

## APPLICATIONS FOR PRODUCTION LICENCES GENERAL GUIDANCE

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## GUIDANCE FOR APPLICANTS

Companies who want to participate in the exploitation of the UK's oil & gas resources need (among other things) a Production Licence from DECC. Most licences are applied for, and issued, in regular Licensing Rounds.

This note is intended to be used as guidance for applicants and sets out how to complete, support and submit an application. The website (<https://www.gov.uk/oil-and-gas-licensing-rounds>) carries pointers to other useful information, including general information about the Licensing system and the availability of technical data.

This note offers general guidance about DECC policy and a high-level look at the process. It begins with a quick introduction, which is followed by a series of sections that go into more detail. There are separate guidance notes about environmental, technical and financial aspects of DECC's decisions. If you have any further queries, or need clarification of anything discussed here, there is a list of [Contacts](#) at the end.

- 1) Anyone who wants to explore for, drill for or extract oil or gas in the UK (except onshore Northern Ireland) must hold a licence issued under the Petroleum Act 1998 by the Secretary of State for Energy and Climate Change.
- 2) Applications for such licences can only be made in response to a formal invitation from DECC. We post these invitations in the Official Journal of the European Union, and advertise them prominently on the [gov.uk](http://gov.uk) website<sup>1</sup>. Usually we issue general invitations in Licensing Rounds (onshore and offshore as announced), but exceptionally we may invite out-of-round applications for a very small area in response to a request from a company (for example on grounds of genuine urgency). The invitation will specify the acreage and the types of licence that are being offered.
- 3) Applications are made through DECC's Portal system called LARRY (the **L**icence **A**pplications **R**epository). Applicants will first need to get a Portal account, which is a quick and easy process. There is guidance<sup>2</sup> about gaining access to LARRY, elsewhere on this website.
- 4) There is an Application fee.
- 5) Depending on the type of licence applied for, DECC may assess the Applicant's operating competence (technical and environmental) and its financial capacity to carry out the Work Programme. Applicants who fall short of our criteria cannot be considered for the award of a licence.
- 6) DECC usually interviews applicants about their technical understanding of the acreage and the Work Programme offered (we always do so where there is competition for the same acreage). After interview, we mark each application against a Marks Scheme.
- 7) The Secretary of State has discretion in deciding whether or not to issue a licence; and if so, to whom and on what conditions. Usually a licence will be awarded to the Applicant with the highest mark. However, occasionally the Secretary of State may judge that the achievement of his policy will be best served by awarding the licence to a different applicant (see [How decisions are reached](#)). The guiding principle in reaching a decision will be the policy of maximising successful and expeditious exploration and exploitation of the UK's oil and gas resources.

## TYPES AND TERMS OF LICENCES

In spite of their name, Production Licences cover exploration, appraisal and production. Production Licences now come in five types, one of which is for the onshore and four for the offshore. The four types of offshore licence are designed to cater for different types of company and different situations.

- 8) Production Licences cover exploration and appraisal as well as production. Each one covers a relatively small area.

<sup>1</sup> <https://www.gov.uk/oil-and-gas-licensing-rounds>

<sup>2</sup> See link: "Guidance about use of LARRY" on "Oil and gas: licensing rounds" on [www.gov.uk](http://www.gov.uk).

9) There are five types of Production Licence:

- The “Traditional” Seaward Production Licence;
- The “Promote” Seaward Production Licence;
- The “Six-Year Frontier” Seaward Production Licence;
- The “Nine-Year Frontier” Seaward Production Licence; and
- The Landward Production Licence (more properly called the Petroleum Exploration and Development Licence or PEDL).

10) They are described more fully elsewhere on the [gov.uk](http://gov.uk) website<sup>1</sup> and in the Technical Guidance document<sup>2</sup>.

11) The terms and conditions of the Licences on offer are set out in Regulations, though DECC is free to offer licences on modified terms in particular cases. There is guidance on the [gov.uk](http://gov.uk) website<sup>3</sup>.

12) The rentals schedules of each type of licence are attached at Annexe 1.

13) Where a licence is held by more than one company, each one bears full joint-and-several liability to the Secretary of State.

14) Companies who only wish to carry out offshore seismic surveys and not to drill might consider applying for an Exploration Licence<sup>4</sup>. This Licence only permits surveying and very shallow boreholes, not deep drilling, appraisal or production, and does not confer any exclusive rights over any area. On the other hand, each one covers the entire UKCS (outside the areas covered by existing Production Licences), and is cheaper and simpler to get than a Production Licence.

