

From: [redacted]
E&CC/Oil & Gas
4 June 2015

Minister for Business, Energy and Tourism

14TH ONSHORE OIL & GAS LICENSING ROUND – SCOTTISH LICENCE AREAS

Purpose

1. To provide you with (i) an update on DECCs position on issuing 14th round onshore licences in Scotland, and (ii) an option for resolving this outstanding issue that avoids escalating the risk of future legal challenge.

Priority

2. Routine.

Background

3. You wrote to the former Secretary of State for Energy and Climate Change on 23 January, requesting that DECC do not issue any further onshore oil & gas licences in Scotland.

4. Halting any further licences in Scotland is a strong signal of Scotland's moratorium on unconventional oil and gas, and our commitment to adopting a cautious and evidence-based approach to unconventional oil and gas.

5. Matt Hancock, MP, former Minister of State for Energy, responded to your letter on 25 February, indicating that he agreed in principle with your request not to issue further licences.

6. He also indicated that he would consult with all affected companies and, given that some were unlikely to be happy, requested your help in working with these companies to provide clarity on the way forward.

7. [redacted]

8. You wrote to Matt Hancock on 23 March, indicating your willingness for SG officials to work with DECC officials to explain our policy position to applicants affected by the decision not to award Scottish PEDLs through the 14th onshore licensing round. [redacted]

Update

9. Matt Hancock wrote to all companies applying for 14th licences in the Scottish blocks indicating that licences are unlikely to be issued. However, he did not lay a

written ministerial statement in Parliament stating that 14th round onshore licences would not be issued for the Scottish blocks. [redacted] This means that a final decision on the 14th round has not yet been taken.

10. [redacted]

11. We understand that the 14th round applications are time limited. Any outstanding applications are therefore unlikely to be passed over to the Scottish Government when the powers over licensing are devolved.

12. DECC officials are advising the new Energy Minister, Andrea Leadsom MP, on the 14th onshore licensing round and the issues relating to applicants to Scottish blocks. It is unclear how the new Energy Minister will wish to proceed with this matter.

13. We also understand that the new Energy Minister will soon need to take a decision on whether habitat screening assessments, as required by the Habitats Directive, should extend to the 14th round Scottish blocks. If Scottish licence areas are included, this could be seen as a signal by industry and stakeholders that licences may yet be issued in Scotland.

Potential way forward

14. [redacted]

15. [redacted]

Recommendation

16. [redacted]

[redacted]

Energy & Climate Change/Oil & Gas

[redacted]

4 June 2015

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constit Interest	General Awareness
First Minister					X
Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy			X		

DG Enterprise, Environment & Innovation
Mary McAllan
John Ireland
David Ritchie
[redacted]
[redacted]

«text»

[redacted]
[redacted]
ECC Business Management Unit

ANNEX

[redacted] (DECC official),

[redacted]

Regards,
[redacted]

Head of Onshore Oil and Gas
Scottish Government
Directorate for Energy and Climate Change

OFFICIAL: SENSITIVE - ADVICE TO MINISTERS

From: [redacted]
Oil & Gas/Energy
4th March 2015

Minister for Business, Energy and Tourism

MINISTERIAL RESPONSE TO LETTER FROM MATT HANCOCK MP

Purpose

1. To provide you with advice and a draft formal response to Matt Hancock MP's letter of 25 February.

Priority

2. Routine.

Background

3. DECC launched a 14th Landward Licensing Round for onshore oil & gas on 28 July 2014, which closed to applications on 28 October 2014. Significant licence blocks across the Central Belt in Scotland were part of this licensing round. Since the round closed, DECC has been considering these applications with a view to making awards.

4. Against this background, the Smith Commission has recommended the devolution of onshore oil & gas licensing and mineral access rights to Scotland, an outcome that has been called for and welcomed by the Scottish Government. The UK Government subsequently published a Command Paper on 22 January, which contained draft clauses to put into effect that policy position.

5. On the back of this publication, and given that DECC are currently considering applications to the 14th Landward Licensing Round, you wrote to the Secretary of State for Energy and Climate Change (Ed Davey MP) on 23 January. You requested that DECC do not issue any further onshore oil & gas licences in Scotland, as this would pre-empt the Scottish Parliament's ability to take a different approach to that of the UK Government.

6. Your request also reflects the fact that, on 28 January, you announced a moratorium on planning consents for onshore unconventional oil & gas planning consents. The moratorium will be in place while the Scottish Government carries out further research and a public consultation on the matter. Therefore, a cessation on the issuing of further licences in Scotland is important, to allow the devolution of onshore licensing powers to be considered as part of the public consultation process.

Response from UK Government

7. Matt Hancock, MP, Minister of State for Energy at DECC, responded to your letter on 25 February. He indicated his agreement in principle with your request not to issue further licences, given that the necessary powers were going to be devolved to Scotland.

OFFICIAL: SENSITIVE - ADVICE TO MINISTERS

However, he also noted that he would have to consult with any affected companies and, given that some were unlikely to be happy, requested your help in working with these companies to provide clarity on the way forward.

8. [redacted]

SGLD advice on legal costs

9. [redacted]

Draft response to Matt Hancock MP

10. A draft response can be found at Annex A. The response broadly welcomes DECC's decision to agree in principle with the Scottish Government's request to not issue further licences. [redacted] The argument is made that the Scottish Government has been trying to advise UK Government against its 'gung-ho' approach to unconventional oil & gas and that the Scottish Government should not be held liable for that aggressive policy approach.

RECOMMENDATION

11. That you note the content of this submission and agree the draft response attached at Annex A.

[redacted]
Energy & Climate Change/Oil & Gas
X [redacted]

4th March 2015

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constit Interest	General Awareness
First Minister					X
Deputy First Minister			X		
Cabinet Secretary for Social Justice, Communities and Pensioners' Rights			X		
Minister for Environment, Climate Change and Land Reform			X		

DG Enterprise, Environment and Innovation
Mary McAllan
John Ireland
David Ritchie
[redacted]

«text»

OFFICIAL: SENSITIVE - ADVICE TO MINISTERS

[redacted]

[redacted]

Energy & Climate Change BMU

From: John Ireland
Date: 25th March 2015

Minister for Business, Energy and Tourism

UNCONVENTIONAL OIL AND GAS: ANNOUNCING CONSULTATION TIMETABLE AND PROGRAMME OF ADDITIONAL WORK

Purpose

1. This minute provides advice on announcing the unconventional oil and gas consultation timetable and the programme of additional work.

