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FROM CONCEPTION TO COMPLETION

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Mr Russell Chick - Planning Team Leader,
Planning Services - Isle of Wight Council,
Seaclose Offices - Fairlee Road,
Newport - Isle of Wight - PO30 2QS.

Our ref: **ZG-134**
Your ref: **20/00513/FUL**
Date: **15th July 2021**

Dear Mr Chick,

TOWN AND COUNTRY PLANNING ACT 1990: PLANNING UPDATE STATEMENT

Applicant: UK Oil & Gas PLC.

Proposal: The construction, operation and decommissioning of a well site for the exploration and appraisal of hydrocarbon minerals from one exploratory borehole (Arreton-3) and one side-track borehole (Arreton-3z) for a temporary period of three years involving the siting of plant and equipment, the construction of a new access track, a new junction with the Newport to Sandown Highway (A3056) the erection of boundary fencing, entrance gates and other ancillary development with restoration to agriculture.

Location: Land to the west of Arreton in-off the Newport to Sandown Highway (A3056), Isle of Wight.

I refer to the above application.

Since the date of submission in April 2020, the UK Government has issued new energy policy and new climate change mitigation policy documents which are material considerations in the determination of this application. The purpose of this letter is to record the new policies, assess their influence and re-perform the planning balance at July 2021. Accordingly, this letter is structured:

Appendix 1: The Material Planning Considerations Post April 2020

- National Energy Policy
- National Climate Change Mitigation Policy
- National Planning Policy

Appendix 2: The Influence of the Considerations

Appendix 3: Planning Balance at July 2021

In summary, I find the proposed development draws strong support from the considerations. Put simply, it continues to represent precisely the kind of investment envisaged by the UK Government if we are to make the *'best use'*[1] of our mineral resources as the country transitions to a low-carbon future.

If you have any concerns or queries regarding this submission, please do not hesitate to contact me.

Yours sincerely,

Nigel Moore - B.A.(Hons), B.Pl, MRTPI
Environmental Impact Assessment Project Manager

[1] National Planning Policy Framework (February 2019) - paragraph 203, page 58.

Applicant: UK Oil & Gas PLC.

Proposal: Temporary consent for hydrocarbon exploration and appraisal.

Location: Land to the west of Arreton in-off the Newport to Sandown Highway (A3056), Isle of Wight.

APPENDIX 1: THE MATERIAL PLANNING CONSIDERATIONS POST APRIL 2020

National Energy Policy

1.1. **The Energy White Paper: Powering our Net Zero Future (2020)**, represents the freshest Government thinking on energy and climate change mitigation policy, plotting the transition to clean energy by 2050 while retaining the *'essential reliability, resilience and affordability of our energy, as the bedrock of a modern, productive economy'*.[2] The material considerations are:

- The UK's oil and gas industry has a *'critical role'* in maintaining energy security[3,4]; the sector will *'evolve'* and secure future supplies while promoting low-carbon options;[5] gas has a *'key role'* to play in de-carbonising our electricity system[6] by providing the essential back-up of *'gas-fired generation with CCUS[7]'* to compliment more renewable energy.[8]
- Hydrogen needs to be produced at scale by mid-2020; '*methane reformation with CCUS will be the most cost-effective production method'*[9] consistent with the **Prime Minister's Ten Point Plan for a Green Industrial Revolution**, which relies upon Britain's ability to produce *'low-carbon hydrogen'* de-carbonising our economy.
- The sector *'is a major contributor to our economy'*;[10,11] a source of high-quality jobs (147,000 in 2018) within supply chain clusters in the South East of England[12]. Moving forward, the Government will ensure the licensing of UK exploration *'continues to be compatible with our climate change ambitions'*[13].