## THE APPLICANT

An application can come from a single company or from a group of companies. The companies may be either British or foreign, but there are minimum residence requirements.

Only companies with the necessary financial and technical capacity can be considered for award of Landward, Traditional, or Frontier licences. Each application must therefore be supported by evidence that the Applicant meets the minimum criteria. In the case of a Seaward Promote Licence, the criteria are not applied before award; but they will be applied before the end of two years, at which point they are applied in full.

15) An application may be made by a single company, or by a group of companies (provided they have the same equity interests throughout). In this Note, references to ‘the Applicant’ cover both situations unless clearly stated otherwise, and references to ‘the Company’ refer to a single company making an application, whether on its own or as part of an applicant group.

16) There are two considerations that determine what can be put together into a single application:

- the list of companies, their proposed equity interests, and the Operator must be the same throughout any single application; and
- any single application may only seek a single type of Licence (Landward, Traditional, Promote or Frontier (of either type)).

The fact that geographically separate areas could not be covered by a single licence does not mean they cannot be combined on the same application.

17) For instance, suppose Company A and Company B want to make a joint application with Company A as operator, each proposing to take a 50% interest in any licences awarded; and they seek a Traditional Licence over one block in the Northern North Sea and another over a block in the

<sup>1</sup> <https://www.gov.uk/oil-and-gas-petroleum-licensing-guidance#types-of-licence>

<sup>2</sup> See link: “Guidance about the Technical aspects of any application” on “Oil and gas: licensing rounds” on [gov.uk](http://gov.uk).

<sup>3</sup> See <https://www.gov.uk/oil-and-gas-petroleum-licensing-guidance#legislative-background>.

<sup>4</sup> See <https://www.gov.uk/oil-and-gas-petroleum-licensing-guidance#types-of-licence>

Southern Basin. They can apply for both blocks on the same application (because both licences would be of the same type, the companies would have the same equity interests in both and the operator would be the same). However, if they wanted a third Traditional Licence but with a 70:30 equity split, or if they also wanted to apply for a Promote Licence, they would have to make separate applications.

**18)** Traditional, Frontier (both types) and Landward applicants must demonstrate to the Department that, if awarded a Licence, they will have the technical<sup>1</sup> and environmental<sup>2</sup> competence to operate to the necessary standards. There is detailed guidance in separate documents.

**19)** All companies must demonstrate their financial viability. In addition, companies applying for anything other than a Promote Licence must demonstrate the financial capacity to carry out the licence's Work Programme. That capacity must be clearly available to the Applicant at the time of application, and not be subject to uncertain future events like share issues. There is detailed guidance in a separate document<sup>3</sup>.

**20)** Companies applying for Promote licences have to demonstrate financial viability but they do not have to demonstrate a minimum level of technical competence, environmental or financial capacity. However a 'Promote Licensee' will not be allowed to drill until it has demonstrated that it meets those criteria, and the licence will expire at its second anniversary if the Licensee has not done it by then.

**21)** To be awarded a licence, a company must be registered in the UK, either as a company or as a branch of a foreign company<sup>4</sup>. The application must include the Registered Name, Address and Number of each company that is to hold the licence.

**22)** Applicants should be clear exactly which company they want to hold the licence, and ensure that those are the companies that apply for it. If DECC is prepared to offer a licence, we will only award it to the company that applied and not to any other; not even a sister company. Where the applicant decides he wants a licence to be held by an affiliate of the applicant, he should accept the application and then seek consent to assign it afterwards.

**23)** The residence requirements may change later if a licensee seeks to begin production.

## ACREAGE

At any licensing opportunity, whether it be a Licensing Round or an Out-of-Round invitation, DECC will invite applications for a specified list of blocks and part-blocks. We cannot consider applications for other acreage at that time.

There is no limit to the amount of acreage that can be applied for, but there may be limits to the amount of acreage that DECC will offer to an applicant.

**24)** The boundary between the Landward and Seaward regimes is the Low Water Mark, except that areas to the landward site of Bay Closing Lines (sometimes called "watery areas") fall under the Landward regime.

**25)** DECC has divided the UK's acreage into 'blocks'. Onshore blocks are 100km<sup>2</sup> in area; Seaward blocks vary in size from c.190km<sup>2</sup> in the far north to c.250km<sup>2</sup> in the far south. A Map associated with each individual Round shows the acreage available.

