

## Energy Bill Briefing

**Please support new clause 5 Moratorium on offshore drilling in the Arctic and other fragile/hazardous environments.**

**Please support new clauses 14, 15 and 16, Adherence to UK standards for oil and gas production and extraction, Report on compensation for petroleum spills and Publication and consultation on oil spill response plans.**

12<sup>th</sup> September 2011

### **Introduction.**

As 'easy to reach oil' becomes scarcer, companies are expanding their search to new frontiers, such as the Arctic, previously considered too inaccessible, expensive or risky to exploit.

There are legitimate concerns that oil companies are not technically capable of, or financially prepared for, managing spills and their aftermath in these new and challenging environments; and that they are not being required to demonstrate their preparedness publicly, before being granted licenses to explore and produce oil.

### **1. Publication of Oil Pollution Emergency Plans – New Clause 16**

A recent Energy and Climate Change Committee enquiry<sup>i</sup> concluded that: 'the offshore oil and gas industry is responding to disasters, rather than anticipating worst-case scenarios and planning for high-consequence, low-probability events'. This includes failure to produce and consult upon oil pollution emergency plans which clearly demonstrate that a company is capable of managing the aftermath of an oil spill.

In the UK, some limited obligations do exist, to make Oil Pollution Emergency Plans available for scrutiny (via Environmental Statements) and completed plans are available upon request from the Department of Climate Change and Energy, under the Environmental Information Regulations 2004. However, there is no explicit requirement for publication and active consultation on OPEPs. Nor is there a requirement for DECC to publish all completed plans. New Clause 16 is designed to improve transparency, and increase opportunities for public participation in the production of OPEPs.

### **2. Adherence to UK standards for oil and gas production – New Clause 14**

Greenpeace has raised and continues to hold serious concerns about the adequacy of the current UK regulatory regime for offshore oil and gas<sup>ii</sup>. Nonetheless, we believe that it is rational that UK companies should be required to meet UK standards and conditions *as a minimum*, when operating outside of UK waters, as well as complying with national laws and international good practice.

Cairn Energy, a UK-based company drilling off the shores of Greenland since 2010, has consistently refused to publish their oil spill response plan. Norwegian draft regulations for offshore drilling stipulate that companies should allow oil spill response plans to be viewed by interest groups at public hearing for approvals. In addition, the Arctic Council's oil and gas offshore guidelines<sup>iii</sup> make clear that operators should allow the opportunity for public review and comment of the spill response plan. Denmark (including the Faroe Islands and Greenland) are members of the Arctic Council. Last month, in the face of huge public pressure, the Greenland government, not Cairn, finally agreed to publish the plans. New Clause 14 would force companies to adhere to UK standards when operating outside of UK waters.

### **3. Moratorium on offshore drilling in the Arctic – New Clause 5**

By the UK government's own admission<sup>iv</sup>, an oil spill in the Arctic would be nearly impossible to clean up and would have a devastating impact on the environment.

Cairn Energy's oil spill response plan confirms what many experts fear – that the icy Arctic conditions would mean that clean-up operations grind to a halt during the Arctic winter,<sup>v</sup> leaving oil under the ice until the following Spring. The plan also admits that conventional means of cleaning up spill, such as dispersants and in situ burning, would be significantly less effective in Arctic conditions. In the absence of any effective means of stopping and cleaning up a spill, New Clause 5 proposes a moratorium on drilling in the Arctic and other fragile environments.

#### **4. Report on compensation for petroleum spills – New Clause 15**

Oil and gas companies operating in the UK continental shelf are required to join the Offshore Pollution Liability Association (OPOL) as a condition of licensing. Membership of OPOL guarantees up to \$250 million towards compensation or clean up, even if a company were to go bankrupt following an oil spill. But as the Energy and Climate Change committee noted, the disaster in the Gulf of Mexico is forecast to cost BP up to \$40 billion – 16 times more than the OPOL limit. The committee warned that if a small oil company declared insolvency, clean up costs above and beyond the \$250 million OPOL cover would inevitably fall to UK taxpayers, and recommended that *“it should be*

New Clause 15 would require the Secretary of State to publish a report every five years that would give an opinion whether the amount of insurance coverage is adequate and the steps he/she intends to take if it is considered inadequate.

<sup>i</sup> <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmenergy/450/45002.htm>

<sup>ii</sup> <http://www.greenpeace.org.uk/groups/southampton/blog/our-legal-challenge-deepwater-drilling>

<sup>iii</sup> <http://arctic-council.org/filearchive/Arctic%20Offshore%20Oil%20and%20Gas%20Guidelines%202009.pdf>

<sup>iv</sup> [http://www.greenpeace.org.uk/sites/files/gpuk/SCN\\_0002.pdf](http://www.greenpeace.org.uk/sites/files/gpuk/SCN_0002.pdf)

<sup>v</sup> Cairn Oil Spill Response plan, P90