Final Regulatory Impact Assessment (RIA)

1. Title of proposal


2. Purpose and intended effect of measure

(i) The objectives

The objectives of the measure are to increase public access to environmental information and to allow for greater public participation in the environmental decision-making process. This requires amendments to the Offshore Petroleum Production and Pipe-lines (Assessment of Environmental Effects) Regulations 1999 (“the Offshore EIA Regulations 1999”) in accordance with the requirements of the Public Participation Directive 2003/35/EC. This Directive amends Council Directive 85/337/EEC on the assessment of the effects of certain public and private projects on the environment, which was the reason for the introduction of the 1999 Regulations.

Offshore oil and gas environmental issues are a reserved matter.

(ii) The background

The Public Participation Directive implements the additional requirements for publicity and access to justice contained in the Aarhus Convention. The additional publicity requirements therefore need to be added to the Offshore EIA Regulations 1999 although not the access to justice provisions as the existing procedure of judicial review is deemed sufficient to do this.

The additions to the publicity process required are:

- including, within the application for a consent or permit, an outline of the main alternatives, if any, that are studied by the applicant;

- notifying the public of appropriate decisions and making available the relevant consents or permits together with the reasons and considerations on which the decisions are based;

- notifying the public early in the procedure (or as soon as the information can be provided) of the nature of the possible decisions; and

- making available within appropriate timeframes: (i) the main reports and advice issued to the regulator in accordance with national legislation when the application was made, and (ii) information relevant to the decision which only becomes available after the advertisement of the application.
The Offshore EIA Regulations 1999 are also amended in order to implement the provision which now makes environmental impact assessment mandatory where an existing project is extended by more than the thresholds in Annex 1 of Council Directive 85/337/EEC. (If the thresholds in Annex 1 are to be exceeded by a project then, under the terms of Directive 85/337/EEC, environmental impact assessment is mandatory). For the UK offshore oil and gas industry, the thresholds apply to a new oil and / or gas field that will produce more than 500 tonnes of oil a day or more than 500,000 cubic metres of gas a day, and to the extension of an existing pipe-line where that extension is 40 kilometres or more in length and a diameter of 800 millimetres or more (regardless of whether that pipe-line forms an integral part of a specific development).

Consequently, an existing oil and / or gas field that increases its production by more than these amounts, or any extension to an existing pipe-line exceeding the relevant length / diameter criteria, will now have to undergo mandatory environmental impact assessment.

In addition to the above, there is a requirement on the Government to make arrangements for publicising information concerning any proposed offshore oil / gas related development in another EEA State that might have significant transboundary impacts on the UK offshore environment. Accordingly, the amending Regulations include provisions to meet this requirement.

(iii) Rationale for Government intervention

Provide the public with increased access to and more information than at present to allow all stakeholders to reach better informed decisions that are more acceptable to a wider audience. In addition, without these Regulations, the UK would not be properly implementing a Directive that itself has been amended. Consequently, the UK would be at risk of infraction proceedings from the Commission for incorrect transposition of the Public Participation Directive.

3. Consultation

(i) Within Government

Consultation with relevant Government Departments took place from 14 October to 7 December 2005. No significant comments were received.

(ii) Public consultation

A public consultation (involving more than sixty key stakeholders e.g. the offshore oil / gas industry, environmental Non-Governmental Organisations (NGOs), and other affected bodies) on the legislative proposals to amend the Offshore EIA Regulations 1999 was carried out between 4 September and 4
December 2006. Four responses were received, which all agreed with the need to amend the existing Regulations in accordance with the Public Participation Directive. One concern raised related to the inclusion of statutory provisions requiring the DTI to undertake consultation with advisory bodies on applications for a Direction that an Environmental Statement (ES) need not be prepared, even though this is not a requirement of Article 4(2) the EIA Directive 85/337/EEC. These provisions have not now been included.

