

Policy and Regulatory Update

Ciarán Ó hÓbáin

Department of Communications,
Energy and Natural Resources



Department of Communications, Energy and Natural Resources
Roinn Cumarsáide, Fuinnimh agus Acmhainní Nádurtha
www.pod.ie

Presentation Themes

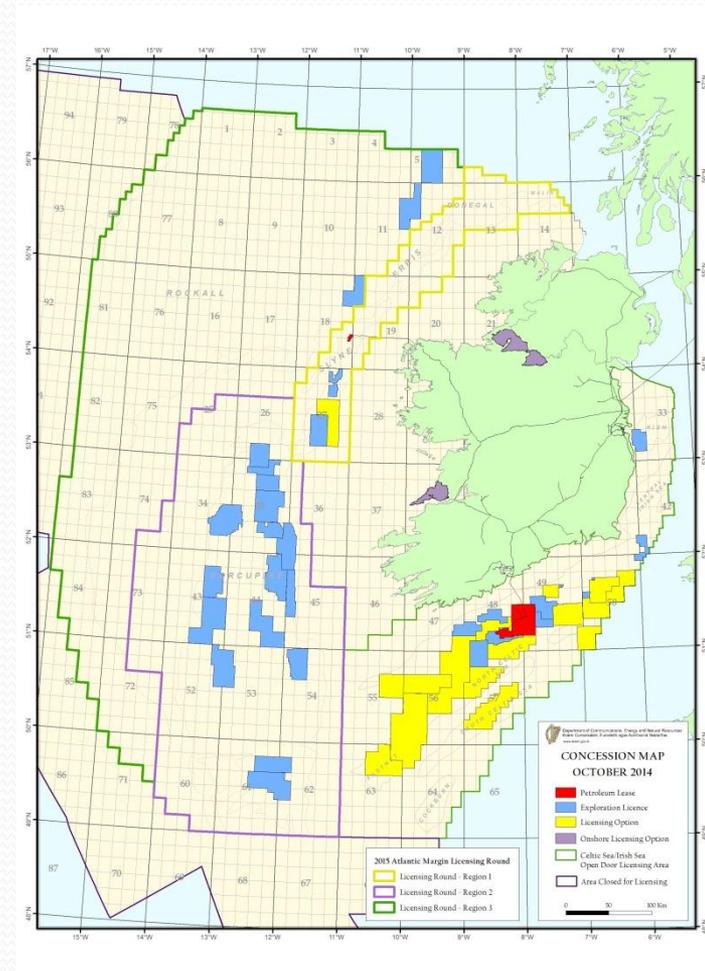
- **Policy Context and Landscape**
- **Policy Initiatives – National and EU** (Licensing Policy, Fiscal Terms, EU Offshore Safety Directive, Environmental Hazard and Civil Liability)
- **Environmental Initiatives** (IOSEA5, addressing Baseline Data Gaps, EIA & AA processes for Surveys and Well applications)
- **Broader Government Agenda** (Energy White Paper & Harnessing Our Ocean Wealth Strategy)
- **Conclusions**

Policy Context and Landscape

- **Oil and Gas key part of Ireland's energy mix, but heavily reliant on imports**
- **Recognised indigenous resource potential**
- **Offshore area very under-explored, but encouraging signs of upswing in exploration activity**
- **Range of Government initiatives to encourage investment in sector and to ensure clear, stable and appropriate regulatory environment**
- **Strong emphasis and support for actions that develop new and deepen existing knowledge**
- **Strong focus on developing potential of Ireland's extensive marine area, with Oil\Gas E&P sector central to Government strategy**

Licensing Approach

- Licensing Rounds for Atlantic Basins
- Open door policy Celtic/Irish Seas
- Timely & effective work-programmes
- Lessons learned, together with consultation and feedback have shaped development of approach
- Determining what actions will best serve the public interest is complex
- The value in continuing to provide a clear roadmap to industry is recognised by the Department



Corrib Gas Project

- **Construction of final element of infrastructure (onshore pipeline) is well advanced**
- **Commencement of operations at Bellanaboy Terminal in November 2014**
- **First gas anticipated mid 2015**