1.2. There can be no doubt about the seriousness with which the UK Government is tackling the twin challenges of energy security and climate change mitigation. These are matters of national and global importance. Despite the fact that neither national planning policy or guidance have yet been amended to manage the transition to a low-carbon future I attribute significant weight to the direction of travel set within the **White Paper** and the **Ten Point Plan**. They are clear; the UK will

[2] Energy White Paper, Powering our net zero future, December 2020: HM Government (BEIS), page 10.
[3] Energy White Paper, Powering our net zero future, December 2020: HM Government (BEIS), page 134.
[4] HM Government (BEIS), Digest of UK Energy Statistics 2020, page 4 & 6 .In 2019, 75.1% of the primary energy consumed in the UK was oil and gas; 40.6% of our electricity was generated by gas which was the largest source (renewable generation accounting for 37.1% and nuclear 17.3%).
[5] Energy White Paper, Powering our net zero future, December 2020: HM Government (BEIS), page 84.
[6] Energy White Paper, Powering our net zero future, December 2020: HM Government (BEIS), page 47.
[7] Carbon capture, use and storage (CCUS).
[8] Energy White Paper, Powering our net zero future, December 2020: HM Government (BEIS), page 47.
[9] Business Models for Carbon Capture, Usage and Storage: A consultation seeking views on potential business models for carbon capture, usage and storage (BEIS) (July 2019) page 46.
[10] Energy White Paper, Powering our net zero future, December 2020: HM Government (BEIS), page 134.
[11] HM Government (BEIS), Digest of UK Energy Statistics 2020, pages 5, 6 & 7. Energy industries account for 2.5% of the UK's gross domestic production (29% from oil and gas), 6% of industrial employment (177,000 jobs) and £19.2billion investment (30% in oil and gas and 11% in gas alone).
[12] Energy White Paper, Powering our net zero future, December 2020: HM Government (BEIS), page 135.
[13] Energy White Paper, Powering our net zero future, December 2020: HM Government (BEIS), page 132

continue to rely on gas for *'decades to come'*[14] and that domestic oil and gas will *'play an important part in the energy transition'*[15].

1.3. The **White Paper** is consistent with the **Ministerial Statement** to Parliament, 4th November 2019, in which the Secretary of State for Business, Energy and Industrial Strategy, said *'The Government continues to recognise the importance of natural gas as a source of secure and affordable energy as we aim to reach net zero emissions by 2050'*. Given the UK will consume almost 70% of the gas we do today in 2050[16] for hydrogen production it is *'critical that the UK continues to have good access to natural gas from both domestic and international markets'*.[17]

1.4. I find security of supply to be key if the UK is to achieve its climate change ambitions while maintaining UK economic growth and prosperity. The proposed development is consistent with a policy for maximum recovery (while it is cost-effective to do so[18]) and has the potential to help in making the UK economy more resilient in the face of a wide range of import-dependent supply risks; these are national benefits of to which I attribute significant weight.

National Climate Change Mitigation Policy

1.5. **The Climate Change Act 2008 (2050 Target Amendment) Order (2019)**, introduced the *'Net-Zero'* target informed by the findings of the UK Committee on Climate Change (CCC)[19] reported within **Net Zero, The UK's Contribution to Stopping Global Warming (May 2019)**. The CCC's **Sixth Carbon Budget (the 'Budget') - The UK's path to Net Zero (December 2020)** represents the freshest thinking on climate change policy. It provides a *'Balanced Net-Zero Pathway'* for a 78% reduction of carbon emission (below 1990 levels) by 2035[20] consistent with the highest ambitions of the Paris Agreement'[21]. The material considerations are:

- The demand for electricity in 2035 is set to increase by 50%[22] calling for new low-carbon generation[23] which will be met largely by renewables but also with flexible gas CCUS and hydrogen *'to ensure security of supply'*.
- Reductions in gas consumption are offset by the demand for gas to produce hydrogen[24] which needs to become a commercial reality;[25] the CCC consider production by:
  - *'Green hydrogen only'*: produced using zero-carbon electrolysis alone which would substantially limit hydrogen's potential contribution to achieving Net Zero; or by a
  - *'Blue hydrogen bridge'*: from the scalable production of hydrogen using CCUS.[26]

