Title:

Continental Shelf (Energy Bill 2010)

Lead department or agency:

FCO

Other departments or agencies:

DECC

Impact Assessment (IA)

IA No: FCO0001

Date: 09/12/2010

Stage: Development/Options

Source of intervention: Domestic

Type of measure: Primary legislation

Contact for enquiries:

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# **Summary: Intervention and Options**

#### What is the problem under consideration? Why is government intervention necessary?

Designation Orders under the Continental Shelf Act 1964 (the 1964 Act) cannot currently be revoked (except for the purpose of consolidating them). The amendment will provide flexibility in designating areas as UK continental shelf under the 1964 Act and will thereby enable better management of resources, including hydrocarbon resources, thus contributing to improved energy security for the UK.

#### What are the policy objectives and the intended effects?

There are two small areas which have been agreed to be Irish continental shelf but, being more than 200 nautical miles from Irish baselines, cannot form part of an Irish Exclusive Economic Zone. As part of a comprehensive agreement with Ireland about maritime zones, it is proposed that those two areas would be transferred to the UK but, in return, the UK would transfer to Ireland two areas of the same dimensions and equivalent exploitability. That would require the de-designation of those latter areas as UK continental shelf, which the current law does not allow.

What policy options have been considered? Please justify preferred option (further details in Evidence Base) Legislating to allow the revokation/amendment of designation Orders is proposed. This is expected to confer benefits through enabling a comprehensive agreement with Ireland about maritime zones.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?	It will not be reviewed
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	No

<u>Ministerial Sign-off</u> For consultation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

Date: 09/12/2010.....

# **Summary: Analysis and Evidence**

# **Policy Option 1**

**Description:** 

Price Base	PV Base	Time Period	Net Benefit (Present Value (PV)) (£m)				
<b>Year</b> 2010	<b>Year</b> 2010	Years 15	<b>Low:</b> 0	High: 0	Best Estimate: 0		

COSTS (£m)	<b>Total Transition</b> (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0		0	0
High	0	·	0	0
Best Estimate	0		0	0

Description and scale of key monetised costs by 'main affected groups'

There are no direct costs to business.

#### Other key non-monetised costs by 'main affected groups'

None directly from the measure itself but in future there could potentially be small costs for those maintaining details of "UK" records of wildlife where the continental shelf boundary is followed.

BENEFITS (£m)	<b>Total Tra</b> (Constant Price)	ansition Years	Average Annual (excl. Transition) (Constant Price)	<b>Total Benefit</b> (Present Value)
Low	0		0	0
High	0		0	0
Best Estimate	0		0	0

### Description and scale of key monetised benefits by 'main affected groups'

No direct benefit to business from the measure itself. Future benefits enabled by the measure too speculative to quantify meaningfully.

## Other key non-monetised benefits by 'main affected groups'

None directly from the measure itself but in future there could potentially be if areas transferred from Ireland turn out to be much better for wildlife than the areas lost.

## Key assumptions/sensitivities/risks

Discount rate (%)

3.5%

In any swap of areas of continental shelf with Ireland the aim would be to ensure that the areas are of equivalent potential exploitability for resources, whether hydrocarbon, fishing or otherwise. If they were not then there could be a loss (or gain) of value to the UK. As regards hydrocarbons, we are confident that in any swap of areas we can ensure that we receive areas of equivalent exploitability in return for those which we transfer to Ireland. As regards fishing, we are similarly confident, although in practice a swap of areas will make no difference to access to resources, since that is regulated by EU law.

Impact on admin b	urden (AB) (£m):	Impact on policy cost savings (£m):	In scope	
New AB: No	AB savings:	Net:	Policy cost savings:	Yes/No

# **Enforcement, Implementation and Wider Impacts**

What is the geographic coverage of the policy/option?	Options (	Contir	nental	Shelf		
From what date will the policy be implemented?			2011			
Which organisation(s) will enforce the policy?			FC	O		
What is the annual change in enforcement cost (£m)?			0			
Does enforcement comply with Hampton principles?	Yes					
Does implementation go beyond minimum EU requirem	N/A	N/A				
What is the CO <sub>2</sub> equivalent change in greenhouse gas (Million tonnes CO <sub>2</sub> equivalent)	Traded:		Non-traded: 0			
Does the proposal have an impact on competition?	No					
What proportion (%) of Total PV costs/benefits is directly primary legislation, if applicable?	Costs:		Ben	efits:		
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	<b>Micro</b> 0	<b>&lt; 20</b> 0	Small 0	Med 0	dium	<b>Large</b> 0
Are any of these organisations exempt?	Yes/No	Yes/No	Yes/No	Yes	s/No	Yes/No