Priority

2. IMMEDIATE – a response by Friday 27th March would be helpful.

Background

3. In your Statement on January 28th you said that you would inform Parliament about the consultation on unconventional oil and gas in “about two months” time. You have expressed a preference for an Inspired PQ rather than a formal Statement.

4. However, Lewis Macdonald MSP has submitted a number of written Parliamentary Questions (PQs), four of which cover both the consultation timetable and the additional work that will be commissioned prior to the consultation. These have not been answered yet, and provide us with an opportunity to announce our consultation timetable and programme of additional work.

5. Guidance from the Parliamentary Clerk’s Office also suggests that we answer existing written PQs if they provide an opportunity to make an announcement, rather than make use of an Inspired PQ.

6. At Cabinet on Monday, the FM expressed a preference not to answer Lewis Macdonald’s other written PQs on Underground Coal Gasification and Exploratory boreholes this week. [redacted] has suggested that all the PQs are answered at the same time. As you will be in the US next week this minute is asking you **to clear the PQs relating to the consultation timetable and work programme.**

Draft Answers

7. Draft answers to S4W-24476 on the consultation timetable and S4W-24477 to S4W-24479 on the work programme are given in Annex A.
8. The work programme itself is contained in a short paper (Annex B) that will be lodged with the Scottish Parliament Information Centre (SPICe). An earlier version of this

programme was contained in David Ritchie's minute of 3rd March that has been cleared by Ministers.

Handling

9. The FM has requested additional information on UCG and exploratory boreholes to inform a decision. At this point we do not know when a decision will be taken, but officials are currently working provisionally towards publishing the answers to all of Lewis Macdonald's PQs on Thursday 2nd April. Media handling would likely involve a single media release.

Recommendation

10. That you approve the PQ answers contained in Annex A and note the contents of the work programme in Annex B.

John Ireland

Oil & Gas/Energy & Climate Change

[redacted]

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constitution Interest	General Awareness
First Minister					X
Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy			X		
Cabinet Secretary for Social Justice, Communities and Pensioners' Rights			X		
Cabinet Secretary for Health, Wellbeing and Sport			X		
Cabinet Secretary for Rural Affairs, Food and Environment			X		
Minister for Environment, Climate Change and Land Reform			X		
Minister for Public Health			X		
Minister for Local Government and Community Empowerment			X		

Permanent Secretary
 DG Enterprise, Environment and Innovation
 DG Communities
 Mary McAllan
 Kenneth Hogg
 Bridget Campbell
 David Ritchie
 John McNairney
 [redacted]
 [redacted]
 [redacted]
 [redacted]
 Gareth Brown
 [redacted]
 [redacted]
 George Burgess
 [redacted]
 [redacted]
 [redacted]
 [redacted]

[redacted]

[redacted]

[redacted]

Unconventional Oil and Gas: Programme of technical and other work

Title	Scope	Start	End	Publication	Provider / Resource
Public Health Impact Assessment	<p>1. This project will involve:</p> <ul style="list-style-type: none"> • A review of the scientific evidence relating to the identified hazards associated with the exploitation of unconventional gas and the risks of adverse health impacts associated with relevant processes and technology • A review of the wider health related issues associated with exploitation of unconventional gas reserves in Scotland. This will consider, at a generic level, a broad range of issues relevant to the topic. • Consideration of issues that are likely to be particularly relevant at a local population level, should it be necessary to conduct a specific Health Impact Assessment for a defined proposal in a local geographic area. <p>2. A final report will draw together these components.</p>	April 2015	October 2015	November 2015	<p>This project will involve a collaborative approach to make best use of the range of public health expertise and experience available across NHS Scotland public health agencies, principally Health Protection Scotland and NHS Health Scotland (and linking with the local NHS board Directors of Public Health, coordinated via the existing Scottish Public Health Network.</p> <p>Direct cost £75,000</p>
Environmental Regulation	<p>1. This project will further analyse the current regulatory regime around unconventional oil & gas developments. The Expert Scientific Panel's report published in July 2014 identified potential regulatory gaps relating to "fugitive emissions" of</p>	April 2015	October 2015	October 2015	<p>SEPA and Scottish Government officials</p> <p>FTE: 2</p>

	<p>waste gas, including methane.</p> <p>2. This will build upon work that is already being undertaken by Scottish Government, including officials from SEPA, to review the current legislative framework, including in relation to fugitive emissions. This will ensure the regulatory process is as robust as possible and may also feed into ongoing work on reforming environmental regulation under the Regulatory Reform (Scotland) Act 2014.</p>				
Strengthening Planning Guidance	<p>1. The Scottish Government's policy on planning relating to unconventional oil & gas developments was strengthened in Scottish Planning Guidance, published in June 2014. This introduced the need for buffer zones and a risk-based assessment to be implemented when deciding on planning applications. The Scottish Government also committed to publish further guidance and look at other potential measures to further strengthen guidance.</p> <p>2. This project will develop proposals for that further guidance by considering:</p> <ul style="list-style-type: none"> the effectiveness of the regulatory framework that applies to planning applications for unconventional oil and gas; what needs to be done to ensure that the highest possible level of transparent and meaningful engagement takes place with communities; what further planning guidance can be provided to ensure that proposals are rigorously assessed, monitored and controlled. <p>The project will draw on emerging results from other projects</p>	April 2015	October 2015	October 2015	<p>Scottish Government officials (Chief Planner)</p> <p>FTE: 2</p>

