



Department for
Business, Energy
& Industrial Strategy

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Dear Kevin,

Thank you for your letter of 21 May 2018 regarding shale gas extraction and also for your continued dedication to ensuring that shale gas extraction is carried out safely in a way that brings the most benefit to your constituents. Thanks also for arranging the meeting with your constituents regarding their concerns and specifically fugitive methane emissions. I understand the points that they raise, and I have asked the BEIS Chief Scientific Advisor, John Loughhead, to write to Professor Nick Cowern regarding the research he shared with us.

I hope you will appreciate that as some of the matters that you raise relate to national planning policy – including the cumulative impact of shale gas production - it would be for the Minister for Housing, Communities and Local Government to answer. As Dominic and I set out during the Housing, Communities and Local Government Select Committee, the North Yorkshire Minerals and Waste Plan is at examination and it would not be appropriate to comment on its policies at this time.

You made some useful suggestions on improving the regulatory framework. I agree that we should not allow companies that do not have the capabilities to fund their decommissioning cost permission to hydraulically fracture. To ensure this is the case, the Secretary of State set out, in his WMS of 25 January 2018, all operators who apply for hydraulic fracture consent, or equivalent, from the department will have to undertake a financial resilience assessment as a matter of policy. This will include the operator's ability to fund their decommissioning costs. For Third Energy's site in your constituency, the Secretary of State asked the Infrastructure and Projects Authority to carry out the financial resilience assessment, which will be completed on submission of the relevant information.

In addition, officials continue to work closely with the Oil and Gas Authority and the industry's trade body UK Onshore Oil and Gas to ensure that liabilities for shale wells are addressed in the rare circumstance where all of the companies on a licence became insolvent, and where no rescue mechanism for those companies could be found.

I fully agree that we need to ensure regulators have sufficient resources to effectively regulate the industry. The Health and Safety Executive and the Environment Agency have confirmed to me they have sufficient specialist inspectors to deliver the regulatory regime they are responsible for during the current shale gas exploratory phase. If a large number of wells are drilled in order to produce shale gas (the production phase) HSE and EA may need to increase resource accordingly. There are plans in place to review their resource at the relevant times.

You are right that we need to be careful that regulations keep pace with development, however before activities can begin the operator will need to have received the relevant permits from the regulators. Any excess applications would be held until the regulator was able to take a decision. As such, I do not believe there to be risk that production could increase too quickly for regulators to keep pace, as happened in some cases in the US. Government (including devolved governments) funds the work of the environmental regulators up to the point at which a company applies for a permit. The permit charges that the operator pays is designed to cover the cost of permitting a facility.

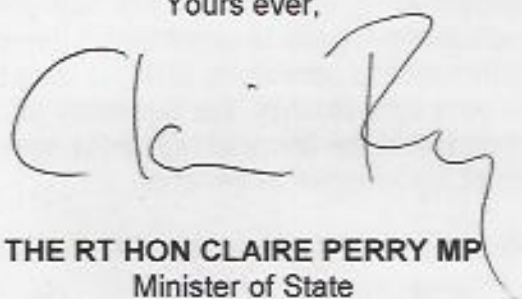
Thank you for your ideas about improving shale gas education and the proposal of a shale gas Tsar. I have asked my officials to give this further consideration and provide advice to me in the coming weeks.

On your comment regarding Community Benefits, I agree that communities hosting shale gas developments should share in the financial returns they generate. The Written Ministerial Statement of 17 May 2018 committed to working with operators to improve their offer towards local communities and I have instructed my officials to work with the industry body to ensure that this is brought forward. As you will know, one operator, Cuadrilla, has already paid £100,000 in community benefits directly to households, and this is something that I would also like to explore further with the operators. On a similar note, I plan to meet with the Chancellor next month to discuss options for bringing forward a shale wealth fund.

Thank you also for your letter of 24th May to BEIS Secretary of State regarding a meeting with yourself and Carl Les of North Yorkshire County Council. I would be delighted to meet you both and I would welcome North Yorkshire Council's valuable input on this subject.

I look forward to continuing to work with you on your recommendations, to ensure that communities benefit from the resource that exists under our feet.

Yours ever,



THE RT HON CLAIRE PERRY MP
Minister of State