

PETROLEUM EXPLORATION AND LICENSING (REPEAL) BILL

EXPLANATORY AND FINANCIAL MEMORANDUM

INTRODUCTION

1. This Explanatory and Financial Memorandum has been prepared by the Department for the Economy in order to assist the reader of the Bill and to help inform debate on it. It does not form part of the Bill and has not been endorsed by the Assembly.
2. The Memorandum needs to be read in conjunction with the Bill. It is not, and is not meant to be, a comprehensive description of the Bill. So, where a clause or part of a clause does not seem to require an explanation or comment, none is given.

BACKGROUND AND POLICY OBJECTIVES

3. The Bill introduces a ban on issuing licences for all forms of onshore petroleum exploration and production in Northern Ireland through amendments to The Petroleum (Production) Act (Northern Ireland) 1964 and further amending regulations. This means it will not be possible for individuals or companies to explore for or produce oil and gas in the onshore area of Northern Ireland. This includes all forms of oil and gas and all the different techniques for accessing them.
4. The Petroleum (Production) Act (Northern Ireland) 1964 and further amending regulations granted the Department for the Economy the power to grant licences “to explore for, bore for and get” petroleum. Applicants could apply for a licence at any time for any part of onshore Northern Ireland. Petroleum licensing policy was driven by economic considerations such as wanting a secure and local source of energy and attracting inward investment by developers/licensees. There was exploration since 1964 but there was insufficient oil or gas found to be suitable for commercial development. The last petroleum licence was relinquished in 2020.
5. In 2020 the Department for the Economy started a review of the onshore petroleum licensing system as it was unclear whether it was sufficiently flexible to balance increasing societal and environmental responsibilities with economic benefit. The Department commissioned independent research into the economic, social and environmental impacts of petroleum exploration and production in Northern Ireland. The research concluded that onshore petroleum exploration and production would not bring significant benefits to the local economy, was unlikely to reduce oil and gas prices and could have negative social and environmental impacts.
6. Consideration of the regional position was set against the backdrop of local and international efforts to combat climate change. The Climate Change Act (Northern

Ireland) 2022 places a duty on all departments in exercising their own functions, so far as is possible, to do so in a manner which is consistent with achieving the net zero by 2050 target. In the 2021 Department for the Economy Energy Strategy, one of the five key principles was to replace fossil fuels with renewable energy. There was also considerable public interest in this issue, especially concerning the potential use of high-volume hydraulic fracturing (fracking). In October 2020, the Northern Ireland Assembly supported a Private Members' Motion calling for a moratorium on petroleum licensing for exploration, drilling or extraction of hydrocarbons (oil and gas).

CONSULTATION

7. There was a public consultation on the policy options from 15 January to 12 April 2024. There were 382 responses to the consultation from individuals, environmental and community groups, political parties and local councils. The consultation documents are available on the departmental website: [Onshore petroleum licensing policy | Department for the Economy \(economy-ni.gov.uk\)](https://www.economy-ni.gov.uk/onshore-petroleum-licensing-policy)
8. 95% of the responses supported the preferred option of a moratorium and eventual legislative ban on all forms of onshore petroleum exploration and production. Those in favour of the preferred option emphasised the need for compliance with the Climate Change Act (Northern Ireland) 2022, the environmental and social harms of onshore petroleum activity and the strength of opposition from local communities to previous onshore petroleum activity. There was also a strong desire for the Department to focus on renewable sources of energy rather than encouraging fossil fuels. The Department's response and analysis to the consultation can be viewed on its website: [Onshore Petroleum Licensing Policy - public consultation analysis](https://www.economy-ni.gov.uk/onshore-petroleum-licensing-policy-public-consultation-analysis)

OPTIONS CONSIDERED

9. There were four options considered for onshore petroleum licensing policy:
 - Option 1: Status quo – Do Nothing.
 - Option 2: Change from system where petroleum licence applications can be submitted at any time for any part of Northern Ireland to time bound licensing rounds in defined geographic areas.
 - Option 3: Moratorium and eventual legislative ban on exploration or production of unconventional hydrocarbons (this includes high-volume hydraulic fracturing).
 - Option 4: Moratorium and eventual legislative ban on all forms of onshore petroleum exploration and production.
10. A policy of a moratorium and eventual legislative ban on all forms of onshore petroleum exploration and production was chosen as the preferred policy option and was approved by Northern Ireland Executive on 5 December 2024. An administrative moratorium would be introduced where no petroleum licence applications would be accepted or processed whilst the process to introduce a legislative ban was ongoing. A

ban on granting licences for onshore petroleum exploration and production would come into force with the passing of this Bill.