Bellanaboy Gas Terminal



Fiscal Terms Review

Wood Mackenzie Key Principles:

- **Early phase of the industry – focus fiscal terms on the profitability of individual field developments**
- **A share of revenue for State in every year of production**
- **Fiscal terms should not deter investment**
- **Fiscal terms should be progressive**
- **Marginal Government share of profits should not so high that it is likely to deter investment in later field life**
- **Fiscal system should be transparent and easy to administer**

Wood Mackenzie Recommendations

- **For now, Ireland should maintain a concession system, with industry rather than the State bearing exploration risk**
- **For discoveries made under future licences a revised form of production tax should apply**
- **Charged on a field-by-field basis with the rate varying according to the profitability of the field**
- **Include a minimum payment at a rate of 5% ensure a share of revenue in every year of production**

Wood Mackenzie Recommendations

- **Marginal rate of 55% to apply in the case of new licences (rate is 40% under the current fiscal regime)**
- **Corporation tax rate applying to petroleum production should remain at 25%**
- **Provisions relating to capital allowances and carry forward of exploration costs should continue**
- **Options to explore going forward - National Oil Company and Production Sharing Contracts**
- **Revised Terms to be given effect through 2015 Finance Act**

EU Interventions – Recent & Potential

- **Offshore Safety Directive 2013 – To be transposed by July 2015**
- **Directive broadly consistent with approach of Ireland’s Petroleum Safety Act 2010**
- **Will still require reasonable level of amendment to 2010 Act**
- **Core concepts include – Independence of safety regulator, financial security and major environmental hazard**
- **A core objective for Ireland is to ensure implementation recognises shape and stage of development of Irish E&P Sector**
- **Action by EU Commission in area of “Civil Liability”?**

Environmental Initiatives

Strategic Level Actions:

- Strategic Environmental Assessment
- Environmental Baseline Data Acquisition

Project Level Actions:

- Environmental Impact Assessment and Appropriate Assessment (EIA & AA) for seismic surveys and drilling programmes

Strategic Environmental Assessment

- IOSEA 5 about to commence
- Will include all areas covered by previous four SEAs
- Objective is to assess potential impacts of E&P activities on the marine environment
- Broad based Steering Group to guide and advise
- Good opportunities for stakeholder engagement
- Report - June 2015 to inform applications under Round

Baseline Data Acquisition Programme

- **Gaps in environmental baseline data identified**
- **Government programme to deepen knowledge**
- **Two Core Projects: (i) Broad-scale Line Transact Surveys; and (ii) Targeted acoustic and visual surveys**



Timing - Deliverables - Outputs

- **Data acquisition over 2 years – 4 seasons, commencing summer 2015**
- **Principal focus marine mammals and seabird species**
- **Examples of Deliverables\Outputs:**
 - **Species occurrence and distribution by season and year**
 - **Relative abundance and density for key species**
 - **Identification\refined assessment of important marine areas\features from both a targeted species and overall species perspective**
 - **Development of updated Atlases**
 - **Inform management options for regulatory decisions**

