



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

24 September 2014

To : Economic Affairs Committee Members

Dear Colleagues,

Economic Affairs Committee – Shale recommendations

First, let me thank everyone for the work that they and their Departments had put into preparing for the Economic Affairs Committee on shale. As you know, this unfortunately had to be postponed. However, the Implementation Unit's helpful review on the development of the shale gas industry in the UK has identified a number of actions. We must make rapid progress on implementing these. I understand your officials have been heavily involved in the drafting of the recommendations, and in many cases are already driving them forwards. I would ask that you make it a personal priority to ensure that these are implemented within the agreed timescales below. I would be grateful if you could provide a written update on the actions set out in Annex A by 6 October.

In particular, I expect to see rapid progress on the following recommendations and would welcome a further update on the four areas below by 6 October:

- i) a clear timetable (for an Autumn Statement announcement) to implement the development of 3-4 exemplar drilling sites to prove the concept of safe shale gas exploration, including locations (DECC);
- ii) a firm proposal for moving towards more central regulation, up to and including a single national regulator (DECC/DCLG);
- iii) a clear set of actions to influence the new EU Commission on the importance of shale gas to Europe's future. The primary objective should be to provide clarity on areas of guidance that are currently open to legal challenge. This should include specific actions for departments. It is essential sufficient resource is dedicated to this. (DECC/Defra); and
- iv) an action plan to ensure Government agencies (EA and HSE) have the necessary resources and skills in place to publically defend the robustness and safety of the regulatory regime. This need to cover action in the media, with local communities and through the regulatory process (DEFRA/DWP).

I have asked the Cabinet Office to remain involved to drive progress at official level and provide regular updates on the actions set out below.

GEORGE OSBORNE

Annex A :

Recommendations

Recommendations on reducing risks and delays to drilling the first well:	Indicative timescales	Lead department	
1. Respond to the asks from Cuadrilla over which government has influence and that will impact on first well	a) Communicate to Lancashire County Council and others the intention behind the Planning Guidance requirements, specifically to address Mineral Planning Authority concerns that they must satisfy themselves that regulators are doing their job.	Nov 2014	DECC
	b)HSE to continue providing comprehensive responses to planning applications, outlining their role and the range of issues which have been considered.	Ongoing	DWP
	c)Clarify the commitment to publish chemical composition of fracking fluid –Cuadrilla has now supplied information to the EA on the chemical composition of fracking fluid and this will be provided as part of the second public consultation.	Sept 2014	Defra
	d)Clarify the use of MOD land for truck movements at the Roseacre site – terms are being considered subject to SoS approval of operational impact.	Oct 2014	DECC/MOD
	e) Establish whether boreholes for groundwater monitoring are allowed under permitted development rights.	Oct 2014	DCLG
	f)If permission is granted, work with Lancashire County Council and Cuadrilla to ensure that planning conditions are discharged as quickly as possible.	Nov 2014 onwards	DCLG
2. Be prepared for the risk that permission is turned down or progress injunctioned	a) Consider whether to provide additional technical support to Lancashire to help determine current planning applications.	Oct 2014	DECC

	b) If permission turned down or undetermined, Cuadrilla to respond to concerns and appeal asap.	Nov 2014	-
	c) Prepare PINS to respond promptly to appeal or SoS recovery if appropriate.	Nov 2014 onwards	DCLG
3. Further work to improve public engagement	a) Develop segmented and tailored plan for public engagement in Lancashire and other potential first mover sites, including national actions where needed.	Oct-Dec 2014	DECC
	b) Demonstrate tangible benefits locally.	Oct-Dec 2014	DECC/BIS
	c) Make better use of local growth interactions with LEP and Enterprise Zone to promote importance of shale to local growth.	Oct 2014 onwards	BIS/DCLG
Recommendations on moving to full exploration			
4. Improve the regulatory regime to support full exploration	a) Work with Mineral Planning Authorities to boost short term capacity, e.g. through funding consultancy, supporting secondments, supporting discharging of planning conditions as quickly as possible.	Nov 2014 onwards	DCLG
	b) Ensure the recovery criteria enable the SoS to recover shale applications at his discretion.	Nov 2014 onwards	DCLG
	c) As public support builds, EA to consider undertaking a single consultation on permits, as appropriate, rather than two.	2015 onwards	Defra
	d) Consider monitoring boreholes under permitted development.	Oct 2014 onwards	DCLG

	e)Ensure that the EU focus on energy security includes a focus on the use and development of indigenous resources including unconventional resources. In light of upcoming EU developments, refresh the strategy to capitalise on the benefits of wider EU engagements and achieve clarity on guidance while avoiding the imposition of additional regulatory burdens.	Oct 2014 onwards	DECC/Defra
5.Further improve communications and public engagement	a)Build on existing network of neutral academic experts available to provide credible evidence-based views on matters of public concern. Develop a coherent national communications plan on shale exploration. This should build on the long history of onshore operations in the UK using examples such as Wytch Farm, as part of a broader education campaign on energy. This should use relevant research to establish which messages resonate with the general population and focus on building these into a core narrative.	Nov 2014	DECC
	b)Support HSE and EA to increase visibility and public understanding of their role as strong regulators of the shale industry. The additional resource required to ensure HSE and EA have the skills and resources necessary to engage and communicate positively to the planning process and as regulators should be put in place. In future, HSE should not provide nil returns or no comments to planning consultations but set out why they do not have significant concerns.	Sept 2014 onwards	DECC/Defra
	c)Examine the nature of benefits to be offered to local communities where shale developments take place.	2015 onwards	DECC (with industry)

6. Demonstrate the concept	a) A cross-Government and industry group should be established with OUGO, HMT, CLG, Defra, BIS, EA and HSE to assess the value and viability of focusing on a small number of sites in less contentious locations that have potential for viable production, while following due processes.	Nov 2014 to establish group and remit of work Jan 2015 to assess the viable options	DECC
	b) Public sector land (particularly MoD owned) should be mapped to potential sites and explored for possible concept testing, without adverse effect on the operational defence use of sites.	Oct 2014 mapping; Jan 2015 onwards exploring options	DECC
Recommendations to smooth the process to full production:			
7. <u>Develop credible plans for strengthening the supply chain</u> – BIS are already working with HM Treasury and UKOOG on this, with links to the wider Oil and Gas Industrial Strategy;		Sept 2014 onwards	BIS
8. <u>Consider and take forward bid submitted for the national college for onshore oil and gas</u> – bids have been submitted and are currently being reviewed by BIS.		Sept 2014 onwards	BIS
9. <u>Identify routes to market</u> – work should start on ensuring grid connections can be made quickly, and that a means for exporting oil and gas and for using oil and gas as chemical feedstock in the UK and abroad is developed with industry;		Jan 2015 onwards	DECC
10. <u>Consider moving to single national regulator once production underway</u> – initial internal work on how this, and other options for more centralised regulation (including use of the National Infrastructure Regime), may look and work in practice should start this year. Options to be worked up in 2015.		Oct 2014 onwards	DECC/DCLG