



House of Commons
Energy and Climate Change
Committee

**Shale Gas:
Government Response
to the Committee's
Fifth Report of Session
2010–12**

Seventh Special Report of Session 2010–12

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The Energy and Climate Change Committee

The Energy and Climate Change Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department of Energy and Climate Change and associated public bodies.

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Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/parliament.uk/ecc. A list of Reports of the Committee in the present Parliament is at the back of this volume.

The Report of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume. Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are Nerys Welfoot (Clerk), Richard Benwell (Second Clerk), Dr Michael H. O'Brien (Committee Specialist), Jenny Bird (Committee Specialist), Francene Graham (Senior Committee Assistant), Jonathan Olivier Wright (Committee Assistant), Emily Harrisson (Committee Support Assistant) and Nick Davies (Media Officer).

Contacts

All correspondence should be addressed to the Clerk of the Energy and Climate Change Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 2569; the Committee's email address is ecc@parliament.uk

Seventh Special Report

On 23 May 2011 the Energy and Climate Change Committee published its Fifth Report of Session 2010-12, *Shale Gas* [HC 795]. On 15 July 2011 the Committee received the Government's response to the Report. It is appended below.

Appendix: Government Response

Introduction

In the light of the wide ranging nature of the Committee's report, this is a joint response which includes contributions from the Department of Energy & Climate Change (DECC), the Treasury, the Department for Environment Food & Rural Affairs (Defra), the Health & Safety Executive (HSE), and the environment agencies of England, Wales and Scotland: The Environment Agency (EA), and the Scottish Environment Protection Agency (SEPA).

Committee Recommendations and Government Response

Background

1. Mitigation of the risk to water aquifers from hydraulic fracturing relies on companies undertaking the proper measures to protect the environment from pollution. However, there is no evidence that the hydraulic fracturing process itself poses a direct risk to underground water aquifers. That hypothetical and unproven risk must be balanced against the energy security benefits that shale gas could provide to the UK. We conclude that, on balance, a moratorium in the UK is not justified or necessary at present. But evidence must continue to be collected and assessed. We recommend that the Department of Energy and Climate Change monitor current drilling activity in the Bowland Shale formation extremely closely during its early stages in order both to assess the likely environmental impact of large scale shale gas extraction in the UK and also to promote public confidence in the regulation of the activity (Paragraph 17).

As is the case with all UK onshore oil and gas activities, DECC has a regular dialogue with those companies which are licensed to operate within the UK, and further consents from DECC are required before such companies are able to go ahead with exploration drilling or move to production. In view of the fact that the exploration taking place in the Bowland Shale is the first shale gas project to be undertaken in the UK, DECC has been monitoring, and will continue to monitor, this exploration activity very closely and liaise with the other regulatory bodies, the HSE and the EA, as the activity moves forward.

Following the seismic tremors which took place in April and in May, DECC had discussions with the operator, Cuadrilla, and agreed that a pause in hydraulic fracturing operations is appropriate so that a better understanding can be gained of the cause of the

seismic events experienced in Poulton-le-Fylde. A geomechanical study is being undertaken, along with further work by the British Geological Survey and Keele University. The implications of this information will be reviewed before any decision on the resumption of these hydraulic fracture operations is made.

Prospects for Shale Gas

2. We conclude that shale gas resources in the UK could be considerable. However, while they could be sufficient to help the UK increase its security of supply, it is unlikely shale gas will be a "game changer" in the UK to the same extent as it has been in the US. It is more likely that in countries such as Poland—with a larger reliance on gas imports and greater potential shale gas resources—the impacts of shale gas production will be significant. (Paragraph 24)

3. We conclude that it is important for the UK to monitor the development of shale gas in Poland—the "barometer of Europe" on this issue—both in terms of exploration and regulation. We are concerned that there could be adverse competitive consequences for the UK if Poland unilaterally develops its shale gas resources within the EU, particularly if their energy policy is driven by energy security—in spite of the environmental concerns associated with hydraulic fracturing—owing to their reliance on imported gas. (Paragraph 37)

Along with other Member States, the UK plays a key role in helping to shape European energy policy. We also closely monitor developments taking place in Member States and beyond. The UK Government is aware that Poland is looking to exploit potentially large shale gas resources and will be keeping a close eye on any exploration and development success there. Once the size of that potential becomes clear from a commercial perspective, we will also be considering the wider implications from UK security of supply perspective.

4. In the crowded UK we cannot afford to risk the creation of contaminated and abandoned sites where shale gas production has stopped. The prospect of such a risk must be carefully considered when licences and other permissions are granted. We recommend that DECC should require that a fund be established to ensure that if wells are abandoned they can be "plugged". Such a fund could be established through a levy on shale gas well drilling or an upfront bond. (Paragraph 41)

The drilling of any shale gas well already requires specific consent from DECC, which gives DECC the opportunity to prevent the well from being drilled if it is not satisfied about any aspect of the well, including the applicant's financial capacity.

A requirement to provide for post-activity site restitution would be an issue for the planning process, and the relevant planning authority may attach conditions to the planning permission to ensure that this happens. We do not consider that further powers are necessary.

In England and Wales, in the event that a permit is required under the Environmental Permitting Regulations 2010 for certain activities at the surface, such as large scale refinement or combustion, controls would be in place to require site restoration in the event that the activity led to the site becoming contaminated. Such permits would be issued by the Local Authority or the EA, depending on the nature of the activity. Where the activity does not require a permit and pollution to water occurs, an anti-pollution works notice under the Water Resources Act 1991 may be served. In Scotland equivalent regulatory controls exist to ensure environmental damage caused by permitted sites is remediated prior to permit surrender.

5. There is substantial evidence that UK offshore unconventional gas resources could dwarf the potential onshore supplies. While these might be economically unviable at present, "uneconomic" reserves can become economic quickly as technology and prices shift. We recommend that DECC encourage the development of the offshore shale gas industry in the UK, working with HM Treasury to explore the impacts of tax breaks to the sector. (Paragraph 47)

We are not aware of any offshore shale gas exploration anywhere in the world at present, and because of the much higher costs of offshore operations, no early change in the prospects for such activity seems likely. A few companies have discussed with us possible shale gas prospectivity that they have identified offshore, along with conventional oil and gas prospectivity in the nearshore area. If these prospects were pursued it would most likely be done using horizontal drilling from onshore locations. As usual, the Government is happy to maintain a dialogue with companies on the impacts of the fiscal regime, but has so far not been presented with any evidence making the case for tax changes.

6. Planning for any new gas transport infrastructure required to exploit shale gas should take into account the opportunity to minimise disruption and costs by sharing pipelines between different companies operating near to each other. We recommend that the Government consider amending the Town and County Planning (Environmental Impact Assessment) (England and Wales) Regulations 1999 to require Environmental Impact Assessments for smaller gas pipeline projects, with the aim of avoiding unnecessary duplication of infrastructure. (Paragraph 54)

The statutory regimes under the Pipelines Act 1962 for consenting pipelines over 10 miles allow the Secretary of State to impose requirements for pipelines to be rerouted or diverted to minimise duplication. As regards environmental impact assessment, while proposed pipelines less than 40km long may not automatically require assessment under the EIA, the Directive and implementing Regulations allow for an EIA to be required on a case by case basis where the impacts of such a proposal (including cumulative impacts) make this appropriate.