**26)** Applications are made for the whole area of a 'Block' that was included in DECC's invitation. Some blocks are already licensed in part, and in those cases we could, of course, only consider issuing a licence for the remaining, unlicensed, parts. If you don't want the whole unlicensed part of a block, make clear in your application which parts you do want, so that we can consider awarding a Licence over just that part of the block. DECC will in any case review the acreage and may only award part of a block to the successful applicant, if that is all he has plans for.

<sup>1</sup> See link: "Guidance about the Technical aspects of any application" on "Oil and gas: licensing rounds" on [www.gov.uk](http://www.gov.uk).

See link: "Guidance about the Environmental aspects of any application" on "Oil and gas: licensing rounds" on [www.gov.uk](http://www.gov.uk).

<sup>3</sup> See link: "Guidance about the Financial aspects of any application" on "Oil and gas: licensing rounds" on [www.gov.uk](http://www.gov.uk).

<sup>4</sup> See [http://og.decc.gov.uk/en/olgs/cms/licences/licensing\\_guid/suitability\\_of/suitability\\_of.aspx](http://og.decc.gov.uk/en/olgs/cms/licences/licensing_guid/suitability_of/suitability_of.aspx)

**27)** Licensing Rounds commonly cover specified areas; and within each area only certain types of licence may be available. DECC will decide which areas to offer after considering a number of factors; for example: restrictions imposed by a Strategic Environmental Assessment or the requirements of other government departments; demand from industry; our own ability to cope with anticipated demand. The invitation will make clear which acreage, and which kinds of licence, are available.

**28)** There is no upper limit to the amount of acreage you can apply for, but with Promote or Frontier applications there are limits to the amount of acreage that DECC will award to a single applicant. In these cases there will be a maximum award equivalent to:

- four contiguous blocks per Promote Licence, up to an aggregate total of ten blocks per applicant per round;
- ten contiguous blocks per Six-Year Frontier Licence or Nine-Year (West of Scotland) Frontier Licence, with an aggregate total of forty blocks per applicant per round; and
- ten contiguous blocks per Traditional Licence, with no aggregate limit.

For these purposes, the limits apply cumulatively – e.g. eight half-blocks would count the same as four whole blocks. The aggregate limit for each licence type applies to applicant groups as a whole – we won't try to apply it to single companies that happen to be members of several different applicant groups.

**29)** For Landward applications, there is no upper limit to the amount of acreage applied for, nor to the total acreage that DECC will offer. However, DECC will not offer more than two contiguous blocks on any single licence; if we decide to offer more than that to a single applicant, we will split it across two or more licences. Applicants aiming at shale or CBM should describe their plans for an area as a whole (and those plans may be awarded 'strategic' marks) but present specific Work Programmes in two-block units.

**30)** DECC will not award acreage that the applicant has no plans to explore and exploit.

**31)** DECC may not be prepared to license a very small or very irregular area.

## **WORK PROGRAMMES**

The Applicant must propose a Work Programme, which is the minimum amount of exploration work that the Applicant must carry out, if it should be awarded a licence, if the licence is not to expire at the end of its Initial Term.

The agreed Work Programme will form an important part of the Licence itself, and the Licence will expire at the end of the Initial Term if the Work Programme has not been completed by then. Along with the technical work already carried out, it is one of the main factors that DECC will use to judge between competing applications.

**32)** The Applicant proposes a Work Programme as part of the application, which is likely to be discussed at interview. A Work Programme consists of one or more elements of exploration work.

**33)** If DECC subsequently offers a licence, part of the offer will specify the Work Programme that DECC is willing to accept. It may not be the same as was proposed by the applicant. The agreed Work Programme will be set out in full in the Production Licence.

**34)** In certain special cases, the applicant sees no need for any exploration work. That may happen if the plans are to develop a discovery that is already known, or to redevelop an old field on which production has stopped. In such cases, the licence would have neither Initial Term (it's often called 'straight to Second Term') nor Work Programme. Even so, such applications should set out the applicant's plans to develop the existing discovery or redevelop the old field; DECC would wish to discuss them at interview and take them into account in its decision.

## APPLICATION FEE

There is an Application Fee to cover the Department's costs. DECC can accept payment electronically or by cheque.

**35)** The application fee is £2,100 for Seaward Production Licences and £1,400 for (Landward) Petroleum Exploration and Development Licences. The figures are defined in secondary legislation<sup>1</sup>.

**36)** LARRY provides a secure method for payments. There is guidance on payment methods elsewhere on the site<sup>2</sup>.

## HOW DECISIONS ARE REACHED

The Secretary of State has full discretion to make decisions on applications for Production Licences, but will always make them in line with published policies and objectives. Where there is competition for the same acreage between applicants, all of whom meet the Department's financial and technical criteria, the decision will be based largely on the marks awarded to the applications.

