the date of receipt of the response to your original request and should be addressed to the Information Rights Unit:

Information Rights Unit
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London
SW1H 0ET
Email: FOI.Requests@beis.gov.uk

Please remember to quote the reference number above in any future communications.

If you are not content with the outcome of the internal review, you have the right to apply directly to the Information Commissioner for a decision. The Information Commissioner can be contacted at: Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF

Yours sincerely,

Oil and Gas Production and Exploration Team