

The 2050 Pathways Analysis Team,
Department of Energy & Climate Change,
3 Whitehall Place,
London, SW1A 2AW.

Sent electronically on
30th September 2010.

For the attn of the Co-ordinator of the Call for Evidence

Dear Sirs,

Oil & Gas UK's Response to DECC's 2050 Pathways Analysis

Thank you for the opportunity to comment on DECC's 2050 Pathways Analysis which was published in July 2010. Oil & Gas UK represents the offshore oil and gas exploration and production industry in this country. It has more than 100 members comprising the largest, international oil and gas companies, independent producers, exploration only companies, non-operating investors and supply chain businesses. The industry supports some 450,000 jobs across the UK, mostly highly skilled and highly paid and, in recent years, it has been the largest payer of Corporation Tax. It has also consistently been the largest industrial investor in this country during the past three decades.

We recently commissioned a study about the future for gas which was undertaken by Poyry Energy Consulting, because we were detecting considerable doubts being expressed in many quarters about the benefits of gas in the debates about climate change, it being easily branded as simply a carbon fuel, like coal and oil, despite its very different characteristics. Furthermore, DECC's 2050 Pathways document shows a collapse in gas demand by 2040-2045 in all of the pathways considered, except the reference case.

In order to secure Government's three overall objectives of reduced emissions, security of energy supplies and affordability, we believe that gas has a major role to play, not simply in the transition to a low carbon economy, but also in the longer term. There is much more that it can contribute at a cost which is affordable.

This study which is titled "Gas: at the Centre of a Low Carbon Future" examines current policies and the risks which are associated with them and considers how gas could further

contribute towards achieving the three overall objectives. It finds that the risks against achieving all three objectives under current plans are significant and worrying; a huge amount has to happen in a short period of time and various ambitious, new policies all have to be delivered simultaneously. It reinforces our own views based on experience in this

industry which we encapsulated in our 2010 Economic Report, also published in July, in the following extract from Section 4 on page 14:

“It has to be questionable whether, firstly, such an enormous sum of money can be raised [ref the much publicised £200 billion by 2020] and, secondly, it can be spent with proper effect. This second point is crucial; recent experience in offshore oil and gas which has consistently been the largest industrial investor in this country during the past three decades clearly points towards a shortage of capacity in the supply chain and, especially, a shortage of technically competent people. The risk is that attempts to spend capital on this scale, assuming it can be raised, will simply translate into severe cost inflation, with ever more money chasing an inadequate supply of resources. This would be the worst of all outcomes.”

We attach Poyry's study with this letter and trust that you find it a useful contribution to the debate generally and the 2050 Pathways Analysis in particular. For our part, we believe that the Government would be well advised to re-think current policies. Gas can do so much more towards delivering the triple objectives, at much lower risk and cost. It will reduce the investment bow-wave and give time for new technologies to reach commercial maturity. Furthermore, with the exception of some more storage in due course, the gas infrastructure already exists.

If you would like to discuss any of this further, please do not hesitate to call myself or my colleague, [REDACTED]. The study is also available electronically from our web-site at www.oilandgasuk.co.uk together with the presentation given by its authors when it was published on 22nd September.

Yours faithfully,

[REDACTED]

[REDACTED]

Energy Policy Manager.