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Dear Secretary of State

## **UK offshore oil and gas – strategic assessment of climate effects**

We are writing to seek urgent clarification of the approach that the Government intends to take to assessing, at a strategic level, the climate impacts of new oil and gas licences and consents.

An environmental report on offshore energy activities is due to be published later this year; however, having responded to the scoping consultation for the new Strategic Environmental Assessment (OESEA4), which ended on 7 May 2021, no response to the consultation has yet been published. We understand from the consultation document that a response will precede the preparation of the environmental report. There would therefore appear to be a risk of significant delay to the conclusion of this new assessment, when no such delay can be afforded as new policies and project consents are being considered. It is a delay that risks locking in high-carbon infrastructure and greenhouse gas emissions for decades to come.

Since the last offshore SEA was concluded in 2016, there have been a number of significant legal and policy developments, including the introduction of the UK's net zero target, the setting of the sixth carbon budget, and the submission of the UK's first Nationally Determined Contribution (NDC) under the Paris Agreement. Leading research on the climate implications of countries' oil and gas extraction policies has also been published by authoritative bodies such as the United Nations Environment Programme (UNEP) and the International Energy Agency (IEA).

The Production Gap Report published last week by UNEP and other energy experts evidences the increases in overall emissions caused by additional oil and gas extraction.<sup>1</sup> It also analyses the gap between countries' planned levels of extraction and global emissions pathways for meeting the Paris Agreement's 1.5°C temperature goal – with current extraction plans consistent with catastrophic warming of close to 3°C or higher.<sup>2</sup> Accordingly, the authors urge governments to “*chart the course towards a rapid, just, and equitable wind-down of fossil fuel production as part of overall decarbonization plans*”, and “*place restrictions on fossil fuel exploration and extraction to avoid locking in levels of fossil fuel supply that are inconsistent with climate goals*”.<sup>3</sup>

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<sup>1</sup> Production Gap Report 2021 (<https://productiongap.org/2021report/>).

<sup>2</sup> See fn 6 of the Report.

<sup>3</sup> Production Gap Report 2021, p. 6. In respect of the UK, the authors note that the Government is aiming to “*extract every drop of oil and gas that it is economic to extract*” ... *with no plans for a wind-down in production*” (p. 51).

In its recent 'Net Zero by 2050' roadmap, the IEA explained that "*there are no new oil and gas fields approved for development*" in its global pathway to net zero.<sup>4</sup> This message was reiterated in the IEA's latest World Energy Outlook published this month.<sup>5</sup>

These clear findings by international bodies have also been echoed by the UK's Climate Change Committee, whose chair Lord Deben has stated: "*The justification for any new oil and gas exploration or production has to be very, very, very strong and I cannot say that I have so far seen any such evidence. ... We are fighting a battle for our existence and if you do that, you really cannot make short-term decisions without thinking about the long-term implications.*"<sup>6</sup>

In terms of emerging policy, we understand from the Net Zero Strategy that the Government's proposed 'climate compatibility checkpoint' for oil and gas licensing is due to be published for consultation ahead of COP26.

Equally, there are a number of applications for production consent currently being considered by the Department and the Oil and Gas Authority, including the consent sought in respect of the Cambo oil field.

The failure to have in place a complete and up-to-date assessment of the climate impacts of current and future UK offshore oil and gas activities creates uncertainty for decision makers. It also increases the risk that these new policies and consenting decisions will be based on out-of-date analyses of environmental effects and subject to legal challenge.

We urge the Government to set out clearly how it will integrate an up-to-date strategic assessment of the environmental impact of oil and gas activities into upcoming policy and decision-making, and to expedite the process of assessing the sector's climate impacts to avoid the risks posed by the present evidentiary gap.

As set out in ClientEarth's OESEA4 consultation response,<sup>7</sup> any assessment of the climate impacts of offshore oil and gas extraction must include an assessment of all significant impacts – including downstream emissions impacts and impacts relating to extraction under existing licences that is yet to be consented. To do otherwise would be unlawful, and we are prepared to challenge any failure to conduct a legally adequate assessment through judicial review.

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<sup>4</sup> <https://www.iea.org/reports/net-zero-by-2050>.

<sup>5</sup> See, e.g., IEA, World Energy Outlook 2021, pp 6, 100: "*In the [Net Zero Emissions by 2050 Scenario], the rapid drop in oil and natural gas demand means that no fossil fuel exploration is required and no new oil and natural gas fields are required beyond those that have already been approved for development. Prices are increasingly set by the operating costs of the marginal project required to meet demand. Resource-rich governments are assumed to restrict investment in new fields. If they were to opt to increase production so as to capture a larger share of the market, prices would be much lower. ... [A]ctions on the supply side remain crucial to orderly and rapid energy transitions. Over investment creates the risk of underutilised, unprofitable or stranded assets, putting greater financial pressure on producing countries and companies alike. For example, most of the 200 bcm worth of LNG projects currently under construction do not recover their invested capital in the NZE, with the total stranded capital estimated at USD 75 billion. Over investment also creates the risk of excess capacity that puts downward pressure on prices, requiring stronger policy efforts to offset the possibility of a rebound in demand.*"

<sup>6</sup> <https://www.heraldscotland.com/politics/19548967.climate-change-committee-warns-cambo-oil-field-yet-justified/>.

<sup>7</sup> A copy of which is enclosed with this letter.



We would be grateful for urgent confirmation of the Government's intended approach to this matter and look forward to hearing from you.

Yours sincerely

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*Encl.*

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