# **Specific Impact Tests: Checklist**

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on?	Impact	Page ref within IA
Statutory equality duties <sup>1</sup>	No	
Statutory Equality Duties Impact Test guidance		
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	
Small firms Small Firms Impact Test guidance	No	
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	No	
Rural proofing Rural Proofing Impact Test guidance	No	
Sustainable development	No	
Sustainable Development Impact Test guidance		

<sup>&</sup>lt;sup>1</sup> Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

# **Evidence Base (for summary sheets) – Notes**

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

#### References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Enactment).

No.	Legislation or publication
1	Continental Shelf Act 1964 (http://www.opsi.gov.uk/RevisedStatutes/Acts/ukpga/1964/cukpga_19640029_en_1)
2	
3	
4	

<sup>+</sup> Add another row

#### **Evidence Base**

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

### Annual profile of monetised costs and benefits\* - (£m) constant prices

	Y <sub>0</sub>	Y <sub>1</sub>	Y <sub>2</sub>	<b>Y</b> <sub>3</sub>	<b>Y</b> <sub>4</sub>	<b>Y</b> <sub>5</sub>	Υ <sub>6</sub>	<b>Y</b> <sub>7</sub>	Υ <sub>8</sub>	<b>Y</b> <sub>9</sub>
Transition costs										
Annual recurring cost										
Total annual costs										
Transition benefits										
Annual recurring benefits										
Total annual benefits										

<sup>\*</sup> For non-monetised benefits please see summary pages and main evidence base section



# **Evidence Base (for summary sheets)**

There is discretion for departments and regulators as to how to set out the evidence base. However, it is desirable that the following points are covered:

#### • Problem under consideration

Designation Orders under the Continental Shelf Act 1964 (the 1964 Act) cannot currently be revoked (except for the purpose of consolidating them). The proposed amendment would allow this.

#### • Rationale for intervention

The amendment will provide flexibility in designating areas as UK continental shelf under the 1964 Act and will thereby enable better management of resources, including hydrocarbon resources, thus contributing to improved energy security for the UK.

### • Policy objective

There are two small areas which have been agreed to be Irish continental shelf but, being more than 200 nautical miles from Irish baselines, cannot form part of an Irish Exclusive Economic Zone. As part of a comprehensive agreement with Ireland about maritime zones, it is proposed that those two areas would be transferred to the UK but, in return, the UK would transfer to Ireland two areas of the same dimensions and equivalent exploitability. That would require the de-designation of those latter areas as UK continental shelf, which the current law does not allow.

#### • Description of options considered (including do nothing)

#### Do nothing

Make no change to the 1964 Act which would mean existing designation Orders could not be revoked and replaced.

### Option 1

A minor amendment to section 1 of the 1964 Act to enable existing designation Orders to be revoked and replaced.

#### • Costs and benefits of each option

### Do nothing

No costs but forgoes the benefits from Option 1.

#### Option 1

No direct costs or benefits from the enabling legislation but the ability to revoke designation Orders is expected to confer benefits through enabling a comprehensive agreement with Ireland about maritime zones. The benefits of such an agreement are at present speculative and have not been quantified. But a comprehensive agreement with Ireland will define precisely the boundary up to which each side will enforce its fishery legislation which should contribute, in a small way, to efficiency.

Changing the extent of the continental shelf could lead to potentially small costs for those (such as the British Ornithologists' Union in relation to birds) maintaining details of "UK" records of wildlife where the continental shelf boundary is followed. There could be benefits to such groups if the areas transferred from Ireland turn out to be much better for wildlife than the areas lost.

#### • Risks and assumptions

In any swap of areas of continental shelf with Ireland the aim would be to ensure that the areas are of equivalent potential exploitability for resources, whether hydrocarbon, fishing or otherwise. If they were not then there could be a loss (or gain) of value to the UK. As regards hydrocarbons, we are confident that in any swap of areas we can ensure that we receive areas of equivalent exploitability in return for those which we transfer to Ireland. As regards fishing, we are similarly confident, although in practice a swap of areas will make no difference to access to resources, since that is regulated by EU law.

