Department of Energy & Climate Change

Department of Energy & Climate Change
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10 January 2014

DEC Ref: EIR - 13/1753
Your Ref: 02DEC285

ECONOMICS OF SHALE GAS - REQUEST UNDER THE ENVIRONMENTAL INFORMATION REGULATIONS

Thank you for your letter of 10 December 2013, where you requested the following information:

> "***I am seeking information on documents about the economics of shale gas including:***
>
> ***I. Assessments of and projections for the shale gas market***
> ***II. Cost benefit analyses of shale gas industry***
> ***III. The financial costs of shale gas exploration, drilling or extraction***
> ***IV. The impact of shale gas extraction on the market price of gas in the UK including price forecasting scenarios of UK gas price that consider low, medium and high levels of shale gas extraction***
> ***V. Gas price assumptions at which shale gas extracted in the UK will be profitable***
> ***VI. The impact of shale gas on UK household energy bills***
>
> ***I am requesting documents in the period beginning 01/01/2013 and continuing up to the present day, or as close as possible."***

We have considered your request in accordance with the Environmental Information Regulations 2004 (EIRs) because the information you sought falls within the definition of "environmental information" as stated in EIRs.

Shale gas has the potential to have a significant impact in the UK but it is important to stress that the industry is in its infancy and it is too early for conclusions on a number of the issues in your request.

The Department holds some information falling within the scope of your request, dated from 1 January 2013 to the date of your request 10 December 2013. This includes the "Navigant Report", relevant to point **IV** of your request. This can be accessed via the attached link, together with the DECC lines on the report attached at **Annex A**.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/223492/navigant_consulting_report.pdf

DECC considers that the rest of the information we hold is exempt from disclosure under regulation 12(4)(d) of the EIRs, which covers material in the course of completion, unfinished documents, or incomplete data; and regulation 12(4)(e) of the EIRs, which relates to the disclosure of internal communications. This information is therefore being withheld under these exceptions. The rationale behind the exceptions in regulation 12(4)(d) and 12(4)(e) is that it is often in the public interest for public authorities to have a safe space within which to think through and develop policy.

In this case, although we possess information within the scope of the request, it is under development and falls within the scope of policy formulation. Policy development is an iterative process which requires officials to propose, test and refine proposals through the life cycle of the policy development. In our view, disclosure of this material and related correspondence would affect the 'safe space' needed to effectively consider all aspects relating to the "economics of shale gas" and make it more difficult to bring the policy formation to a proper conclusion.

Having considered the balance of the public interest, we have concluded that the public interest in maintaining these regulations outweighs the public interest in disclosing the information. In considering the public interest we have applied a presumption in favour of disclosure as required by regulation 12(2) of the EIRs.

It is not in the public interest if information is released prematurely and out of context. Releasing information prematurely and without the benefit of the necessary analysis or consideration could mislead the public.

In conclusion, we consider that the requested information is subject to exemptions under the EIRs and that the public interest in respect of those exemptions lies in withholding the information in question.

The Government is still in the process of evaluating the UK's shale gas resources and potential integration into energy policy, and so disclosing such information could compromise the ability of Government ministers, Government Departments and companies to share policy development and commercially sensitive but relevant information with other each other. This could inhibit the ability of officials to exchange views and advice in future which could have an adverse impact on the conduct of Government business and in the quality of decision making or testing policy options.

Appeals procedure

If you are unhappy with the result of your request for information, you may request an internal review within 40 working days of the date of receipt of the response to your original letter. If you wish to request an internal review, please contact: The Information Rights Unit, Department of Business, Innovation and Skills, 1 Victoria Street, London, SW1H 0ET or e-mail foi@bis.gsi.gov.uk.

Please remember to quote the reference number above in any future communications. If you are not content with the outcome of the internal review, you have the right to apply directly to the Information Commissioner for a decision. The Information Commissioner can be contacted at: Information Commissioner's Office, Wycliffe House, Water Lane, Cheshire, SK9 5AF.

Yours sincerely

Office for Unconventional Gas and Oil (OUGO)

ANNEX A

DECC Lines on Navigant key findings:

- Given the high degree of uncertainty surrounding any price forecast, the report uses a scenario approach to assess the potential impact of unconventional gas production on UK prices.
- Navigant's report concludes that a plausible range for gas prices could be 50-81p/therm in 2030 depending on the extent of unconventional production with a central case of 66p/therm. These figures are all well within the range of DECC's new gas price assumptions (to be published alongside Navigant report) which reach 42-105p/therm in 2030 with a central case of 74p/therm.

Are UK gas prices likely to be lower thanks to unconventional gas as predicted by Navigant low price scenario?

- While global unconventional gas production would be a strongly positive development in terms of energy prices and security, we should not assume that UK gas prices will be lower.
- Gas prices are determined by both gas demand and supply. The uncertainties on unconventional gas potential and extraction costs, LNG availability, combined with expectations of rising global gas demand (e.g. IEA estimates it will rise by 50% by 2035), lead most analysts to project global gas prices to remain firm in the long term. A range of external forecasts point to continued high gas prices to 2030 (e.g. IEA estimates European gas prices to rise by 11% in the period 2015-2030).

What is DECC view on future gas prices?

- Forecasting gas prices far into the future is extremely challenging, as it depends on a large number of unknowns, such as future economic growth rates across the world, development of new technologies, global climate change policies, strategies of resource holders, and so on.

- DECC generates a set of projections that represents a plausible range for future prices. DECC central scenario assumes gas prices to rise steadily from 63p/them in 2013 to 74p/therm in 2018, where they stabilised until 2030. The high scenario projects price to reach 105p/therm in 2021 and stabilised from there, while the low price scenario projects price to fall to between 2013 and 2018 reaching 42p/them. The gas price scenarios produced by Navigant with respect to differing levels of unconventional gas production sit well within this range.

Can shale gas help us secure our gas supply?

- The potential for unconventional gas is worth exploring because of the additional security of supply it could provide but it is important to stress that it is still very early days for shale gas in the UK.
- Given the uncertainties around when, and the degree to which, unconventional gas will be produced outside North America, DECC continues to take a cautious view of the implications for gas security of supply.