[14] Energy White Paper, Powering our net zero future, December 2020: HM Government (BEIS), page 135.
[15] Energy White Paper, Powering our net zero future, December 2020: HM Government (BEIS), page 135.
[16] HM Government (BEIS), Updated Energy and Emissions Projections 2019 (January 2018), Figure 4.2: Primary energy demand by fuel (Mtoe), page 26, derived from the web based supporting evidence. Primary energy demand in 2021 will be 187Mtoe of which 74% will be met by oil and gas. In 2040, demand will be 183Mtoe of which 68% will be met by oil and gas.
[17] Statement to the House of Commons (UNI: HCWS68). Statement to the House of Lords (UIN: HLWS68).
[18] Annual Energy Statement 2014: DECC, paragraph 45, pages 19.
[19] A public body sponsored by the Department for Business, Energy & Industrial Strategy that advises the government on emissions targets and progress made in reducing greenhouse gasses.
[20] The 6th Carbon Budget and Net Zero, Committee on Climate Change (Dec 2020), page 38.
[21] The 6th Carbon Budget and Net Zero, Committee on Climate Change (Dec 2020), page 49.
[22] Policies for the 6th Carbon Budget and Net Zero, Committee on Climate Change (Dec 2020), page 118
[23] Policies for the 6th Carbon Budget and Net Zero, Committee on Climate Change (Dec 2020), page 120.
[24] Net Zero, The UK's Contribution to Stopping Global Warming, CCC (May 2019), page 252.
[25] Policies for the 6th Carbon Budget and Net Zero, Committee on Climate Change (Dec 2020), page 137.
[26] Policies for the 6th Carbon Budget and Net Zero, Committee on Climate Change (Dec 2020), page 140.

The CCC advocate the *'blue hydrogen bridge'*[27] to reduce emissions quickly, develop the role for hydrogen across the economy and reduce the risks of not achieving Net-Zero. [28]

1.6. The Government has confirmed the Budget is to be enshrined in law[29] and I therefore attribute significant weight to the challenges and rewards of adopting the *'Balanced Net-Zero Pathway'*. Applying the emerging policy, I find the following considerations to be of particular relevance:

- **The need for urgent action:** achieving the reductions will require extensive change across the economy with infrastructure decisions implemented quickly on an unprecedented scale.[30] Put simply, delivery must now progress *'with far greater urgency'*.[31] If approved, the proposed development would become operational without delay and could sustainably supply the UK with the gas its needs on a timeframe to meet the 2035 target and Net Zero by 2050. The potential contribution to achieving these nationally important targets is a benefit I attribute significant weight.

- **Tried and tested technology:** the budget relies on technologies which *'currently have very low levels of technology readiness, very high costs, or significant barriers to public acceptability... it is very unlikely they would all become available'*.[32] In contrast, the proposed development is proven and has been acceptably accommodated in many locations across the UK. The predictability, certainty and security of conventional exploration in this period of delivery risk is a national benefit I attribute significant weight.

- **Carbon intensive imports:** following the publication of the Budget the CCC advised the Government that declining North Sea production and reduced imports from Norway mean the UK will require additional gas supplies *'until 2045 and potentially beyond 2050'*.[33] This demand could be met by UK onshore gas or imported liquefied natural gas (LNG).[34] CCC estimates indicate the greenhouse gas (GHG) emissions from LNG are likely to be higher and *'could be much higher'*[35] resulting in additional GHG emissions of up to 6.7-11.5 $MtCO_2e$ in 2035 compared to UK onshore domestic gas. Domestic gas production would therefore offer substantial emission savings over LNG imports.

  The CCC's **2021 Report to Parliament: Progress in reducing emission**, reiterates the likely need for additional gas supply and/or imports of LNG but states *'it will be important to consider the upstream emissions from oil and gas production in the UK against those of imports in order to limit the impact on global GHG emissions'*[36]. Consistent with this advice I have taken account of the comparative emissions and I find the carbon saving derived from UK onshore gas to be a benefit to which I attribute significant weight.