**37)** The Secretary of State's policy objective in a Licensing Round is to maximise successful and expeditious exploration and exploitation of the UK's oil and gas resources, and all decisions will be made in pursuit of that policy. The Petroleum Act 1998 gives the Secretary of State discretion in deciding whether or not to issue a licence; and if so, to whom and on what conditions.

**38)** The first stage of the decision is to measure the applicant against the Department's financial criteria and standards of operatorship. Only those who pass can be considered for award of a Production Licence.

**39)** Where two or more applicants who have applied for the same acreage all meet the Department's financial criteria and standards of operatorship, the Department's geoscientists will make a recommendation of award after evaluating the respective geotechnical submissions. (In practice, DECC will start arranging interviews without waiting to see the results of the financial and operatorship checks, so being invited to interview does not imply that those criteria have been satisfied.) The assessors will base their decisions on the technical understanding demonstrated by the Applicant, the generation of valid prospectivity derived from evaluation of available data, the quality of the work that it has already carried out, and the proposed Work Programme. Applications will be marked against these criteria according to a predefined Marks Scheme, and award will normally be made to the Applicant with the highest marks. For Landward applications only, the Marks Scheme now also includes criteria to assess which applicants are best suited to progress shale exploration and development. There is more detailed information in the Technical Guidance.

**40)** Landward requirements for an environmental awareness statement now need more detail, in line with the mitigation measures adopted in the SEA (see Environmental Guidance).

**41)** In some cases, the Secretary of State may consider that additional factors that are not covered by, or amenable to, the Marks Scheme are relevant to the achievement of his policy. Examples could include:

- the Applicant's track record on the completion of Work Programmes;
- the Applicant's track record of performance, such as activity on suspended wells or fallow blocks and discoveries;
- cases where direct comparison between competing applications is difficult, such as those where the geographical coverage and geological focus is different, or where competing Work Programmes offer a choice between a prospect-specific investigation and a wider area investigation.

**42)** In some cases, DECC may accommodate such factors by:

<sup>1</sup> See the Petroleum (Production) (Seaward Areas) Regulations 1988 (1988/1213) and the Petroleum (Production) (Landward Areas) Regulations 1995 (1995/1436).

<sup>2</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/268585/decc-ac\\_details.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/268585/decc-ac_details.pdf)

- suggesting a “marriage” between competing applicants;
- splitting applications for competing acreage so that each applicant receives the areas that it is focused on, for example by carving out a smaller conventional prospect area from a greater shale trend; or
- awarding a licence to a company that did not score the highest marks.

**43)** DECC may suggest a marriage between competing applicants where their interests, expertise, etc, are complementary but they cannot be separated geographically. However it remains up to the companies to make the marriage and agree on terms. Part of the process will be to agree on a Work Programme, which must be acceptable to DECC. If companies are unable or unwilling to marry, DECC will choose the winner from among them.

**44)** Where a Seaward Traditional or Frontier applicant fails to meet DECC’s technical, environmental or financial criteria, the Department will not offer a Promote licence instead.

**45)** DECC may discuss Landward applications with the Coal Authority, especially those from applicants who are proposing coal-related projects.

**46)** DECC may refuse to consider applications where material information has been withheld.

**47)** Applications will be marked purely against criteria related to the Petroleum Act 1998. DECC will not award marks for plans about CCS, UCG, methane storage or any other non-licensable activities.

**48)** DECC may wish to satisfy itself of the applicant’s awareness of further regulatory and legal barriers beyond the award of a Petroleum Act licence.

## TRANSPARENCY

Applicants may need to include commercially-sensitive information in their applications, such as financial forecasts and proprietary data. DECC will handle any such information in accordance with the Freedom of Information Act 2000 and other relevant law, which take full cognisance of issues of transparency and confidentiality.

**49)** For reasons of policy, we treat applications as confidential until we can announce the Secretary of State’s decision. After that we publish the winning applicants’ names and marks, and, when a licence has been executed, we publish the licence document itself. We will also notify the losing applicants of their marks for each Block. We are happy to talk to each Applicant to discuss its application in more detail. In the case of applications for Landward Licences, after six years we may also make publicly available the technical components of each application.

**50)** DECC expects that in due course it will publish a list of the names of all applicants for Production Licences in the course of each year from 2014 onwards, among other information whose publication is required by the Extractive Industries Transparency Initiative Standard.

