

MAYER • BROWN

# Shale Gas Prospects in the UK

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8TH ANNUAL

**Global Energy  
Conference**

THE WORLD TURNED

UPSIDE DOWN

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# The UK – Differences from the US

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- ❖ UK still early stage
- ❖ Exploratory drilling started in August 2010
- ❖ UK is a different context for shale gas development:
  - Geology
  - regulation: environment and planning process, tax incentives, ownership
  - service industry
- ❖ In 2011 operations suspended following seismic tremors

# theguardian

## Earthquake shakes Blackpool

Tremor of 2.2 magnitude topples traffic lights, cracks railway bridge and prompts fears of burglary



## Shake 'n' Frack link 'probable'

Experts said 'fracking' was the "highly probable" cause of earth tremors which hit the Lancashire town.

# The Telegraph

## Cuadrilla admits drilling caused Blackpool earthquakes

Private company Cuadrilla Resources has admitted that its activities probably caused two "seismic events" that occurred in Blackpool earlier this year.



## The INDEPENDENT

## Fracking company - we caused 50 tremors in Blackpool – but we're not going to stop

Fifty separate earth tremors have been caused in the Blackpool area by "fracking", the drilling method used to extract shale gas

# The UK – The Need for Shale Gas

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## ❖ The UK Energy Mix

- Depletion of North Sea reserves (1.5m bopd 2013 v 4.5m bopd in 1999)
- About 15% of coal and oil UK generating capacity will be closed by 2015 for regulatory reasons
- A further 4GW of nuclear will be offline by 2020
- UK has legally binding carbon targets to 2050

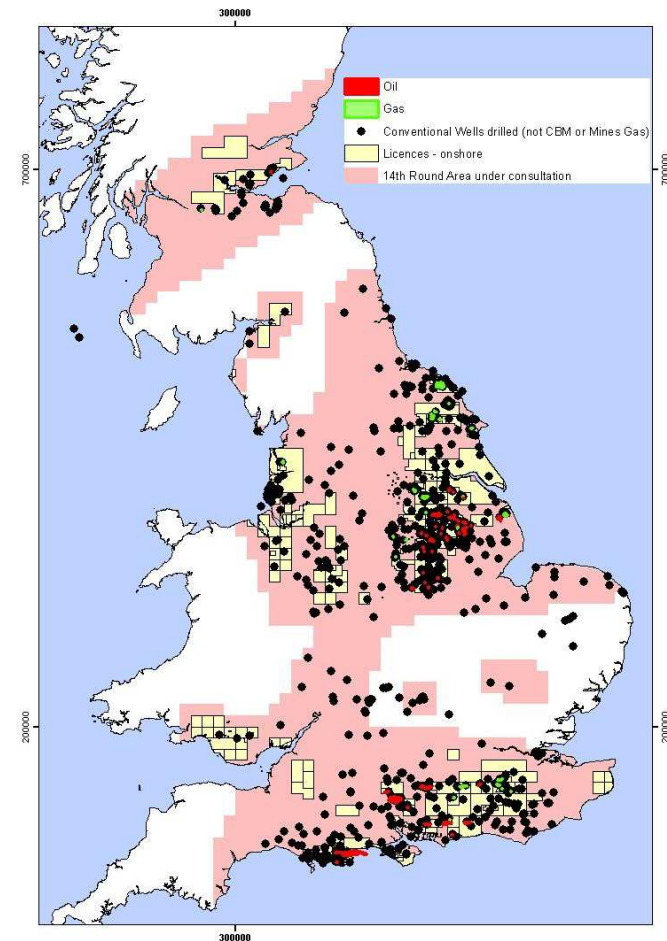
❖ Estimates of technically recoverable resources range from 2.3 tcm (81.22tcf) to 19.8 tcm (699.2tcf) – April 2013

❖ British Geological Society update (Summer 2013)

# The UK – Currently Licensed Fields (Conventional and Unconventional)

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- ❖ Petroleum Exploration and Development Licences (PEDL)
- ❖ Covers shale gas, oil shale, mine vent gas exploration and production subject to obtaining other regulatory consents
- ❖ 14<sup>th</sup> round area will follow publication of UK Government's Strategic Environmental Assessment ("SEA") which was suspended in 2011 and recommenced in December 2012



# The UK – Recent Developments

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- ❖ Moratorium lifted in December 2012, subject to additional controls
- ❖ Cuadrilla has suspended operations until 2014 to compile Environmental Impact Assessment (“EIA”)
- ❖ Cuadrilla committed to UK, new operation in Sussex
- ❖ IGas started exploratory drilling two sites



# The UK – The Regulatory Landscape

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- ❖ Since Autumn 2012 significant policy shift
- ❖ UK Government's Gas Strategy (December 2012)
- ❖ Tax – shale gas field allowance (November 2012)
- ❖ Office for Unconventional Oil and Gas (March 2013)
- ❖ UK Committee on Climate Change Report (April 2013)
- ❖ “Community benefits” regime (Summer 2013)
- ❖ New planning guidance (Summer 2013)