However, because the Offshore EIA Regulations 1999 implement Article 4(2) by way of case-by-case examination and infer that the Secretary of State can only grant a Direction that an ES need not be prepared where he is of the opinion that the activity in question is not likely to have an adverse effect on the environment, the DTI intends to continue to consult in respect of applications seeking a Direction, in order to fully satisfy the Secretary of State that there are no significant environmental impacts prior to the issuing of any Directions. The intention is to ensure that consultation remains an integral component of the review process, but removing the statutory provisions relating to consultation will ensure that the procedure is sufficiently flexible to deal with any urgent applications. DTI also plans to review the consultation procedures for certain categories of application to determine whether consultation is necessary, with a view to reducing the overall burden of this process.

4. Options

(i) Option 1: Do nothing

This is not possible as correct implementation of the Directive requires Regulations to be introduced. As already indicated, the UK would be open to infraction proceedings from the Commission if the provisions of the Directive were not properly transposed into UK law.

(ii) Option 2: Introduce Regulations

As well as the provisions for better public access to environmental information and participation in the decision making process, another new requirement of the Public Participation Directive is that any existing oil and / or gas field which increases its production by more than 500 tonnes of oil a day or 500,000 cubic metres of gas a day, or the proposed extension of an existing pipe-line where that extension is 40 kilometres or more in length and a diameter of 800 millimetres or more (regardless of whether that pipe-line forms an integral part of a specific development), will now be subject to a mandatory environmental impact assessment. Accordingly, the introduction of the amending Regulations is the only option available to enable enforcement of mandatory environmental impact assessment on existing oil and / or gas fields where increases in production or a pipe-line development exceed the abovementioned thresholds.

5. Costs and Benefits
(i) Sectors and Groups affected

The only business sector affected is the UK offshore oil and gas industry.

(ii) Benefits

(a) Option 1: There are no benefits associated with this option. As previously stated, there would be a risk of infraction proceedings if this option were to be adopted.

(b) Option 2: The obvious benefit is correct implementation of a Directive (to be accompanied by revised Guidance Notes providing certainty and clarity on the Directive’s requirements), which will deliver increased public access to environmental information leading to greater participation in the environmental decision-making process. In addition, there would be more transparency in, and accountability for, all decisions taken by Government regards the approval of proposed developments.

(iii) Costs

(a) Implementation costs

Most of the implementation costs associated with the processing and additional publicity will fall on Government. The annual costs will apply to the processing of about fifty requests from operators for exemptions from the requirement to undertake an environmental impact assessment, plus the publicity in respect of the exemptions issued. The average staff costs associated with processing these requests would be £14,450 - based on £2,450 for 50 man-hours to process fifty requests (e.g. £49 per hour x 1 hour per request x 50) plus £12,000 for Gazette notices (e.g. £80 x 3 x 50).

If an operator had to carry out environmental impact assessment as a result of an existing project exceeding the specified thresholds, then that operator would incur the costs associated with:

- the preparation of an environmental statement;
- publicity for the environmental statement (which includes a ‘public notice’ in the Guardian newspaper and appropriate local newspapers e.g. those circulated in the vicinity of the coast nearest the proposed project); and
- consultation with statutory bodies (in addition to DTI) namely the JNCC, FRS and CEFAS, as well as other relevant environmental authorities (i.e. the EA) if the proposed activity is within 40 kilometres of the coast.

It is estimated these costs could be anything up to £100,000 per statement (including required publicity / consultation plus 10% (minimum) for staff costs), with perhaps ten additional statements a year. This estimate is based on the preparation of an environmental statement for a development in a location that is considered to have some habitats / species of a sensitive nature, but
which are not necessarily in such abundance as to warrant the area being designated as a Special Area of Conservation (SAC). However, where projects might have an impact on particularly sensitive / designated offshore areas (i.e. SACs), the cost for preparing an environmental statement could be as much as £275,000. Should a seabed survey also be required, then the cost would increase significantly e.g. £375,000 - £475,000 per statement.