- **Financially expensive imports:** the CCC's *'Balanced Net-zero Pathway'* calculates a shortfall of 913 billion cubic metres between UK gas demand and supply in 2050. Using the valuation of

[27] Policies for the 6th Carbon Budget and Net Zero, Committee on Climate Change (Dec 2020), page 140.
[28] The 6th Carbon Budget and Net Zero, Committee on Climate Change (Dec 2020), page 152.
[29] HM Government press release 20th April 2021.
[30] Net Zero, The UK's Contribution to Stopping Global Warming, CCC (May 2019), page 21.
[31] Net Zero, The UK's Contribution to Stopping Global Warming, CCC (May 2019), page 11.
[32] Net Zero, The UK's Contribution to Stopping Global Warming, CCC (May 2019), page 141.
[33] Committee on Climate Change advice to the UK Government on compatibility of onshore petroleum with UK carbon budgets, letter to the Secretary of State (BEIS), 31st March 2021, paragraph 1, page 3.
[34] As immediately above - paragraph 2, page 3.
[35] As immediately above - bullet point 2, sub-dash 1, page 3.
[36] Committee on Climate Change Progress in reducing emissions 2021 Report to Parliament (June 2021) paragraph 1, bullet point 3, page 180.

2p/kWh, the cost of having to meet the shortfall through gas imports would be approximately £201 billion by 2050. The costs saving derived from UK onshore gas compared to imported gas is a benefit I attribute considerable weight.

- **Hydrogen production:** the potential contribution the proposed development could make in supplying the UK with the gas it will need the produce hydrogen at scale is a national benefit to which I attribute significant weight.

National Planning Policy Framework (NPPF)

1.7. **The Industrial Strategy: Building a Britain Fit for the Future (November 2017)**, states that as we move towards clean growth it is clear *'oil and gas remains one of the most productive sectors of the UK economy, supporting 200,000 jobs directly and in the supply chain*[37]*and generating £24bn*[38] *in annual exports'.*[39] **The Energy White Paper (2020)**, finds the UK's oil and gas sector to be a *'a major contributor to our economy'.*[40] I attribute *'great weight'*[41] to the sector-specific benefits and *'significant weight'*[42] to the wider economic growth and productivity benefits derived from the *'critical role'* oil and gas plays in maintaining the UK's energy security.[43]

1.8. The expenditure required to install a single borehole at Arreton is likely to be £7 million and it could be significantly higher if a sidetrack well is to be drilled. These estimates have been informed by the expenditure incurred during a similar 3-year period of exploration at the Horse Hill Well Site in Surrey. Whilst the specialist rig and its labour force are likely to come from outside of the region the construction expenditure on materials, equipment and labour is likely to be sustainably sourced from suppliers on the Island.

1.9. During exploration, well site maintenance services will be sourced locally along with waste management, security services, accommodation and catering. Throughout the project local hauliers will be used and with restoration and enhancement plans predicated upon the use of native species, this expenditure is likely to be retained locally.

1.10. The proposed development would create 30.No full-time jobs during its temporary duration, sustain the permanent jobs at the Applicant's Headquarters based in Surrey and pay Island business rates similar to all other rural business operations. As a legacy of the project the income derived from farm diversification will secure the long-term viability of the underlying agricultural business, keeping it active within the rural economy and maintaining a long tradition of sustainable countryside management. When taken as a whole, the expenditure introduced will benefit the local economy in compliance with NPPF(83(a)(b)).

1.11. Having applied the policies of the NPPF, I find the proposed development achieves a high degree of consistency engaging its ***'presumption in favour of sustainable development'***[44] with full force.

[37] Oil and Gas UK (2017) Oil & Gas UK Economic Report 2017
[38] Office of National Statistics Bulletin, UK Trade: Dec 2015, Table 8, Value of Trade in Goods by Commodity.
[39] HM Government, Industrial Strategy Building a Britain fit for the future November 2017, page 149.
[40] Energy White Paper, Powering our net zero future, December 2020: HM Government (BEIS), page 134.
[41] National Planning Policy Framework (February 2019) - paragraph 205.
[42] National Planning Policy Framework (February 2019) - paragraph 80.
[43] Energy White Paper, Powering our net zero future, December 2020: HM Government (BEIS), page 134.
[44] National Planning Policy Framework (February 2019) - paragraph 10, page 5, the use of **bold** text comes from the source document.

