

Fee Schemes for Environmental Regulation of Offshore Oil and Gas

Overview

In Autumn 2014 DECC undertook a review of fees schemes relating to the environmental regulation of offshore oil and gas to ensure they were in line with current HMT Guidance and to identify whether any additional fees schemes were required. It became clear that whilst the majority of the cost recovery was properly covered, there were elements for which the Secretary of State did not have the requisite legislative power to charge. The Energy Bill (clauses 77-78) seeks to redress these elements and provide the necessary power to charge going forwards.

Policy Rationale

In line with Government policy, DECC has sought to recover the cost of environmental regulation from industry where this is considered to be a practical option. This is consistent with the 'polluter pays' principle of environmental law. The policy objective in charging these fees is to ensure that the costs of environmental regulatory services, which are provided by DECC to oil and gas operators, continue to be fully recovered from industry. The measures will relieve the burden on the taxpayer and ensure that those companies directly benefiting from the services pay for them, which should also improve resource allocation. The Energy Bill therefore provides the necessary power to charge going forwards, as well as retrospectively validating past charges.

Provisions in the Energy Bill

The Bill introduces provisions in relation to charges for regulator's services to the industry. This includes:

- Retrospective provisions validating the historic charging of fees for environmental regulation of the offshore oil and gas industry where industry has already received the benefit for which they have been charged.
- Provisions to enable HMG to charge for some fees for environmental regulation of the offshore oil and gas industry that are not currently being charged for.