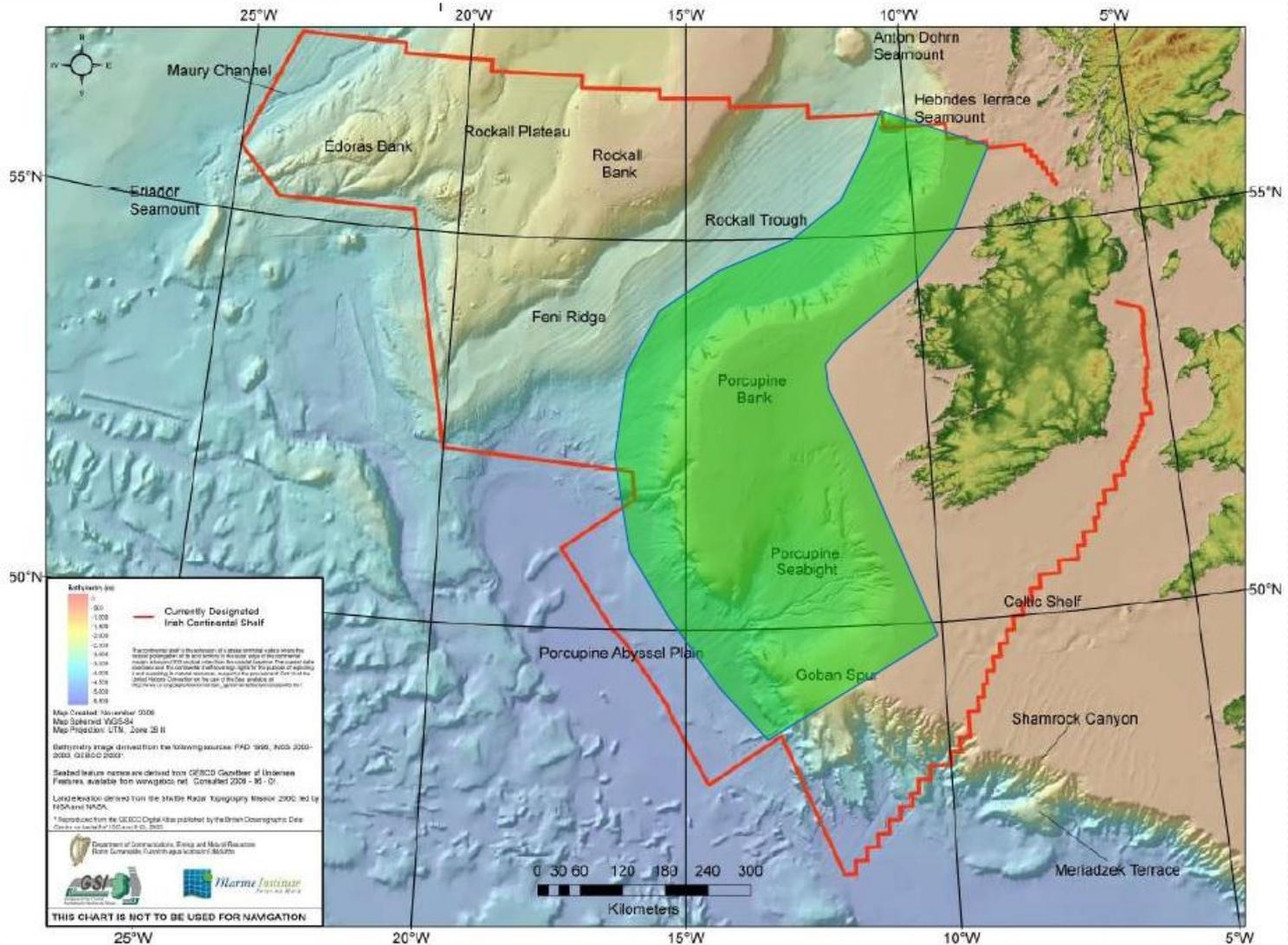


Figure 2. Ireland's designated Continental Shelf, showing the broader Study Area to be covered by the proposed Core Projects (green shading).

EIA and AA – Seismic Surveys & Drilling

- Clear and robust process for assessing applications
- Results in confidence in permits granted
- Process is participative and recognises commercial environment
- Process is transparent – Guidance, Applications and Decision Documents are all published on website
- Welcome early engagement with Department – Guidance on process, Scoping, Draft Documents
- Becoming more critical with upswing in activity

<http://www.dcenr.gov.ie/Natural/Petroleum+Affairs+Division/Statutory+Assessments+of+Environmental+Statements/>

Oil\Gas E&P and Wider Government Agenda



- **Energy White Paper being developed**
- **Consultation on Green Paper closed end July**
- **Oil and Gas will continue to be critical element of Ireland's energy mix**
- **Indigenous Resources – benefits to Exchequer, significant economic activity, strengthened security of energy supply**
- **Oil and Gas E&P Sector recognised as core element of Ireland's Marine Strategy**

Conclusions

- Ireland is an **“under-explored”** not a **“new”** petroleum province
- As a consequence many of the required systems, processes and supports are already in place
- Witnessing welcome upswing in E&P momentum
- Joined-up thinking by Government, Research Community and Oil Industry is contributing
- Government will continue to work to ensure appropriate regulatory framework and policy environment, at both national and EU level
- A collaborative approach will deliver best outcome for Ireland