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APPENDIX 2: THE INFLUENCE OF THE CONSIDERATIONS

2.1. The CCC state the benefits of achieving Net Zero will be *'significant'* and they include:

- **Improved quality of life:** benefits to human health (and the NHS) from amongst other things an *'increased resilience to climate change'*.
- **Lower risks from climate change:** namely the avoidance of flooding (a direct benefit) and a reduced exposure to food price volatility and geo-political conflict (an indirect benefit).
- **Industrial opportunities:** a potential boost for UK from being an *'early mover'* in key sectors (e.g. emerging low-carbon technologies) with potential benefits for exports, productivity and employment stating *'the shift in resources from imported fossil fuels to UK investment could stimulate further economic activity'*.

2.2. I find the proposed development to be precisely the kind of response envisaged by the CCC if the UK is to shift away from imports. Domestic supply represents the most efficient use of resources by virtue of proximity to the end user. It avoids the shipping emissions and the higher emissions intensity of LNG, it mitigates the risk of the UK inadvertently off-shoring emissions to other parts of the world[45] and it allows UK regulators the ability to control the exploration process in the best interests of climate change mitigation.

2.3. The CCC state that reducing UK reliance on imports would enhance our *'energy sovereignty'*.[46] I find that domestic supply will deliver the same *'hedge against price volatility'* and avoid the same *'damaging economic impacts'*.[47] I attribute significant weight to the national benefits derived from domestic supply.

2.4. The UK's domestic oil and gas sector has a *'key role'*[48] to play in de-carbonising the UK electricity system if we are to achieve Net-Zero in 2050. During this transition, it will play a *'critical role'*[49] in maintaining energy security, reliability and affordability as the bedrock of our modern and productive economy. These are matters of global and national importance.

[45] Net Zero, The UK's Contribution to Stopping Global Warming, CCC (May 2019), page 105.
[46] Net Zero, The UK's Contribution to Stopping Global Warming, CCC (May 2019), page 251/2.
[47] Net Zero, The UK's Contribution to Stopping Global Warming, CCC (May 2019), page 251/2.
[48] Energy White Paper, Powering our net zero future, December 2020: HM Government (BEIS), page 47.
[49] Energy White Paper, Powering our net zero future, December 2020: HM Government (BEIS), page 134.

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APPENDIX 3: PLANNING BALANCE AT JULY 2021

3.1. Having taken account of the new material consideration I find:

- **Security of supply:** to be key if the UK is to achieve its climate change ambitions while maintaining economic growth and prosperity. In helping to secure the gas supplies the UK will need the proposed development will help deliver a *'well-managed transition'* that will improve people's lives and reduce their exposure to climate risks[50] while making the UK economy more resilient in the face of a wide range of import-dependent energy supply risks. These are national benefits to which I attribute significant weight.
- **Predictability, certainty and security of conventional exploration:** to be a significant benefit as is the prospect of the proposed development being operational in a timeframe that would allow it to make a valuable contribution in achieving the UK's carbon emission reduction targets.
- **Domestic supply:** to be the most efficient use of resources by virtue of proximity to the end user. It avoids the shipping emissions and higher emissions intensity of LNG, it allows UK regulators the ability to control the exploration process in the best interests of climate change mitigation and it will prevent the loss of loss of over £200 billion by 2050. These are national benefits which I attribute significant weight.

3.2. In summary, I find the proposed development to be precisely the kind of land-use development and private sector investment required by national energy and planning policy to make the *'best use'* of our mineral resources.[51] It draws strong support from the relevant considerations which I consider to be a benefit of national importance.

[50] Net Zero, The UK's Contribution to Stopping Global Warming, CCC (May 2019), page 30.
[51] National Planning Policy Framework (February 2019) - paragraph 203, page 58.