11. The preferred option was chosen as it aligns with the framework established by the Climate Change Act, the policy direction in the Energy Strategy and is informed by the conclusions of independent research. 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.

OVERVIEW

12. The Bill will introduce a ban on all forms of onshore petroleum exploration and production in Northern Ireland through amendments to The Petroleum (Production) Act (Northern Ireland) 1964 and further amending regulations. The Bill will repeal the Department's power to search and bore for petroleum and put an end to the licensing regime in that it removes the power to grant licences so no more licences will be granted. The property in petroleum will remain vested in the Department. This means that the Department will continue to be the lawful owner of any petroleum which might exist in strata (underneath the ground) anywhere in Northern Ireland. The Department reserves the right to initiate civil and/or criminal enforcement action against any person who interferes with and/or releases the petroleum by way of boring or conducting activities on land which might result in its release.

COMMENTARY ON CLAUSES

Clause 1 – Principal set of repeals

This clause amends the 1964 Act to remove the Department's power to grant licences for all forms of onshore petroleum exploration and production in Northern Ireland. It also removes the Department's right to search and bore for, and get petroleum. The clause repeals provisions in the 1964 Act that relate to the licensing regime and the Department's power to explore for petroleum.

Clause 2 - Transitional provision

This clause deems that live applications (in the unlikely event of there being such applications) for licences are simply to be treated as withdrawn by the applicants. It enables the Department, at its discretion, to provide a refund (partial or whole) to the applicants for the fee paid in relation to the application, including an amount for interest.

Clause 3 - Consequential provision

This clause makes consequential repeals to legislation referring to the licensing regime being repealed by the Bill and revokes regulations that relate to the licensing regime.

Clause 4 - Ancillary regulations

This clause enables the Department to make regulations containing certain types of ancillary provision. Such provision has to be associated as stated in relation to the outcome intended by the Bill, and draft affirmative procedure is required for various changes (if such changes are ever appropriate in context) to primary legislation as specified.

Clause 5 – Commencement

The clause provides for the commencement of the Bill.

Clause 6 – Short title

This clause provides for the short title of the Bill.

FINANCIAL EFFECTS OF THE BILL

13. The Bill will not place any additional financial burden on the public purse, businesses or the third sector.

HUMAN RIGHTS ISSUES

14. The provisions of the Bill are compatible with the provisions of the Human Rights Act 1998.

EQUALITY IMPACT ASSESSMENT

15. An Equality Impact Assessment screen has been carried out. The screen found that a full Equality Impact Assessment was not required. It noted that the proposals in the Bill are of a technical nature affecting companies rather individuals.

SUMMARY OF THE REGULATORY IMPACT ASSESSMENT

16. As the Bill imposes no costs or savings on businesses, charities, social economy or the voluntary sector, a Regulatory Impact Assessment was not considered necessary.

DATA PROTECTION IMPACT ASSESSMENT/DATA PROTECTION BY DESIGN

17. A Data Protection Impact Assessment screen has been carried out. The screen found that a full Data Protection Impact Assessment was not required. It noted that the proposals in the Bill had no new implications for the processing of personal data.

RURAL NEEDS IMPACT ASSESSMENT

18. A rural needs impact assessment has been carried out. It notes that onshore petroleum licensing activity has greater impact in rural areas, however any impacts from stopping onshore petroleum exploration and production cannot be measured at this stage. It is

expected that stopping onshore petroleum licensing activity could have longer term benefits on the environment and aspects of the rural economy.

LEGISLATIVE COMPETENCE

19. At Introduction the Minister for the Economy had made the following statement under section 9 of the Northern Ireland Act 1998:

"In my view the Petroleum Exploration and Licensing (Repeal) Bill would be within the legislative competence of the Northern Ireland Assembly."

SECRETARY OF STATE CONSENT

20. The Secretary of State's consent is required by section 8 of the Northern Ireland Act 1998 and a statement of such consent is required for the purpose of section 10(3)(b) of that Act:

"The Secretary of State has consented to the Assembly considering this Bill"