**51)** For the purposes of the Data Protection Act 1998, DECC will hold contact details, including individuals’ names and email addresses, and use them in communications relating to the application and to any Licence issued as a result of it. In the case of successful applications this information will be made publicly available by DECC. For example, we will publish companies’ contact details on our website, and we will supply them to companies or individuals wishing to contact the Applicant. Anyone who wishes to object to any of these uses should make clear their objections, and the grounds for them, in their application.

## OUT-OF-ROUND APPLICATIONS

The vast majority of applications are taken in regular Licensing Rounds. Exceptionally, DECC may accept a suggestion from a company that there are grounds for a one-off (“out-of-round”) application for a specific piece of acreage. Once that decision has been made, an Out-of-Round application is handled in the same way as during a Licensing Round.

**52)** This Guidance Note also applies to Out-of-Round applications, which are special cases covering a specific portion of acreage. There are two differences between a Licensing Round and an Out-of-Round Invitation; the process is initiated at a company’s request, instead of being triggered by

DECC's own timetable, and the Secretary of State will only invite applications for a very small area – typically a single block.

**53)** A company wishing to pursue the Out-of-Round route must first convince DECC that an Out-of-Round Invitation is justified; i.e. that there are clear reasons why it should not have to wait for the next opportunity in a Licensing Round.

**54)** If the Department is convinced, we will usually invite applications in a similar way to that of a Licensing Round. Therefore the first step for any company is to contact DECC (Jen Brzozowska in seaward and Toni Harvey in landward cases), making a case for an Out-of-Round invitation.

**55)** Out-of-Round applications are considered for specific and imminent opportunities, so only Traditional Licences and PEDLs, not Frontier (either type) or Promote Licences, would be appropriate.

## GENERAL ISSUES

All the following points apply to all kinds of application unless indicated otherwise.

**56)** Following industry representations at PILOT (previously the Oil & Gas Industry Task Force), DECC will not issue a Licence covering separate (non-contiguous) areas (a 'Multiblock Licence'). For these purposes, two areas that join corner-to-corner are considered to be separate.

**57)** A Production Licence does not grant carte blanche to carry out all petroleum-related activities from then on. Some activities, such as drilling, are subject to further individual controls by DECC, and a licensee of course remains subject to controls by other bodies such as the Health and Safety Executive. Furthermore, the award of a Landward licence (PEDL) in no way waives the requirement for the Licensee to get any necessary permission from landowners, planning authorities, etc. It is the licensee's responsibility to be aware of, and comply with, all regulatory controls and legal requirements. DECC cannot offer advice on regulation outside its remit, nor on legal issues, but to offer a starting point there is some guidance of the areas that we are aware of on the gov.uk website<sup>1</sup>.

**58)** Any production licence issued will carry conditions about data management and preservation, and DECC takes them very seriously. There are Release procedures and Guidelines relating to well data, new geophysical surveys, etc. Guidance can be found on the gov.uk web site<sup>2</sup>.

**59)** Applicants should note:

- the provisions of the **Utilities Contract Regulations 1996** (S.I. 1996/2911), which require that companies observe the principles of non-discrimination and competitive procurement in awarding certain contracts; and
- the initiative to preserve historically-important records which goes by the name of '**Capturing the Energy**' and which DECC fully supports. Details can be found on the 'Capturing the Energy' website at [www.capturing-the-energy.org.uk](http://www.capturing-the-energy.org.uk); and you can contact 'Capturing the Energy' by email to [info@capturing-the-energy.org.uk](mailto:info@capturing-the-energy.org.uk).

<sup>1</sup> See link: "Other regulatory issues" on "Oil and gas: licensing rounds" on gov.uk.

<sup>2</sup> See [http://og.decc.gov.uk/en/olgs/cms/data\\_maps/data\\_release/data/data.aspx](http://og.decc.gov.uk/en/olgs/cms/data_maps/data_release/data/data.aspx), <https://www.gov.uk/oil-and-gas-petroleum-operations-notices#pon-9> (seaward) and <https://www.gov.uk/oil-and-gas-petroleum-operations-notices#pon-9b> (landward).

## ANNEXE 1: RENTALS

### Traditional Seaward Production Licence's rental schedule

(1) On the Commencement Date, and on each subsequent anniversary of the Start Date to fall during the Initial Term, the Licensee shall pay the Minister £150 multiplied by the Area Factor.