	including the transport and public health studies.				
Transport	<p>1. This project will research the potential impacts of increased traffic volumes in densely populated communities and how it could be managed. This project will look at:</p> <ul style="list-style-type: none"> • Likely requirement for HGVs during an unconventional oil and gas development during the construction, operation and closure phases • An analysis of the road infrastructure in the areas most likely to be developed in the future • International experience of understanding and managing traffic impacts on local communities • Impacts on local air and noise pollution and current regulations for monitoring • The potential to mitigate transport impacts <p>The research specification will require that international experience is considered.</p>	April 2015	October 2015	October 2015	<p>External research project that will be commissioned by Scottish Government analysts.</p> <p>Direct cost: up to £20,000</p>
Decommissioning	<p>1. Recent issues experienced with the post-production remediation of open-cast coal sites in Scotland have highlighted a requirement for further research in this area with respect to unconventional oil & gas.</p> <p>2. It is proposed that a decommissioning research project here would consider issues such as:</p> <ul style="list-style-type: none"> • Reviewing practice in other industrial areas, such as landfill, coal mining; 	April 2015	October 2015	By October 2015	<p>External research project that will be commissioned by Scottish Government analysts.</p> <p>Direct cost: up to £20,000</p>

	<ul style="list-style-type: none"> Identifying the factors that make onshore oil & gas operations different to offshore Considering the role of operators in the decommissioning and remediation process; Analysing the effect of decommissioning and remediation on the economics of unconventional oil & gas projects; Examining different models of decommissioning and remediation that could ensure liabilities are met in the longer term and that there is appropriate financial provision. <p>The research specification will require that international experience is considered.</p>				
Seismic Monitoring Research	<ol style="list-style-type: none"> Hydraulic fracturing has been often linked with induced seismicity. DECC has introduced a 'traffic light' monitoring system that operators must follow, which ensures that where hydraulic fracturing operations result in a seismic event over a 0.5 ML threshold (as measured on the Richter Scale), operators must immediately suspend operations and take remedial action. However, there has been some criticism that the threshold level of 0.5ML is too low and further research in this area could help to inform the best type of monitoring system in the Scottish context. Analysis could include: <ul style="list-style-type: none"> International experience of induced seismic events with hydraulic fracturing Scottish geology and the potential for induced seismic events, building on the analysis provided in the Expert 	April 2015	October 2015	October 2015	<p>External research project that will be commissioned by Scottish Government analysts.</p> <p>Direct cost: up to £20,000</p>

	<p>Scientific Panel report of July 2014</p> <ul style="list-style-type: none"> • Options for an optimum monitoring system for Scotland • Requirements for further regulation 				
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[redacted]

From: Ritchie D (David) SEPD

Sent: 12 May 2015 17:35

To: Minister for Business, Energy and Tourism

Cc: Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy; Cabinet Secretary for Social Justice, Communities and Pensioners' Rights; Minister for Environment, Climate Change and Land Reform; DG Enterprise, Environment & Innovation; McAllan M (Mary); Ireland J (John); [redacted]; [redacted]; [redacted]; [redacted]; McNairney J (John); [redacted]; [redacted]; [redacted]; Campbell B (Bridget); [redacted]; [redacted]

Subject: RE: IGAS ENERGY PLC (INCORPORATING DART ENERGY (EUROPE) LTD) – CLOSURE OF STIRLING OFFICE - UPDATE

Minister for Business, Energy and Tourism

IGAS ENERGY PLC (INCORPORATING DART ENERGY (EUROPE) LTD) – CLOSURE OF STIRLING OFFICE – UPDATE

Purpose

1. To provide you with a further update on the closure of the former Dart Energy Ltd offices in Stirling, and IGas PLC's plans for their remaining PEDL licences in Scotland.

Background

2. As noted in the minute from [redacted] of 17 March, INEOS purchased the entire interest in PEDL 133 from IGas PLC, which resulted in INEOS owning 100% of the interest in both the shale and coalbed methane prospects in PEDL 133. Following that announcement on 10 March, Scottish Enterprise was informed by IGas PLC that it planned to close the Stirling office. This may result in up to 30 posts being made redundant.

3. On 7 May, INEOS completed this deal with IGas PLC. The company subsequently announced in a trading update that it was closing the Stirling office as part of a wider exercise to reduce the company's cost base in the light of lower oil prices. This was reported in the Scotsman and on the BBC News website on 9 May.

4. The local PACE Team has been in contact with IGas PLC since 12 March and, on 17 March, PACE support was formally offered. However, the company HR Adviser suggested that time was not right to involve PACE, though she would envisage taking up the offer at some point.

5. In light of the recent announcement from IGas PLC, contact has again been made with the company from the local PACE team and that a further offer of support has been made. The PACE contact is waiting on further advice from the company. IGas PLC terminated its lease for the Stirling office with Scottish Enterprise (the landlord) on 27 April, with the effective date being 26 July.

IGas PLC - PEDLs in Scotland

5. IGas PLC also owns the rights to PEDL 158 and 159 in Scotland. Operations in PEDL 158 are located at Lybster in Caithness, which is a conventional offshore oil & gas play accessed from an onshore base. PEDL 159 is a coal bed methane play centred around Canonbie in Dumfries & Galloway.

6. We have been told on a **confidential basis** that IGas PLC will continue to operate the Lybster field in PEDL 158. However, at present their plan is to relinquish PEDL 159 to DECC if a buyer cannot be found. The company has so far been unsuccessful in securing a buyer for the licence. A final decision on PEDL 159 will be made in the coming weeks, when we will provide a further update.

Media Handling

7. Although this story has already been reported in the Scotsman and on the BBC News website, we understand there will be some local media interest later this week, with a potential article in the Falkirk Herald on Thursday. IGas PLC will provide a comment which may lead to SG media enquiries. We will liaise with communications colleagues and SpAds to develop lines to take.

