Consultation response: Building the North Sea's Energy Future

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Question 11a: To what extent do you agree or disagree that this position on new licenses will support the UK to set a globally leading example in tackling climate change?

Question 11b: Is there anything else you think should be considered in the government's definition of i) licensing and ii) new fields? What would be the case for doing so, including consideration of the commercial and environmental impacts?

We welcome the opportunity to feed into this consultation, on this important subject of new licensing. It is promising that the Government has indicated, as set out in this consultation, a position of no new licences for oil and gas production in the North Sea. We would, however, argue for a different definition of 'new licence' and 'new field' that in effect limits project development for new production. We believe that a stronger definition better supports climate objectives in the following ways:

i. Aligns with the science on achieving 1.5°C
ii. Enables stronger, more compelling UK climate leadership
iii. Allows for a more focused, mission-driven approach to investments in clean technology, particularly in the North Sea

In our opinion, these significantly outweigh any benefits from investment in additional production, which as the consultation states are limited – *'Future exploration and production licences would not meaningfully increase UK production levels, nor would they change the UK's status as a net importer of oil and gas.'*

Even if they did increase domestic production, such production would only come online in future years as the UK was rapidly reducing fossil fuel, and would have next to no impact on oil and gas affordability for consumers in the UK. As such, opting to prevent any additional production would represent a low regret route with multiple strong upsides.

The definition being put forward in the consultation is as follows – '*The government has been clear that it would not issue new licences to explore new fields.'* Our understanding is that this concerns new licences for exploration and production (as per Figure 11 in the consultation) for fields where these have previously not been granted e.g. unlicensed blocks.

Based on the proposed definition of 'new licence' and 'new field', the consultation states that –

> *'Practically, these definitions will prevent new licence awards for offshore UKCS areas to search and bore for and get petroleum resources, whilst simultaneously retaining licences to maintain production from existing developments and licenced projects. This position reflects the action government has committed to take through its manifesto commitment to not issue new licences to explore new fields, in line with the science on fossil fuels and our desire to show global leadership and seize the opportunities of the clean energy revolution.'*

The issue with the current definition is that it allows for consent for new production projects under existing licences. As indicated in the consultation, there are some 100 production licences (25% of those issued) that remain in the exploration and appraisal phase, and are not under development or producing. In our opinion, enabling production from these licenced areas that are still in the exploration and appraisal phase, and which have not got consents to produce, is not in line with the science on 1.5°C, which the consultation suggests is the position that Government policy would like to adopt.

In 2021, the IEA in their NZE report, put forward the idea of no new fields being required under a 1.5°C climate trajectory, stating that - *'Beyond projects already committed as of 2021, there are no new oil and gas fields approved for development in our pathway, and no new coal mines or mine extensions are required'*.[1]

Crucially, the IEA's view of 'no new oil and gas fields approved for development' concerned projects that had not yet received final investment decision (FID). This means that any new projects that have not received a decision for large scale investment in production (for example at the development phase of the oil and gas project lifecycle) would not be compatible with a 1.5°C pathway.

The IEA have gone on to reinforce this view in an update to their 2021 NZE report, published in 2023.[2,3] The updated NZE report states the following, focusing on the need for investment in existing production, namely already producing projects –

> *'Investment in existing fossil fuel supply projects, however, is still needed in the NZE Scenario to ensure that supply does not fall faster than the decline in demand. This includes the use of in-fill drilling and improved management of reservoirs as well as*

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[1] IEA (2021). Net Zero by 2050 - A Roadmap for the Global Energy Sector. May 2021. International Energy Agency. Paris, France. https://www.iea.org/reports/net-zero-by-2050

[2] IEA (2023). Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach. September 2023. International Energy Agency. Paris, France. https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach

[3] IEA (2023). The Oil and Gas Industry in Net Zero Transitions. November 2023. International Energy Agency. Paris, France. https://www.iea.org/reports/the-oil-and-gas-industry-in-net-zero-transitions

some enhanced oil recovery and tight oil drilling to avoid a sudden near-term drop in supply.'

*'With **continuing investment in existing and approved sources of supply, but without any new conventional oil and gas project approvals**, oil and gas production would decline by around 2% each year on average to 2030 and by 4-5% each year on average from 2030 to 2050.'*

In their 2023 transitions report, the IEA highlight that investment is about maintaining existing production, not developing new production projects. They state that –

*'In the NZE Scenario, investment shifts **entirely to maintaining production at existing fields**, and to reducing the emissions intensity of oil and gas operations.'*

Other evidence also reinforces the point that the science finds that alignment to 1.5°C means no investments in new producing projects (even if those projects sit within already licensed blocks). A key paper on this was published in Science last year, and confirmed the IEA position.[4] Multiple scenarios show that demand for oil and gas under a 1.5C pathway can be met by already producing projects, or those under development (with FID). In other words, new projects are not required, whether they sit within unlicensed or, crucially, licensed blocks.

To summarise, it is our position that the definition of 'new licence' should specifically refer to 'new licence or new production consent under existing licence' and 'new field' should be 'new producing project including those in fields with an existing licence'. We believe that this aligns with the latest climate science. Furthermore, this stricter definition would demonstrate clear leadership by the UK on this issue, and allow for a stronger focus on a mission driven approach to clean tech innovation and investment to enable a truly sustainable transition for the North Sea basin.

[4] Green, F., Bois von Kursk, O., Muttitt, G., & Pye, S. (2024). No new fossil fuel projects: The norm we need. Science, 384(6699), 954-957. https://www.science.org/doi/full/10.1126/science.adn6533