



**Minutes of the second meeting of the Underground Coal Gasification (UCG)
Working Group held on Tuesday 23rd September at 2pm in Room LG.03, 3 Whitehall
Place**

Present:

Ian McKenzie (DECC CLU) (standing in for Stephen Speed, Director EDU)
[REDACTED] (DECC CLU)
[REDACTED] (DECC CLU)
[REDACTED] (DECC CLU)
[REDACTED] (DECC OUGO)
[REDACTED] (DECC OCCS)
[REDACTED] (DECC OCCS)
[REDACTED] (DECC LED)
[REDACTED] (DECC LED)
[REDACTED] (The Coal Authority)
[REDACTED] (The Coal Authority)
[REDACTED] (The Coal Authority)

(The above redacted under REG 12(3) EIR)

Review of the Terms of Reference (ToR)

1. The Working Group first met in January 2014 but had not been able to convene since due to other policy and operational commitments. Since drawing up the original ToR, the timetable had clearly altered and there has been a change of Minister.
2. Arguably, the overall DECC policy position remained one of neutrality towards UCG given the uncertainties of viability involved but the Group recognised the need for a clearer policy position to be established and for the key points in the work programme previously agreed to be progressed (ideally by the end of the year although issues that involve wider consultation might need to be deferred until post General Election)

Action: CLU to update the ToR to ensure objectives are set in the context of wider DECC policy priorities and that the timetable is updated to show the information gathering elements and recommendations are concluded if possible by end of 2014.

Summary of engagement on UCG issues and other developments

The Coal Authority reported that there were currently 17 conditional UCG licenses, all offshore, plus 5 more in the process of being renewed, again all offshore. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

(The above redacted under Reg 12 (5)(e)EIR)

Licensing Related Developments

7. The Coal Authority's policy was not to grant a UCG license where there is already a DECC awarded petroleum license in place for the same area. Presently, there was not a conflict because there are no UCG licenses onshore. It was noted, however, that there remains potential for conflict between the development of coal bed methane (CBM) and UCG in the same areas by different operators and the Working Group need to come to a view on this.

Action: Coal Authority and LED Licensing Team to discuss the scope for license conflicts and whether the status quo should be maintained or changes should be implemented and report back to the Working Group.

8. In the context of the current LED 14th Onshore Licensing Round (due to close at the end of October 2014) it was not thought that new issues for UCG would be raised at this stage – primarily as there is no current onshore interest in UCG licence areas. It was agreed that it would be important for LED and Coal Authority to consider the

outcome of the licensing process (through the usual consultation channels in place between the teams) to identify if there were issues in due course arising from applications received.

Action: LED Licensing Team and Coal Authority to discuss outcomes of the 14th Onshore Licensing round at the appropriate stage of the license awards process as required.

9. In terms of the Coal Authority, it was recognised that the current approach to licensing UCG was different to the competitive licensing rounds managed by DECC both for onshore and offshore oil and gas activity. The Working Group noted that there may be a case for adopting a more consistent approach on licensing.

Action: Coal Authority to consider the scope for alternative license arrangements and the pros and cons of these in the context of the Authority's obligations and to share their views on this with the Working Group.

10. Where land banking is suspected (the practice of buying up licenses and doing nothing with them) the Authority can push back and question applicants. However, the Authority are concerned such decisions could be challenged and it would be helpful to have an agreed UCG policy with DECC to support them where such instances occur. That said it was noted that the Authority is now taking a more robust approach to seeking information on the progression of license holders interests and this was a relevant consideration in deciding whether or not to extend licenses. Outputs from the Working Group would be helpful in this context.

11. The costs of Coal Authority licenses are broadly in line with a petroleum license and contain obligations and conditions.