(2) On each subsequent anniversary of the Start Date to fall after the Initial Term, the Licensee shall pay the Minister sums calculated as the following amounts multiplied by the Area Factor:

- (a) On the 1<sup>st</sup> such anniversary: £300;
- (b) On the 2<sup>nd</sup> such anniversary: £1200;
- (c) On the 3<sup>rd</sup> such anniversary: £2100;
- (d) On the 4<sup>th</sup> such anniversary: £3000;
- (e) On the 5<sup>th</sup> such anniversary: £3900;
- (f) On the 6<sup>th</sup> such anniversary: £4800;
- (g) On the 7<sup>th</sup> such anniversary: £5700;
- (h) On the 8<sup>th</sup> such anniversary: £6600;
- (i) On the 9<sup>th</sup> such anniversary, and every subsequent anniversary: £7500.

(3) The Periodic Payments shall be subject to variation in accordance with the following provisions:

(a) The Periodic Payments shall be increased or subsequently reduced in line with movements in the Index of the Price of Crude Oil acquired by Refineries (published in the Digest of UK Energy Statistics) if the Minister so determines. The Minister shall give notice of any such determination ("biennial determination") not less than one month before the date on which such payment falls due, and shall specify in the notice the increase or reduction in the amount payable. Movements in the Index shall be calculated by reference to a comparison between the arithmetic mean of the Index levels for the two latest calendar years for which figures are available at the time when the determination is made, and the arithmetic mean of the Index levels for the two latest calendar years before the Start Date. In the event that the Index of the Price of

Crude Oil acquired by Refineries ceases to be published the Minister may substitute arrangements for redetermination of periodic payments having substantially similar effect to those set out above based on such other comparable Index as he may determine.

(b) The increase or reduction specified in a biennial determination shall be payable or take effect on the anniversary of the Start Date next following the date of the relevant determination.

(c) No biennial determination shall have effect so as to reduce the Periodic Payments below the levels set out in sub-paragraph (2) above.

(d) The Minister shall not make a biennial determination increasing or reducing the amounts payable where that increase or reduction would be 5% or less of the levels set following the previous biennial determination.

(4) Where a Promote Period is specified at Schedule 5 of the Licence each Periodic Payment to fall during that period shall be reduced by 90%.

(5) In this Schedule:

"Commencement Date" means the date specified in clause 3(1) of the Licence;

"the Initial Term" means the period specified as such in Schedule 5 of the Licence on the date that the Licence was granted;

"Periodic Payments" means the payments set out at paragraph (1) above; and

"the Area Factor" means the number of square kilometres comprised in the Licensed Area at the date on which the Periodic Payment in question becomes due.

### 6-Year Frontier Licence's rental schedule

(1) On the Commencement Date, and on each anniversary of the Start Date during the term of the Licence, the Licensee shall pay the Minister sums calculated as the following amounts multiplied by the Area Factor:

- (a) On the Commencement Date: £15;
- (b) On the 1<sup>st</sup> anniversary of the Start Date: £15;
- (c) On the 2<sup>nd</sup> anniversary of the Start Date: £15;
- (d) On the 3<sup>rd</sup> anniversary of the Start Date: £150;
- (e) On the 4<sup>th</sup> anniversary of the Start Date: £150;
- (f) On the 5<sup>th</sup> anniversary of the Start Date: £150;
- (g) On the 6<sup>th</sup> anniversary of the Start Date: £300;
- (h) On the 7<sup>th</sup> anniversary of the Start Date: £1,200;
- (i) On the 8<sup>th</sup> anniversary of the Start Date: £2,100;
- (j) On the 9<sup>th</sup> anniversary of the Start Date: £3,000;
- (k) On the 10<sup>th</sup> anniversary of the Start Date: £3,900;
- (l) On the 11<sup>th</sup> anniversary of the Start Date: £4,800;
- (m) On the 12<sup>th</sup> anniversary of the Start Date: £5,700;
- (n) On the 13<sup>th</sup> anniversary of the Start Date: £6,600;
- (o) On the 14<sup>th</sup> anniversary and on every subsequent anniversary of the Start Date: £7,500.

(2) The Periodic Payments shall be subject to variation in accordance with the following provisions:

(a) The Periodic Payments shall be increased or subsequently reduced in line with movements in the Index of the Price of Crude Oil acquired by Refineries (published in the Digest of UK Energy Statistics) if the Minister so determines. The Minister shall give notice of any such determination ("biennial determination") not less than one month before the date on which such payment falls due, and shall specify in the notice the increase or reduction in the amount payable. Movements in the Index shall be calculated by reference to a comparison between the arithmetic mean of the Index levels for the two latest calendar years for which figures are available at the time when the determination is made, and the arithmetic mean of the Index levels for the two latest calendar years before the Start Date. In the event that the Index of the Price of Crude Oil acquired by Refineries ceases to be published the Minister may substitute arrangements for redetermination of periodic payments having substantially similar effect to those set out above based on such other comparable Index as he may determine.

