Department for Energy Security & Net Zero

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Mr Russell Borthwick
Chief Executive
Aberdeen & Grampian Chamber of Commerce

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Dear Russell,

Thank you for your letter of 24 March, regarding North Sea oil and gas.

The Energy Profits Levy (EPL) remains in place as a temporary windfall tax, with the design incorporating a price floor through the Energy Security Investment Mechanism (ESIM). If both average oil and gas prices fall below the ESIM thresholds for a period of six months, the EPL will end early; however, these thresholds have not been triggered. Indeed, as you will know, we are in a period of significantly higher oil and gas prices driven by the situation in the Middle East.

The Chancellor has listened to calls for the EPL to be replaced by the Oil and Gas Price Mechanism (OGPM) sooner than 2030 and wants to work with industry to provide certainty on the future fiscal regime.

The Government will publish draft legislation for the OGPM, to be included in the next available Finance Bill, and will continue engagement with industry on its implementation to ensure the regime is ready to operate.

Regarding consenting for fields which are already licensed, we worked as quickly as possible after coming into Government to draft, consult and publish the supplementary Environmental Impact Assessment guidance on scope three (i.e. end-use) emissions which was required after the Supreme Court decision. This guidance can be found at: www.gov.uk/guidance/oil-and-gas-offshore-environmental-legislation#offshore-oil-and-gas-exploration-production-unloading-and-storage-environmental-impact-assessment-regulations-2020.

Environmental Impact Assessments will be subject to a robust process with decisions on whether or not to agree to the grant of consent for projects being made on the facts of each case. Since the Jackdaw and Rosebank projects are each subject to a live regulatory process, it would not be appropriate for me to comment further on either project or the points you raised.

The Government has taken a pragmatic position on the future of the North Sea, including plans to introduce Transitional Energy Certificates (TECs) to help ensure existing fields remain economically viable and can be managed for the entirety of their lifespan, as we transition to our clean energy future.

Regardless of where it comes from, oil and gas is traded on international markets, which sets the price for British billpayers. New licences in the North Sea would make no difference as we are a price taker, not a price maker. The best way to improve our resilience in the face of global instability is to increase our domestic supply of renewable energy, reducing our exposure to oil and gas price shocks. I know you agree with me that there is huge potential in the North Sea to build up these industries so that the energy transition is as much of a success story as oil and gas has been for many decades. The work the North Sea Future Board is doing will help to make that happen and I look forward to the Chamber of Commerce continuing to do its part to support that investment into Aberdeen and the North East.

Thank you for writing to me about these important issues. Please be assured the future of the North Sea is an absolute top priority for me and for the Government.

Best wishes,

Michael Shanks

MICHAEL SHANKS MP
Minister of State for Energy