



BRIEFING FOR THE COMMITTEE FOR THE ECONOMY

ONSHORE PETROLEUM LICENSING POLICY CONSULTATION

Background

DfE has the power to grant licences “to explore for, bore for and get” petroleum under powers granted by the Petroleum (Production) Act (Northern Ireland) 1964 and further amending regulations since then. There are no active petroleum licences here with the last one relinquished in 2020, however there are two applications currently with the Department. Whilst there has been exploration over the past 50 years there has never been sufficient oil or gas found to be suitable for commercial development.

In 2020 DfE began a review of the petroleum licensing system as, whilst the regime remained functional, it was unclear whether it was sufficiently flexible to balance increasing societal and environmental responsibilities with economic benefit. As this is a cross cutting and controversial issue any changes to policy and decisions on existing licence applications will require Executive approval.

Independent Research

In 2020 the Department commissioned research by Hatch Regeneris (Hatch research) into the economic, social and environmental impacts of petroleum exploration and production. The research looked at several development scenarios and found the following potential impacts:

Economic Impact results from Hatch Research (July 2021)

Range of Development of oil and gas	Average Employment Impacts per year (Person Years)	GVA Impacts (per annum)	Potential total lifetime retained expenditure
No development	No impacts.	No impacts.	No impacts.
Low development	35 – 45	£2.2m – £3.3m	£63.10m - £94.40m
Medium development	60 – 85	£4.0m – £6.0m	£113.60m - £169.90m
High development	110 – 155	£7.6m – £11.3m	£214.60m - £320.90m

Environmental and Social Impacts from Hatch Research (July 2021)

The research gives an assessment of the significance of these impacts assuming the application of current planning and environmental regulation and that industry best practice mitigation measures will be in place. As with the economic analysis, the potential impacts are greater with a higher level of development.

Range of Development of oil and gas	Moderate adverse significance	Major adverse significance
No development	No impacts.	No impacts.

Low development	Public health and community well-being, felt seismicity (unconventional only)	N/A
Medium development	Public health and community well-being, felt seismicity (unconventional only), soils, GHG emissions (unconventional only), water, landscapes and geodiversity	N/A
High development	Public health, felt seismicity (unconventional only), soils, biodiversity, landscape and geodiversity, GHG emissions (conventional and unconventional), waste management, air quality	Groundwater abstraction and pollution (unconventional especially), social cohesion and community well-being

Draft Preferred policy option

In October 2021 officials presented the Economy Minister with a range of options with a **preferred policy option of a moratorium and eventual legislative ban on all forms of onshore petroleum exploration and production**. An Executive paper recommending the preferred policy option was circulated in January 2022 but was not agreed before the resignation of the First Minister.

Reasons for choosing the draft preferred option

The draft preferred policy option would represent a significant shift in the current regime replacing the current “open door” policy, where applications for a licence can be made at any time, with a system where no applications for petroleum exploration or production would be accepted. This would require changes to the Petroleum (Production) Act (NI) 1964 and a temporary moratorium on applications whilst the legislative process was ongoing.

The Hatch research concluded that supporting petroleum exploration and production would not result in any significant increase in jobs, or wider benefits for the economy. The report also concludes that as there has been no commercial production of oil or gas here to date, and therefore no reliance on the sector, a ban on petroleum exploration and production would not disadvantage the broader economy.

The preferred option aligns with the Energy Strategy vision of self-sufficiency in affordable and renewable energy. This option would ensure a focus on the growth of the low carbon and renewable energy sector, supporting people into secure, well-paid jobs. The preferred option is also consistent with the second and third guiding principles of the Department’s Economic Vision - to deliver positive economic, environmental and societal outcomes and support a greener, sustainable economy.

The Hatch research indicates a range of potential negative impacts from petroleum exploration and development. In addition, the 2021 British Geological Survey (BGS) Report on seismic activity in basins in the North of Ireland concludes that the present-day stress regime and stress state of the faults in these basins are poorly understood. The preferred option would remove the possibility of adverse social and environmental impacts on local communities and the rural environment as no further exploration or production would be permitted.

The preferred option would also signal a commitment to targets set by the Climate Change Act (NI) 2022 to reduce greenhouse gas emissions. The November 2023 International Energy Agency (IEA) report 'The Oil and Gas Industry in Net Zero Transitions' states, "In a scenario that hits global net zero emissions by 2050, declines in demand are sufficiently steep that no new long lead-time conventional oil and gas projects are required." Whilst this scenario is not guaranteed, the report emphasises that the industry needs to embrace clean energy to remain viable. This was reinforced by the recent COP28 conference commitment to a transition away from fossil fuels and a significant increase in the use of renewables.

Energy Security & UK Government Policy

In light of energy security and increasing energy costs, it might be suggested that a local source of oil or gas in the transition period should be considered. The UK government has recently granted licences for offshore petroleum exploration in the North Sea. The situation here is different as there are no known oil and gas reserves like those found in the North Sea. Therefore, any exploration for oil or gas would have a long lead time with no guarantees that anything would be found or in sufficient quantity to merit commercial production. If commercial production was viable any oil or gas would be sold on the international market and subject to the volatility of international prices. In addition, the Hatch research indicates that, given the relatively small size of any potential development, economies of scale could not be achieved here and therefore, oil and gas would not be produced at low cost.

In summary, the draft preferred option is in line with the legislative requirements of the Climate Change Act (Northern Ireland) 2022, the policy direction provided by the DfE Energy Strategy and informed by the independent research by Hatch Regeneris. Exploration for oil and gas would run contrary to these commitments and would be unlikely to bring major benefits to the local economy or consumers.

Public Consultation

A public consultation was launched on 15 January 2024 and lasts until 12 April 2024. The consultation document looks at international developments on energy use and petroleum licensing, the geological and policy context here, results of regionally focused research by Hatch Regeneris and sets out a range of policy options. There are also questions seeking views on the conclusions of the research, the draft preferred option and if there are other options that have not been explored.

You can view the consultation documents [here](#). My officials will be happy to provide further briefing as required.

The final decision on the onshore petroleum licensing policy in the North of Ireland will be taken by a future Executive. Any changes to the current policy will require changes to primary legislation.

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