(b) The increase or reduction specified in a biennial determination shall be payable or take effect on the anniversary of the Start Date next following the date of the relevant determination.

(c) No biennial determination shall have effect so as to reduce the Periodic Payments below the levels set out in the Schedule above.

(d) The Minister shall not make a biennial determination increasing or reducing the amounts payable where that increase or reduction would be 5% or less of the levels set following the previous biennial determination.

(3) In this Schedule:

“Commencement Date” means the date specified in clause 3(1) of the Licence;

“Periodic Payments” means the payments set out at paragraph (1) above; and

“the Area Factor” means the number of square kilometres comprised in the Licensed Area at the date on which the periodic payment in question becomes due.

## 9-Year (West-of-Scotland) Frontier Licence’s rental schedule

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(1) On the Commencement Date, and on each anniversary of the Start Date during the term of the Licence, the Licensee shall pay the Minister sums calculated as the following amounts multiplied by the Area Factor:

- (a) On the Commencement Date: £15;
- (b) On the 1<sup>st</sup> anniversary of the Start Date: £15;
- (c) On the 2<sup>nd</sup> anniversary of the Start Date: £15;
- (d) On the 3<sup>rd</sup> anniversary of the Start Date: £15;
- (e) On the 4<sup>th</sup> anniversary of the Start Date: £15;
- (f) On the 5<sup>th</sup> anniversary of the Start Date: £15;
- (g) On the 6<sup>th</sup> anniversary of the Start Date: £150;
- (h) On the 7<sup>th</sup> anniversary of the Start Date: £150;
- (i) On the 8<sup>th</sup> anniversary of the Start Date: £150;
- (j) On the 9<sup>th</sup> anniversary of the Start Date: £300;
- (k) On the 10<sup>th</sup> anniversary of the Start Date: £1,200;
- (l) On the 11<sup>th</sup> anniversary of the Start Date: £2,100;
- (m) On the 12<sup>th</sup> anniversary of the Start Date: £3,000;
- (n) On the 13<sup>th</sup> anniversary of the Start Date: £3,900;
- (o) On the 14<sup>th</sup> anniversary of the Start Date: £4,800;
- (p) On the 15<sup>th</sup> anniversary of the Start Date: £5,700;
- (q) On the 16<sup>th</sup> anniversary of the Start Date: £6,600;
- (r) On the 17<sup>th</sup> anniversary, and on every subsequent anniversary, of the Start Date, £7,500 multiplied by the Area Factor.

(2) The Periodic Payments shall be subject to variation in accordance with the following provisions:

- (a) The Periodic Payments shall be increased or subsequently reduced in line with movements in the Index of the Price of Crude Oil acquired by Refineries (published in the Digest of UK Energy Statistics) if the Minister so determines. The Minister shall give notice of any such determination (“biennial determination”) not less than one month before the date on which such payment falls due, and shall specify in the notice the increase or reduction in the amount payable. Movements in the Index shall be calculated by

reference to a comparison between the arithmetic mean of the Index levels for the two latest calendar years for which figures are available at the time when the determination is made, and the arithmetic mean of the Index levels for the two latest calendar years before the Start Date. In the event that the Index of the Price of Crude Oil acquired by Refineries ceases to be published the Minister may substitute arrangements for redetermination of periodic payments having substantially similar effect to those set out above based on such other comparable Index as he may determine.

(b) The increase or reduction specified in a biennial determination shall be payable or take effect on the anniversary of the Start Date next following the date of the relevant determination.

(c) No biennial determination shall have effect so as to reduce the Periodic Payments below the levels set out in the Schedule above.

(d) The Minister shall not make a biennial determination increasing or reducing the amounts payable where that increase or reduction would be 5% or less of the levels set following the previous biennial determination.

(3) In this Schedule:

“Commencement Date” means the date specified in clause 3(1) of the Licence;

“Periodic Payments” means the payments set out at paragraph (1) above; and

“the Area Factor” means the number of square kilometres comprised in the Licensed Area at the date on which the periodic payment in question becomes due.