David

David Ritchie
Energy & Climate Change Directorate

[redacted]

From: [redacted] **On Behalf Of** Minister for Business, Energy and Tourism

Sent: 19 March 2015 08:55

To: [redacted]; Minister for Business, Energy and Tourism

Cc:

Subject: RE: IGAS ENERGY PLC (INCORPORATING DART ENERGY (EUROPE) LTD) – CLOSURE OF STIRLING OFFICE

[redacted]

Copy as above

IGAS ENERGY PLC (INCORPORATING DART ENERGY (EUROPE) LTD) – CLOSURE OF STIRLING OFFICE

Mr Ewing has noted your minute of 17 March.

Kind regards

[redacted]

Private Secretary

Minister for Business, Energy and Tourism

[redacted]

Scottish Parliament

☎[redacted]

☎[redacted]

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From: [redacted]

Sent: 17 March 2015 11:44

To: Minister for Business, Energy and Tourism

Cc: Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy; Cabinet Secretary for Social Justice, Communities and Pensioners' Rights; Minister for Environment, Climate Change and Land Reform; DG Enterprise, Environment & Innovation; McAllan M (Mary); Ireland J (John); Ritchie D (David) SEPD; [redacted]; [redacted]; [redacted]; McNairney J (John); [redacted]; [redacted]; [redacted]; Campbell B (Bridget)

Subject: IGAS ENERGY PLC (INCORPORATING DART ENERGY (EUROPE) LTD) – CLOSURE OF STIRLING OFFICE

Minister for Business, Energy and Tourism

IGAS ENERGY PLC (INCORPORATING DART ENERGY (EUROPE) LTD) – CLOSURE OF STIRLING OFFICE

Purpose

1. To make you aware that Dart Energy (Europe) Ltd, which is now owned by IGas Energy PLC, is planning to close its Stirling office. It is expected there will be up to 19 job losses associated with closure.

Background

2. Dart Energy (Europe) Ltd, now part of IGas Energy PLC, has a team of 26 people based in Stirling with varying backgrounds, qualifications and experience including geologists, drilling engineers, accountants and planning specialists. Dart Energy Ltd ran its European operations from the Stirling site. IGas Energy PLC completed its takeover of Dart Energy (Europe) Ltd on 16 October 2014, which meant is

assumed ownership of 49% of the shale gas interest of PEDL 133 (the other 51% owned by INEOS) and 100% of the coalbed methane interest.

3. However, it was announced on 10 March 2015 that INEOS had purchased the entire interest in PEDL 133, which means it now owns 100% of the interest in both the shale and coalbed methane prospects in PEDL 133.

IGAS Energy Ltd plans

4. Following the INEOS announcement, [redacted] (UK Manager of Dart Energy (Europe) Ltd), notified Scottish Enterprise on 12 March that the company had announced to its staff on 11 March it will be closing the Stirling office, which will result in up to 19 posts being made redundant. Most of the affected positions are posts including geologists, drilling engineers, accountants and planning specialists.

5. IGas will take the Stirling staff through a role evaluation process and if there is the opportunity that skills can be used within IGas in England, then staff may be offered positions. However, it is unlikely more than 2 or 3 that will be retained. Douglas Bain has also advised SE that 5 - 10 staff may be transferred to INEOS under TUPE regulations. The remaining staff will be taken through the redundancy consultation process. Dart's rolling lease on the Laurel Hill building in Stirling ends in June 2015.

5. IGas Energy PLC's HR and Legal team in England will be managing the process and SE had alerted the PACE team, who in turn made contact with IGas's HR department on 16 March.

Recommendation

6. That you note the content of this minute.

[redacted]

Oil & Gas Team

Energy & Climate Change Directorate

Scottish Government

[redacted]

From: John Ireland
Date: 10th March 2015

Minister for Business, Energy and Tourism

UNCONVENTIONALS: MINISTERIAL STATEMENT AND MEETINGS WITH KEY STAKEHOLDERS

Purpose

1. To provide further advice on the timing of your follow up Ministerial Statement on unconventional and meetings with key stakeholders.

Timing

2. Urgent – a response by close Thursday would be helpful to conform the timing of the Parliamentary Statement with the Minister for Parliamentary Business.

Parliamentary Statement

3. David Ritchie's minute of March 3rd recommended that Mr Ewing make a second Parliamentary Statement to provide Parliament with information on the timescales of the public consultation and the additional research / technical work on planning, regulation and public health impacts.
4. We recommend that the Statement takes place on Thursday March 26th.
5. This is the last day you will be available before Recess and you have some availability the previous afternoon to meet with key stakeholders.

Meeting with Key Stakeholders

6. Annex A provides information on the proposed meetings with key stakeholders, including suggestions on which Ministers may be involved.

Recommendations

7. We recommend that you agree to officials contacting the Minister for Parliamentary Business to arrange a Parliamentary Statement for March 26th and that you agree to our approaching Private Offices to arrange the meetings suggested in Annex A.

John Ireland
[redacted]

Official: Sensitive – Advice to Ministers

Copy: Deputy First Minister
Cabinet Secretary for Social Justice, Communities and Pensioners' Rights
Minister for Environment, Climate Change and Land Reform

DG Enterprise, Environment and Innovation

DG Communities

Mary McAllan

Kenneth Hogg

John McNairney

[redacted]

[redacted]

David Ritchie

[redacted]

[redacted]

[redacted]

[redacted]

George Burgess

[redacted]

[redacted]

Liz Lloyd

[redacted]

[redacted]

Proposed Ministerial Meetings with Key Stakeholders

Organisation/Attendee	Minister Attending	Scheduling Before or After Statement (26 th March)	Comments
INEOS ([redacted] / [redacted])	<u>Deputy First Minister;</u> Minister for Business, Energy and Tourism (if available)	Before	Key industry stakeholder, majority shareholder in PEDL 133 (shale interests) and PEDL 162
UK Onshore Operators Group (Ken Cronin, Chief Executive)	<u>Minister for Business, Energy and Tourism</u> Minister for Environment, Climate Change and Land Reform (if available)	Before	Trade body for onshore operators and key body in developing the industry's policy (such as community charter and developing key guidelines for operation)
Friends of the Earth Scotland ([redacted] / [redacted])	<u>Minister for Business, Energy and Tourism;</u> and Minister for Environment, Climate Change and Land Reform	Before	Key environmental stakeholder and key player in developing the case against development of unconventional oil & gas. FoES lead on unconvensionals for Scottish Environment Link and so the proposed meetings with WWF and RSPB will be redundant.
Delegation from the 'Broad	<u>Cabinet Secretary for Social</u>	Before, though close to	Loose grouping of