### • Administrative burden and policy savings calculations

#### None.

### • Wider impacts

The measure would give the Government greater flexibility and should thereby enable better management of the resources on the UK continental shelf.

• Summary and preferred option with description of implementation plan

The preferred option is to legislate to allow designation Orders under the 1964 Act to be revoked. Implementation will occur through future designation Orders under the 1964 Act. It is proposed that Impact Assessments would be prepared for such Orders when appropriate and proportionate.

# **Annexes**

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

# **Annex 1: Post Implementation Review (PIR) Plan**

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concem?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]  Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]  Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]  Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]  Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review]	<b>Basis of the review:</b> [The basis of the review could be statutory (forming part of the legislation), it could be to review existing policy or there could be a political commitment to review];
Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]  Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]  Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]  Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will	
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modifying or replacing the policy if it does not achieve its objectives]  Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will	<b>Baseline:</b> [The current (baseline) position against which the change introduced by the legislation can be measured]
Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here]	Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here]

# Annex 2: Equality impact assessment form

Stage One: Screening for Impact							
Name of service/procedure/policy or project:	Continental Shelf (Energy Bill 2010)						
Project lead completing assessment:	Mike Earp on behalf of 0	Chris Whom	ersley				
Position:	Senior Economist (R11)						
Division/directorate:	Energy Development Ur	nit					
What is the main purpose of the service/procedure	e/policy or project?						
To allow revocation/amendment of designation Orde	rs under the Continental S	helf Act 196	4.				
2. List the main activities of the project/policy. For st	ategies list the main policy	areas.					
Enabling revocation/amendment of existing designate	Enabling revocation/amendment of existing designation Orders.						
3. Who will be the main stakeholders/users of the se FCO.	rvice/procedure/policy or p	roject?					
4. Does this piece of work result in any of the followi	ng?						
Written information being provided to the public or stelectronic format.	aff – either in paper or	Yes	No				
People contacting DECC.		Yes	No				
People visiting DECC's premises, or other premises	arranged by DECC.	Yes	No				
A service being delivered to staff/the public at set da	ys/times each week.	Yes	No				
Staff being required to wear a uniform or adhere to a	dress code.	Yes	No				
DECC staff holding face to face meetings with people.  Yes  No							
5. Have you already consulted with people about this whom.	s work? If yes, briefly descr	ribe what yo	u did and with				
The proposed measure has been discussed with oth representatives of the Irish Government.	er Government Departmer	nts and with					

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- a) Where you think that the service/procedure/policy or project could have a negative impact on any of the equality strands, that is, it could disadvantage them
- b) Where you think that the service/procedure/policy or project could have a positive impact on any of the groups or contribute to promoting equality, equal opportunities or improving relations within equality strands.

	Positive impact	Negative impact	No impact		d evidence (provide details of oups affected)
Age			<b>√</b>	Policy does	s not affect individuals.
Gender			<b>√</b>	Policy does	s not affect individuals.
Sexual orientation			<b>✓</b>	Policy does not affect individuals.	
Race			<b>√</b>	Policy does not affect individuals.	
Religion or belief			<b>✓</b>	Policy does	s not affect individuals.
Disability			<b>✓</b>	Policy does not affect individuals.	
7. If you have indicated	there is a nega	tive impact	on any gro	up, is that im	pact:
Legal? (not discriminatory under anti-discriminatory legislation)				Yes	No
Intended?				Yes	No
Level of impact?				High	Low

complete section two of this form. If not, complete the rest of section one below and consider if completing section two would be helpful in making a thorough assessment.						
7. a) Could you minimise or remove any negative impact that	is of low significance?					
b) Could you improve the strategy, project or policy's positive impact? If so, explain how. You may wish to use the action sheet at the end of section two.						
8. If there is no evidence that the strategy, project or policy promotes equality, equal opportunities or improved relations – could it be adapted so that it does? If so, explain how.						
No.						
Please sign and date this form, keep one copy and send one of Services.	copy to the Deputy Director of Corporate					
Signed: [M Earp for C Whomersley]	Date: 20 October 2010					