## Landward Production Licence’s rental schedule

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(1) On the Commencement Date, and on each anniversary of the Start Date during the term of the Licence, the Licensee shall pay the Minister sums calculated as the following amounts multiplied by the Area Factor:

- (a) On the Commencement Date: £25;
- (b) On the 1<sup>st</sup> anniversary of the Start Date: £25;
- (c) On the 2<sup>nd</sup> anniversary of the Start Date: £25;
- (d) On the 3<sup>rd</sup> anniversary of the Start Date: £25;
- (e) On the 4<sup>th</sup> anniversary of the Start Date: £25;
- (f) On the 5<sup>th</sup> anniversary of the Start Date: £50;
- (g) On the 6<sup>th</sup> anniversary of the Start Date: £100;
- (h) On the 7<sup>th</sup> anniversary of the Start Date: £150;
- (i) On the 8<sup>th</sup> anniversary of the Start Date: £200;
- (j) On the 9<sup>th</sup> anniversary of the Start Date: £250;
- (k) On the 10<sup>th</sup> anniversary of the Start Date: £300;
- (l) On the 11<sup>th</sup> anniversary of the Start Date: £400;
- (m) On the 12<sup>th</sup> anniversary of the Start Date: £500;

- (n) On the 13<sup>th</sup> anniversary of the Start Date: £600;
- (o) On the 14<sup>th</sup> anniversary of the Start Date: £700;
- (p) On the 15<sup>th</sup> anniversary of the Start Date: £800;
- (q) On the 16<sup>th</sup> anniversary of the Start Date: £900;
- (r) On the 17<sup>th</sup> anniversary of the Start Date: £1,000;
- (s) On the 18<sup>th</sup> anniversary of the Start Date: £1,100;
- (t) On the 19<sup>th</sup> anniversary and every subsequent anniversary of the Start Date: £1,200.

(2) During the Licence’s Production Period, for that part of the Licensed Area that is comprised either within a Retention Area or a Development Area at the date when an Annual Rental falls due, the Annual Rental shall be calculated at a rate of either (a) £100 or (b) the rate specified at paragraph (1) above, whichever is the lower; multiplied by the Area Factor.

(3) The Periodic Payments shall be subject to variation in accordance with the following provisions:

(a) The Periodic Payments shall be increased or subsequently reduced in line with movements in the Index of the Price of Crude Oil acquired by Refineries (published in the Digest of UK Energy Statistics) if the Minister so determines. The Minister shall give notice of any such determination ("biennial determination") not less than one month before the date on which such payment falls due, and shall specify in the notice the increase or reduction in the amount payable. Movements in the Index shall be calculated by reference to a comparison between the arithmetic mean of the Index levels for the two latest calendar years for which figures are available at the time when the determination is made, and the arithmetic mean of the Index levels for the two latest calendar years before the Start Date. In the event that the Index of the Price of Crude Oil acquired by Refineries ceases to be published the Minister may substitute arrangements for redetermination of periodic payments having substantially similar effect to those set out above based on such other comparable Index as he may determine.

(b) The increase or reduction specified in a biennial determination shall be payable or take effect on the

anniversary of the Start Date next following the date of the relevant determination.

(c) No biennial determination shall have effect so as to reduce the Periodic Payments below the levels set out in the Schedule above.

(d) The Minister shall not make a biennial determination increasing or reducing the amounts payable where that increase or reduction would be 5% or less of the levels set following the previous biennial determination.

(4) In this Schedule:

"Commencement Date" means the date specified in clause 3(1) of the Licence;

"Periodic Payments" means the payments set out at paragraph (1) above; and

"the Area Factor" means the number of square kilometres comprised in the Licensed Area at the date on which the periodic payment in question becomes due.

## ANNEXE 2: CONTACTS

DECC's London address is:

Department of Energy and Climate Change  
3-8 Whitehall Place  
London SW1A 2AW

DECC's Aberdeen address is:

Department of Energy and Climate Change  
Atholl House,  
84-86 Guild Street,  
Aberdeen AB11 6LT

To discuss DECC's **financial appraisal**, contact Nic Rogers:

tel: 0300 068 6049;  
email: [nicholas.rogers@decc.gsi.gov.uk](mailto:nicholas.rogers@decc.gsi.gov.uk)

To discuss *Landward* **geological and other technical issues** (Appendix B) and the **marks scheme**, contact Toni Harvey:

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email: [toni.harvey@decc.gsi.gov.uk](mailto:toni.harvey@decc.gsi.gov.uk)

To discuss *Seaward* **geological and other technical issues** (Appendix B) and the **marks scheme**, contact Jen Brzozowska:

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To discuss **environmental issues** (Appendix C), contact Joe MacAllan

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For general enquiries about the **administration** of a Licensing Round:

e-mail: [oilandgaslicensing@decc.gsi.gov.uk](mailto:oilandgaslicensing@decc.gsi.gov.uk)

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