Official: Sensitive – Advice to Ministers

Alliance'	<u>Justice, Communities and Pensioners' Rights</u> Minister for Environment, Climate Change and Land Reform	Statement if possible	(predominantly) local communities, academics and trade unions – opposed to unconventional oil & gas development
COSLA ([redacted] plus senior elected members from affected councils)	<u>Cabinet Secretary for Social Justice, Communities and Pensioners' Rights;</u> Minister for Business, Energy and Tourism	After	Key stakeholder in terms of the role of local authorities in the planning system and those that have already experienced planning applications (e.g. Falkirk and Stirling Councils)
Weir Pumps	Minister for Business, Energy and Tourism	After	Company has global experience in unconventional oil & gas supply chain
Chemical Industries Association	Minister for Business, Energy and Tourism	After	UK trade body for chemical companies, insight into potential role of unconventional oil & gas regarding global competitiveness
RSPB	Minister for Environment, Climate Change and Land Reform	After	See FoES comment
WWF	Minister for Environment, Climate Change and Land Reform	After	See FoES comment

[redacted]
29 June 2015

**To: Cabinet Secretary for Economy, Jobs and Fair Work
Minister for Business, Innovation and Energy**

UNCONVENTIONAL OIL AND GAS (UOG): CONSULTATION PREPARATIONS

Purpose: To provide advice on:

- the scope of the public consultation and accompanying pre-consultation engagement;
- meeting the timetable for the consultation announced on 08 October 2015;
- an industry timetable for exploring the technical and economic viability of UOG.

Priority: Routine (a response by 08 July will help maintain progress on the consultation milestones announced on 08 October 2015)

BACKGROUND

1. The Ministerial Statement that accompanied the announcement of the moratorium on Unconventional Oil and Gas (UOG) in January 2015 stated that the Scottish Government would undertake a full public consultation that would be preceded by a period of evidence-gathering, which would include a Public Health Impact Assessment (PHIA).
2. The statement also indicated that the Scottish Government would conduct further work into strengthening planning guidance, and look at the further tightening of environmental regulation. **This evidence-led approach has helped to secure and maintain wide support for the moratorium.**
3. On 08 October 2015 the Scottish Government published details of a comprehensive programme of research and the timetable for the consultation on UOG.

• Commission research	January/February 2016
• Publish final research reports	Summer 2016
• Pre-consultation engagement	Winter 2015/16 – Autumn 2016
• Public Consultation (4 month)	Winter 2016/17
• Consultation Analysis	Spring 2017

4. **Annex A** summarises the aims of the research projects and the PHIA, which is being undertaken by Health Protection Scotland.

SCOPE OF THE UOG CONSULTATION

5. The research projects commissioned by the Scottish Government will provide comprehensive and impartial evidence on UOG and its impact. It will therefore be possible to prepare a short, non-technical consultation that references the body of evidence prepared by the Scottish Government.
6. **Annex A** sets out a proposed purpose and scope for the consultation. In addition to setting out impartial information on the technologies involved in UOG developments and a summary of the research findings, the consultation will also provide an opportunity to describe the potential significance of UOG to petrochemical industries and manufacturing: an important issue that is often omitted from the debate.

7. The pre-consultation engagement steps outlined below and in **Annex B** ensure that stakeholders have an opportunity to inform the final scope of the consultation process.

STAKEHOLDER ENGAGEMENT (PRE-CONSULTATION)

8. Officials are developing an engagement plan for the consultation that will support the Scottish Government's commitment to involving communities and other stakeholders in key decisions affecting Scotland. This commitment to engaging and consulting widely with communities has helped secure their support for the moratorium and consultation.

9. Our meetings with stakeholders, including community groups, demonstrate a genuine willingness to engage constructively in the consultation and its preparation. These meetings also underline the importance our stakeholders place on having access to up-to-date information on the consultation process

10. We have identified three phases of stakeholder engagement, with lessons from the initial phase informing the subsequent stages:

- **Phase 1** extends from now until the publication of research findings in late summer 2016, and will allow stakeholders to express views on the terms and scope of the consultation.
- **Phase 2** extends from the publication of the research findings to the launch of the public consultation in winter 2016. The emphasis is on disseminating and discussing the findings of our evidence-gathering.
- **Phase 3** encompasses the consultation period. The emphasis will be on using a range of engagement tools, including deliberative research, to build a balanced and full picture of public and stakeholder views.

11. **Annex C summarises the Phase 1 engagement plans.** Further advice on the subsequent phases of engagement and preparation of the consultation will be provided once our first phase of engagement is underway. This will include steps to ensure that the consultation: (i) meets our stakeholders' expectations for impartiality and transparency; (ii) provides a balanced representation of public and stakeholder views.

12. The statement that accompanied the announcement of the UOG moratorium on 28 January 2015 stated that the Scottish Government would: *...conduct further work into strengthening planning guidance; and look at further tightening of environmental regulation.* The announcement of the evidence-gathering programme on 08 October 2015 indicated that stakeholder workshops would be undertaken to support this work, and that a summary of the workshops would be published before the consultation.

13. **The Independent Expert Scientific Panel (IESP) report (2014) has already set out a comprehensive analysis of regulatory issues,** and concluded that: *"The regulatory framework is largely in place to control the potential environmental impacts of the production of unconventional oil and gas in Scotland, although there may be gaps to address."*

14. Progressing work before the consultation to identify specific actions to address regulatory gaps (or to strengthen planning guidance) could be interpreted by stakeholders as an indication that the Scottish Government is preparing to lift the moratorium. We therefore propose that any such work should take place after the findings of the consultation have been considered. Should Ministers wish to move toward an outright ban after the consultation, then this work would not be required.