Other regulatory requirements

12. As UCG operations are likely to result in the incidental capture of small quantities of native methane in the course of the intended activity of extracting syngas, it is considered that a new Petroleum Act license will be required alongside the Coal Authority license for a UCG site to become operational. LED in DECC had planned to take forward this requirement alongside other activity on amendments to oil and gas legislation but that work was not taken forward because of other pressures on legal resource. This requirement, which will be in the form of secondary legislation (ie a Statutory Instrument), remains on the LED future work programme but is not currently regarded as a priority. For the industry this gap is likely to be viewed as a potential missing piece of legislation that would help to create certainty but given the limited progress to date on behalf of the operators, it is difficult to see that urgent action is required. LED consider that it is unlikely that resource will be made available for the legislation unless and until there is a much more positive prospect of some project proceeding to the stage of seeking planning permission.

Action: LED to consider the timing for any new SI for a methane license in the light of progression of license interests by existing license holders

13. Looking beyond DECC/Coal Authority interests it was recognised that the development of UCG is likely to require development of relevant planning consents;

environmental; health and safety considerations by appropriate authorities in the same way that these have been developed for shale gas exploration.

14. At this stage it was not clear the extent to which the relevant agencies have developed policies in response to prospective UCG developments. The offshore nature of potential UCG development areas (combined with the onshore facilities required) would also give rise to additional regulatory issues and there is some potential ambiguity on which agency might be responsible for aspects of the offshore operation.
15. Notwithstanding these gaps there were clearly resource implications for taking forward such work given the effort that has been made on the shale gas sector and further consideration needs to be given to whether it is reasonable at this stage to develop policy given the overall state of developments on UCG. This would require further discussion with Stephen Speed and OUGO colleagues in particular.
16. In the context of OUGO's work on UCG it was noted by the Working Group that [REDACTED] is now in post and part of his responsibilities included work on UCG. As part of this [REDACTED] envisaged a programme of visits and discussions with interested parties to help develop his understanding and develop a OUGO view on UCG. It was agreed that the outputs from the work [REDACTED] would be doing would be a very useful contribution to the Working Group's activities.

Action: Office of Unconventional Gas ([REDACTED]) to discuss issues with relevant stakeholders, including any trade associations, and report back at the next Working Group meeting on progress with his information gathering.

(The above redacted under Reg 12(3) EIR)

Next Steps

- Concluding the meeting Ian McKenzie thanked participants for their contributions and confirmed he would discuss the future of the Working Group with Stephen Speed as EDU Director given the cross over issues within the EDU areas of responsibilities and to secure a steer on the way forward.
- On current assumptions the next meeting of the Working Group should be set for late October 2014 and monthly meetings to the end of the year should be arranged.
- The Working Group noted that that agreed media handling lines remained robust given the current position (attached for information)

CLU
25 September 2014

Terms of Reference (as at September 2014)

DECC Underground Coal Gasification (UCG) Working Group

The Working Group has been established to co-ordinate DECC interests in UCG and review the current licensing processes.

Objectives

- Assess the current state of the UK UCG industry including:
 - current UCG licensing processes;
 - the research and feasibility work carried out to date in the UK;
 - the nature of any potential environmental impacts; and
 - other regulatory requirements
- Consider the interaction between UCG licensing and the current licensing for coal, oil and gas extraction

Output

The Working Group will:

- (i) Produce a position paper on where UCG is situated within wider DECC policy, consulting with relevant parties including industry and NGOs as appropriate (information gathering and recommendations to the Working Group by end 2014)
- (ii) Set out recommendations for dealing with onshore UCG applications for licenses by end 2014

Meetings

Frequency of meetings

Meetings are to be held on a monthly basis, subject to review. On occasions where timing requires, updates may be given in correspondence or in ad hoc meetings.

Secretariat

DECC Coal Liabilities will provide the secretariat function for the Group.

Standard Papers

- Meeting agenda
- Minutes of the previous meeting
- Update reports

One week in advance of the meeting, the papers (listed above) will be issued and invites sent to members of the group and other invitees/observers as considered appropriate.

Membership

Director EDU (Chair) or Head of Coal Liabilities
DECC CLU (Secretariat)
DECC OUGO
DECC OCCS
DECC LED
The Coal Authority