

Offshore Petroleum Licensing Bill

Second Reading briefing

Monday 22 January



Background

- The [Offshore Petroleum Licensing Bill](#) (OPL Bill) requires the North Sea Transition Authority to run annual licensing rounds for offshore oil and gas extraction in the UK. The Bill states that each licensing round will only go ahead if two tests are met. Yet, these tests would be almost impossible to fail, putting UK climate targets at risk.
- The Bill intends to 'boost the UK economy, energy security and transition to net zero'. However, it has been criticised as being a distraction that will have no impact on energy bills and would reinforce harmful perceptions about the UK rowing back on climate action. Former Environment APPG Chair, Chris Skidmore MP, resigned in protest against the Bill, and [a group of 30 cross-party MPs](#) recently wrote to the Energy Secretary urging her to drop the legislation.

What are climate compatibility checkpoints?

- The Bill includes two 'tests', relating to emissions and imports, both of which must be passed each year before the North Sea Transition Authority (NSTA) can launch a licensing round:
 1. The UK must be projected to import more oil and gas from other countries than its domestic production quantities.
 2. Carbon emissions resulting from the production of UK gas are lower than the equivalent emissions from imported liquefied natural gas.
- Without amendments, these tests will be impossible to fail and will not provide adequate safeguards or scrutiny. The tests also raise questions about implementation as the government does not currently produce the data required to run the tests.

What are the primary areas of concern?

- **This Bill will have major implications for the UK's climate ambitions:** New oil and gas developments threaten the Paris Agreement. While it acknowledges the UK would rely on some oil and gas until it reaches net zero, the [Climate Change Committee](#) has been clear that 'this does not in itself justify the development of new North Sea fields'.
- **The Bill erodes the already weak measures in place to ensure UK oil and gas is aligned with the UK's climate targets:** The new 'tests' override the [climate checkpoints](#) that came into force in 2022 and make no reference to industry emissions reduction targets.
- **The Bill will not increase energy security in the UK:** Scaling up renewables and increasing energy efficiency is the only way we can reduce reliance on gas imports. Companies are not obliged to supply the UK with oil and gas extracted from the North Sea, licenses issued since [2010](#) have led to only nine weeks' worth of gas being discovered and 16 days' worth of gas being produced. In the context of a global market, the UK can only increase its energy security by reducing consumption of fossil fuels and developing domestic renewable energy sources.
- **The Bill undermines confidence in the renewable energy sector:** Rolling back on green policies makes the UK a less attractive place to invest. Renewables are consistently the most popular energy source in the UK, with [government statistics](#) showing that 85% of people support it.

- **The Bill will have major implications for the UK's nature ambitions:** No consideration has been given to the impact of annual licensing on the UK's natural environment. An analysis of the 64 'blocks' in the North Sea where companies were last month given the go-ahead to start exploration shows that more than a quarter overlap wholly or partially with Marine Protected Areas (MPAs). MPAs are designated sites to protect rare, threatened and important habitats and species from damage caused by human activities.
- **The Bill will not bring down energy bills:** Currently energy bills are still double what they were in winter 2020/21 and since oil and gas is sold on the international market, this will not deliver cheaper bills for constituents. The [Energy and Net Zero Secretary](#) herself has been clear that annual licensing rounds will not result in lower energy bills.
- **The Bill undermines the UK's position as a climate leader:** Scrapping green policies and climate commitments at a time when the US, EU and China are investing hundreds of billions on transitioning to green economies to attract global investment, would be hugely damaging to the UK economy.
- **The Bill gives no consideration to methane emissions in the North Sea:** Methane is a potent greenhouse gas with more than eighty times the warming power of CO₂ in the first 20 years after emissions. Every year, just 18 oil and gas platforms in the North Sea are losing enough gas to power 140,000 homes.

Suggested interventions

1. **Urge the government to withdraw the OPL Bill:** boosting energy security and economic growth is vital, but this Bill will not deliver that. There is no reason, legal or otherwise, why the UK Government could not conduct annual licensing rounds already if it wanted to. The Bill also puts the Paris Agreement goal to limit the global average temperature increase to 1.5C at serious risk.
2. **Insist that climate compatibility checkpoints are strengthened:** Poorly designed checkpoints risk misleading the public and investors in the North Sea into believing projects are compatible with net zero.
3. **Raise concern for prioritising oil and gas at a time when the renewable sector should be the priority:** The UK is the windiest country in Europe and yet there is no coherent plan for building out a clean energy system and transitioning away from harmful fossil fuels, which is essential to capture the jobs and economic benefits of the transition.

What do voters think?

- YouGov [polling](#) commissioned by Global Witness found only one in 10 UK adults think more oil will reduce energy bills. When asked which energy source would best serve the UK's energy security, 56% chose more renewables, with just 8% preferring more oil, gas and coal.
- Opinium [polling](#) commissioned by RenewableUK shows that 82% of UK voters believe that green industries are important for the growth of Britain's economy. 71% supported increasing investment in renewable energy.