15. The same perception may apply to the preparation of a Strategic Environmental Assessment (SEA) which would be required to explore the implications of specific policy options. Advice on this matter will be provided separately.

16. To meet our commitment to engage with stakeholders on regulatory issues before the consultation, officials will host workshop(s) with the key regulators (SEPA, Scottish Government, local authorities, Health and Safety Executive) to consider whether the **findings of the research projects have highlighted any issues that affect the findings of the IESP report** (para 18).

17. A summary of workshop(s) will be prepared for publication on the Scottish Government website. This will include an up-to-date summary of the current regulatory framework and areas that our research has indicated could be strengthened. The consultation would then provide stakeholders with an opportunity to put forward views on the regulatory issues that are of most concern to them, with a view to shaping any further work on regulation after the consultation.

MEETING THE CONSULTATION TIMETABLE

18. Our stakeholders, including community groups, have indicated strong support for the consultation timetable outlined on 08 October. Under this timetable, the consultation would take place in winter 2016/17, and an analysis of the consultation responses would be expected to commence in April 2017 and conclude in summer 2017. A detailed timeline is provided at **Annex D**.

19. The transport research project has been re-commissioned, and the final report will be available in late September 2016. The other research projects and PHIA were due to conclude in July. This delay creates challenges to meeting the timetable announced on 8 October, and delivering a consultation before the local government elections in 2017. Steps can however be taken to meet the timetable announced on 08 October 2015, including:

- publishing the available research project reports and the PHIA in August 2016 to give stakeholders time to consider the findings in advance of the consultation;
- publishing the transport project report in early October 2016;
- commencing the public consultation in late November 2016;
- holding a 12 or 14 week, rather than 4 month, consultation.

20. Further advice on the release of the research projects and the format of the public consultation will be provided over the course of the summer.

21. If Ministers wish to delay the consultation until after the local government elections, a new strategy and work plan for the consultation and pre-consultation preparations would need to be prepared and announced. The findings of the research projects may also need updated to reflect any new evidence that emerges in the intervening months, and consideration given to the potential to undertake peer review. The credibility of the Scottish Government's consultation may also come under scrutiny from stakeholders.

UNDERSTANDING THE ECONOMIC AND TECHNICAL VIABILITY OF SHALE IN SCOTLAND

22. On 08 October 2015 the Scottish Government clarified that boreholes to extract core samples for geoscience purposes would be permitted during the moratorium.

23. Current understanding of shale resources in Scotland is based on a British Geological Survey (BGS) report on the Midland Valley. This study highlighted the potential shale resources in

Scotland, based largely on historic and desk-based information. There remains considerable uncertainty over the economic and technical viability of recovering shale oil and gas in Scotland.

24. INEOS were initially supportive of the moratorium and indicated an interest in progressing with exploratory boreholes in conjunction with the BGS or an academic institution. In recent months, and in response to the public debate on UOG in Scotland, INEOS have **moved their unconventional oil and gas team, which was based in Grangemouth, to London and central/north England** to focus on prospective shale developments in England.

25. In addition to their potential use as an energy source, the gases extracted from shale deposits can contain high concentrations of ethane, which is a key building block for the petrochemical industry. The international petrochemical industry is highly competitive, and potential sources of indigenous ethane supplies are of considerable interest to Scotland's petrochemical industries and associated supply chain companies.

26. Significant further work would be required by industry to understand the composition, and technical and economic viability, of Scotland's shale reserves. This information would also help understand the implications of any future UOG policy/position.

27. **Annex E** provides (i) details of shale resources in Scotland; (ii) a potential industry timetable for examining the technical and economic viability of shale in Scotland.

COMMUNICATIONS AND HANDLING

28. We don't propose any specific publicity on the work outlined above. Holding lines will however be prepared and cleared by SpAds and Ministers.

29. The Scottish Government website sets out basic information on UOG and the consultation process. As part of our engagement strategy, we propose to publish and maintain a list of frequently asked questions. We also propose preparing and publishing factsheets and graphics describing the key technologies. Officials will work with stakeholders and SpAds to prepare this information.

RECOMMENDATIONS

Ministers are asked to note the content of this minute and to confirm that they are content:

- **with the proposed purpose and scope of the consultation (Annex B);**
- **for officials to prepare a 'Participation Commitment' for publication in late summer 2016 (Annex B);**
- **for officials to organise a workshop(s) with the main UOG regulators to examine the findings of the research projects (para 12-17);**
- **to work toward launching a consultation in November/December 2016 (para 17-20);**
- **communications and handling (para 28 and 29) .**

[redacted],

Head of Onshore Oil and Gas, Ext: [redacted]

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constit Interest	General Awareness
First Minister					X
Deputy First Minister					X
Cabinet Secretary for Health and Sport			X		
Cabinet Secretary for Environment, Climate Change and Land Reform			X		
Cabinet Secretary for Communities, Social Security and Equalities			X		
Cabinet Secretary for Rural Affairs and Connectivity			X		
Minister for Public Health and Sport			X		
Minister for Local Government and Housing			X		

Permanent Secretary
DG Enterprise, Environment and Innovation
DG Communities
Chief Scientific Advisor
Louise Heathwaite
Chris Stark
Mary McAllan
Kenneth Hogg
Bridget Campbell
David Ritchie
John Ireland
John McNairney
George Burgess
[redacted]
[redacted]
Gareth Brown
[redacted]
[redacted]
John McFarlane
Kate Higgins
David Miller
Liz Lloyd
[redacted]
[redacted]
Jeanette Campbell
Comms Economy

UNCONVENTIONAL OIL AND GAS (UOG): CONSULTATION PREPARATIONS

SUMMARY OF RESEARCH PROGRAMME

Public Health Impact Assessment (Health Protection Scotland). Research questions:

- What are the potential risks to health associated with exploration for and exploitation of shale oil and gas and coal bed methane?
- What are the wider health implications of deploying the technology necessary for the exploration and exploitation of shale oil and gas and coal bed methane?
- What options could there be to mitigate any potential adverse impacts that are identified?