As indicated in Section 2(ii), the Government is required to arrange the publicity in respect of any proposed offshore oil / gas related development in another EEA State that might have a significant effect on the UK offshore environment. The number of instances where such transboundary issues are likely to occur is low, however, the additional cost for any related publicity (which, as with UK-based developments, includes the use of the Guardian newspaper and any local newspapers) would probably be £2,500 - £4,000 per project (depending on the size of notice being published).

(b) Policy costs

Those projects which have been subject to environmental impact assessment since 1999 may have incurred some policy costs as a result of having undergone that procedure. However, this is likely to have been infrequent since environmental statements have very largely shown that the environmental impact of a proposed project was minimal anyway with the result that little or nothing has had to be done to mitigate the environmental impact. The amending Regulations will not alter this conclusion.

Consequently, where an operator was required to undertake a mandatory environmental impact assessment, then (as indicated in Section 5(iii)(a)) the overall costs could range from £100,000 – £250,000 (or even up to £475,000) per environmental statement, depending on the proximity of a development to sensitive areas and whether any seabed surveys were required. Where transboundary environmental effects were an issue, any additional publicity concerning a proposed development in another EEA State would most likely cost a maximum of £4,000.

(c) Other costs

No environmental or social costs are anticipated as a result of these Regulations.

(d) Costs for a typical business

As already stated, an offshore operator will incur additional costs (i.e. typically anything from £100,000 - £250,000) only if they had to carry out environmental impact assessment for an existing project that exceeded the relevant thresholds.

6. Small Firms’ Impact test
There are forty-eight production operators present offshore (the majority being large multi-national companies) of which five would meet the `small firms’ definition e.g. less than 250 employees. However, the five operators concerned would only be one of several co-venturers on licensed fields - none of them is solely responsible for undertaking or meeting the full costs of activities related to oil and gas production. In view of this situation, there is no need to carry out this test, as the regulatory proposals would have no disproportionate impact on these firms.

7. Competition Assessment

The Government considers that implementation will not result in negative competition impacts. Any costs increases will not be sufficient in relation to the turnover of the operators involved to affect the existing structure of the market.

8. Enforcement, Sanctions and Monitoring

(i) Enforcement and Sanctions

The amending Regulations themselves do not alter the enforcement and sanctions provisions already existing in the 1999 Regulations.

(ii) Monitoring

A close watch will be kept on the implementation of the additional publicity requirements in order to ensure that they were not causing difficulties for operators. Should it become apparent that such difficulties were arising, then additional measures could be considered which might lead to updated guidance for the industry or even further amending Regulations.

9. Implementation and Delivery Plan

The amending Regulations will enter into force on 16 April 2007. The summary of comments received to the public consultation exercise and the Government’s response to these (including reasons for decisions finally taken) has now been published on the DTI website.

10. Post-implementation Review

Under the offshore oil and gas legislative regime, the Regulations will undergo periodic reviews e.g. at least once every couple of years, to ensure that:
- the policy objectives are being met;
- the impacts have been as expected;
- compliance levels indicate that the enforcement regime is effective; and
- guidance to industry is updated as appropriate in light of experience of enforcing the Regulations.
The Regulations may also require further amending should any future proposals from the Commission arise which impact on the consenting process and/or the public participation requirements.

11. Summary and Recommendation

The 1999 Regulations need to be amended in order to implement the provisions of the Public Participation Directive and avoid any potential infraction proceedings from the Commission (e.g. for incorrect transposition). This can be achieved only by introducing the amending Regulations.

12. Declaration

I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

Signed .............................................

Date:

Lord Truscott
Minister for Energy
Department of Trade and Industry

Contact point:

David Foskett
Energy Development Unit
Department of Trade and Industry
1 Victoria Street
London SW1H 0ET

Telephone: 020 7215 5314
E-mail: david.foskett@dti.gsi.gov.uk