Decommissioning, site restoration and aftercare (AECOM). Research aims:

- better understand the steps that can be taken to ensure decommissioning, site restoration and aftercare can be undertaken in a way that ensures robust regulation and minimises impacts on communities and the environment;
- to identify and explore different models of financial guarantee that provide robust security against liabilities and improve understanding of associated costs.

Understanding and monitoring induced seismic activity (BGS). Research aims:

- better understand the levels of induced seismic activity that could be associated with unconventional oil and gas activities in Scotland; and
- better understand the robust regulatory and non-regulatory actions that can be taken to mitigate any noticeable effects on communities.

Economic impacts (KPMG). Research aims:

- Understand the potential aggregate impact of unconventional oil and gas development under a range of scenarios on the Scottish Economy
- Consider the specific impacts of the development of unconventional oil and gas in Scotland and in particular identify the key sectors and groups likely to be affected by each scenario
- Consider the potential nature and extent of any community benefit payments

Climate Change Impacts (Committee on Climate Change). Research aims::

- Examine the impacts on territorial carbon emissions of unconventional oil and gas activities in Scotland in line with the economic scenarios.
- Consider how the impacts might vary over time

Transport- Understanding and mitigating community level impacts (Ricardo). Research aims:

- the scope and scale of increased traffic volumes in community localities around site(s) during the four stages of unconventional oil and gas development (exploration, appraisal, production and decommissioning & restoration);
- the range of potential impacts (and duration of impacts) of these traffic volumes, and robust regulatory and other options that could mitigate impacts for communities.

UNCONVENTIONAL OIL AND GAS (UOG): CONSULTATION PREPARATIONS

PURPOSE AND SCOPE OF THE CONSULTATION

Purpose

To give Ministers the information required to take a decision on the future of UOG that is in the best interests of the people of Scotland.

To achieve this the consultation process will:

- present impartial and factual information on UOG;
- give the public, local communities and stakeholders the opportunity to present views on the issues that matters to them;
- provide Ministers with a balanced representation of public and stakeholder views on UOG.

Document Content

- Summarise Scottish Government UOG policy and the action taken to support an evidence-led process.
- Set out the steps that are being taken to engage with communities and stakeholders, and to ensure their views will be fully considered.
- Set out factual and impartial information on the techniques and technologies employed by UOG developments, the history of the industry, and information on UOG resources in Scotland.
- Discuss the potential uses of gas and oil obtained from UOG developments, including the role of shale gases as building blocks for the petrochemical industry. Outline the energy challenges facing Scotland.
- Impartially summarise the main findings of the research projects and Independent Expert Scientific Panel report (2014):
 - Climate change
 - Economic impacts (including community benefits)
 - Environmental impacts
 - Health Impacts
 - Regulation

UNCONVENTIONAL OIL AND GAS (UOG): CONSULTATION PREPARATIONS

PRE-CONSULTATION ENGAGEMENT

- Experience from past Scottish Government consultations demonstrate that early engagement on the design of a consultation can support a meaningful sense of ‘buy-in’ with stakeholders.
- To encourage a participative and inclusive consultation, officials in the Energy and Climate Change Directorate propose holding a set of facilitated meetings with stakeholders representing community (Broad Alliance), environmental (Scottish Environment LINK) and industry (UKOOG-industry trade body) interests in **summer 2016**.
- The meetings would give stakeholders an opportunity to present views on: where, when and how the Scottish Government should engage with the public and stakeholders during the consultation; the scope of the consultation; how responses should be considered.
- We would use a professional public participation specialist to help facilitate these meetings. Working with an independent facilitator will:
 - allow officials to have a participatory role rather than being viewed as directive;
 - draw in professional mediation and participation techniques;
 - demonstrate our objective and neutral approach.
- Officials would also invite a neutral expert in science and public engagement to these meetings. Their role would be to provide impartial input on design principles and methods to convey information in a balanced and accessible way.
- Officials would use the outputs from these sessions to prepare a **Participation Commitment** that, subject to Ministerial confirmation, would be available for publication in late **summer 2016**. An outline of the proposed Participation Commitment is provided below.
- A similar Participation Commitment was prepared for the public consultation on the 3rd National Planning Framework and proved to be **particularly useful for evaluating the success of the consultation**.
- The Broad Alliance have also indicated that they would work with officials to develop factual and impartial information on UOG, including info-graphics and other figures summarising the technologies involved in UOG that can be used in the consultation.
- To promote a consultation that is informed by a wide range of stakeholder viewpoints and interests, officials will continue to develop a broader network of stakeholders. The stakeholders we are targeting and their interests are set out in the Table below.

OUTLINE PARTICIPATION COMMITMENT

COMMITMENT

This section would set out:

- *Clear commitments on involving stakeholders*
- *Arrangements for participation*
- *Steps to ensure timely release of information in suitable formats*
- *Routes for feedback*

CONSULTATION SCOPE

This section would confirm:

- *The purpose and scope of the consultation*
- *Who is being consulted*
- *When the consultation will take place*
- *Steps to ensure local and national engagement*

CONSULTATION METHODS

This section would set out:

- *A summary of the information that will inform the consultation*
- *How stakeholder organisations will be consulted*
- *How members of the public will be able to express their views and access information and evidence*
- *Steps to ensure balanced and informed debate*
- *How the consultation results will be analysed*
- *How the consultation will be evaluated*
- *The timetable for the consultation*

TABLE - UOG STAKEHOLDERS AND CONSULTATION INTERESTS

Group or Organisation	Likely interests
Community umbrella group - The Broad Alliance	Community engagement and empowerment Scope and terms of the consultation Regulation and industry impacts Accessing information and informing the evidence-base
Environmental organisations – Scottish Environment link- inc. Scottish Wildlife Trust, WWF, RSPB, FoE	Scope and terms of the consultation Accessing information and informing the evidence-base Climate Impacts Regulation and industry impacts
Industry UK Onshore Oil and Gas (UKOOG)- the representative body for the UK onshore oil and gas industry	Investment and development opportunities Regulation and industry impacts Security of energy supply, industrial feedstock Accessing information and informing the evidence-base Setting out views on the scope and terms of the consultation
Communities and their representatives Community Alliance Scotland, Community Development Trust Scotland, Scottish Centre for Community Development and Community Councils	Community engagement and empowerment Regulation and industry impacts Scope and terms of the consultation Accessing information on the evidence-base
Local Government COSLA, Local Authorities, Heads of Planning Scotland, SOLACE	Scope and terms of the consultation Accessing information and informing the evidence-base Regulation and industry impacts Planning Community engagement and empowerment
Campaign groups e.g. Frack Off Scotland	Accessing information on the evidence-base Seeking opportunities for meaningful contribution to policy making Regulation and industry impacts
PEDL holders in Scotland INEOS, IGas,	Investment and development opportunities Regulation and industry impacts Accessing information and informing the evidence-base

Major supply chain companies Weir Group, Wood Group, AMEC, etc	Investment and development opportunities Accessing information and contributing to the evidence-base Security of energy supply, industrial feedstock
Energy suppliers and Membership bodies Energy UK, Edinburgh Centre for Carbon Innovation, Energy Industries Council, Oil and Gas UK National Grid, Scottish Power and SSE	Accessing information and informing the evidence-base Potential impact on jobs and sector growth Security of energy supply, industrial feedstock Regulation and industry impacts
Business Organisations and skills sector CBI, SCC, SCDI, FSB, IoD, HIE, Scottish Enterprise Scottish Engineering and EEF (Formerly the Engineering Employers Federation) Tourism Scotland, NFUs, Scottish Land and Estates, Scotland Food and Drink	Accessing information and informing the evidence-base Potential impact on jobs and sector growth Security of energy supply, industrial feedstock
Scientific Experts/Opinion Formers The British Geological Survey (BGS) British Medical Association Royal Society for Public Health Academics (Economic/Energy/Geology/Transport) Royal Society of Edinburgh	Accessing information and informing the evidence-base Regulation and industry impacts Providing Expert/technical Opinion Security of energy supply, industrial feedstock

UNCONVENTIONAL OIL AND GAS (UOG): CONSULTATION PREPARATIONS

CONSULTATION TIMETABLE

Step	Date
Facilitated “Participation Statement” sessions with stakeholders	July/Aug 2016
Participation statement available for publication	Sept 2016
Publish Research project reports and PHIA	Early Oct 2016, or Aug and Oct if release phased
Host stakeholder workshop on regulation	Sept/Oct 2016
Publish short summary of workshop	Late Oct 2016
Autumn party conferences	Oct 2016
Launch consultation	Late Nov/Dec 2016
Close consultation	Early- Mid March 2017
Spring party conferences	March 2017
Commission analysis of consultation response	April- May 2017
Local Gov Pre-election period begins	April 2017
Publish consultation findings	Summer 2017

UNCONVENTIONAL OIL AND GAS (UOG): CONSULTATION PREPARATIONS

UNDERSTANDING SCOTLAND'S SHALE RESOURCES

Desk-based assessments

- The BGS estimate that the Midland Valley holds between 49.4 – 134.6 tcf (trillion cubic feet) of shale gas. By comparison, the Bowland basin in England is estimated to hold between 264 tcf and 1,065 tcf if shale gas.
- Extractable recovery figures/estimates in other countries typically range from 5-30%. For the purposes of projecting economic impacts, the economic impact study by KPMG has assumed a 1-5% recovery rate may be economically and technically variable. This is a desk-based assessment that considers factors like production rates, costs and the location of built-up areas that would limit access to drilling locations. No new geologic information is used in the assessment.

The ESIOs programme

- A UK Research Council funded ESIOs programme (The Energy Security & Innovation Observing System for the Subsurface) is establishing new centres for research into the underground environment. The knowledge generated through these centres will contribute to the responsible development of new energy technologies both in the UK and internationally. The programme may include a site/centre in Scotland.
- ESIOs sites are being selected on scientific merit and we anticipate any site(s) in Scotland would have a focus on Geothermal technologies, but with potential to also undertake geoscience work on shale.
- The ESIOs programme (£31m) is sponsored by the Natural Environment Research Council and we expect a decision on a site in Scotland in the coming months. The then Minister for Energy, Business and Tourism wrote to the NERC in 2015 indicating his support for a site in Scotland. **The degree to which shale could become a focus of the ESIOs programme is likely to depend on the programme securing an industry partner to fund deep drilling operations. At this time, it is uncertain whether an industry partner will emerge.**

A potential industry timetable for examining the technical and economic viability of shale

- Based on experiences in England, a timetable (below) for exploring the technical and economic viability of a shale reserve could be between 4 and 6 years, with a further 1 to 2 years to move into full production. If a planning application(s) were subject to judicial review, this timetable could be extended by 1-3 years, or longer.

6 months of seismic surveys to develop subsurface knowledge and select suitable sites for boreholes. Baseline monitoring may also be undertaken.

6 months to 1 year to lodge and determine a planning application for a borehole for core sampling*.

1 year to 18 months to drill boreholes (4-6 to assess viability), analyse results and prepare for the next phase of work.

1 year to 18 months to lodge and determine a planning application to hydraulically fracture a test borehole(s)*.

1 year to 18 months to hydraulic fracture test borehole(s) and analyse results.

6 months to 1 year to lodge and determine a planning application for moving into full production*.

6 months to 1 year to undertake site preparation to move into full production.

* Multiple planning applications may run in parallel. This timetable assumes applications are not called in or subject to judicial review.

- On 08 October 2015, Ministers confirmed that planning guidance would be updated to ensure that borehole applications are subject to appropriate public scrutiny and that proposals satisfactorily address all the likely impacts on local communities and the environment, and this will be done in consultation with stakeholders. Officials expect that this work would take between 3-6 months depending on the level of consultation involved.
- Should an operator in Scotland signal that they wish to progress with a programme of exploratory boreholes, the Scottish Government would first need to commence work to review and update planning guidance for borehole applications. Advice on this work will be provided if industry signals an interest in advancing exploratory boreholes in Scotland.