

Amendment to permitted development rights for drilling boreholes for petroleum exploration site investigation and monitoring

Department for Communities and Local Government

RPC rating: validated

Description of proposal

As a prerequisite to petroleum extraction, onshore oil and gas operators drill exploratory boreholes used for environmental monitoring and investigatory activities. Currently, in order to do so, operators are required to obtain planning permission for the well-site and for each well-pad used to drill the boreholes. The proposal will remove the requirement for planning permission for individual well-pads, instead providing development rights, where the boreholes are to be drilled for any of the following three purposes:

- carrying out groundwater monitoring;
- carrying out seismic monitoring; or
- locating and appraising the condition of mines.

Impacts of proposal

Benefits

Removal of applications for planning permission

Operators will directly benefit from the removal of the cost of applying for planning permission. The IA states that there is a large range in both the application fee and the cost of preparing the application documents; these costs vary based on the size and nature of the well-pad and the area in which it will be drilled.. The Department provides evidence that the application fee ranges from £195 to £8,132. Industry sources have estimated that preparation costs are in the region of £15,000 to £20,000, with the potential to rise to between £30,000 and £40,000. The IA uses a conservative approach and adopts the lower boundaries of £195 and £15,000 per well-pad for application fees and preparation costs, respectively, as its best estimate of the costs that will be removed by the proposal. Although the Department explains that it is unable to forecast accurately the number of well-pads that will be built, using forecasts from related impact assessments, an illustrative figure of up to 130 new

well-pads over the next 10 years has been provided. This implies a total saving to operators of around £2 million over the 10 year appraisal period.

Time saving

The development rights that will be provided by the proposal will also allow for baseline monitoring. It is desirable for operators to conduct baseline monitoring prior to the submission of an application for planning permission, as there is a specific requirement for baseline monitoring for a period of 12 months prior to the start of any high volume hydraulic fracturing. The proposal will, therefore, provide a significant time saving for operators, as they will be able to begin producing oil earlier. The Department has, however, been unable to monetise the benefit to operators of this time saving.

Costs

Although the proposal is deregulatory and will result in a net benefit to businesses, the measure will also involve costs to operators in two forms:

Familiarisation costs

There are currently 33 operators that possess a petroleum licence in England. These operators will have an interest in exercising the proposed permitted development rights. As a result of the new regulations, operators are expected to incur familiarisation costs. Based on five members of staff spending two hours familiarising themselves with the regulation at an average hourly rate of £27.81, these are expected to be £278 for each operator; this would lead to a one-off cost of £9,177 for the entire group of licenced operators.

Cost of notification

Prior to exercising their development rights, there will be a requirement for operators to notify specified parties. The Department has assumed that a single notification will be prepared per well-pad, which will be issued to all relevant recipients simultaneously. The Department estimates that the cost to operators of providing a notification will be £56 per well-pad, based on one person taking two hours to produce and send the notification with an average hourly rate of £27.81. If development rights are to be exercised for all 130 of the anticipated well-pads, this would imply that the total cost of the notifications would be up to £7,280 over 10 years. The IA, however, states that this is expected to be an overestimate, as not all well-pads are expected to be used for purposes permitted by the development rights.

Quality of submission

Throughout the IA, the Department explains that the figures provided are purely for illustrative purposes. It has been unable to provide robust estimates of the effect of the proposal, due to the uncertainty surrounding the expected increase in well-pads and the proportion that will benefit from the development rights. Using these illustrative figures, the Department has provided a rough upper bound estimate of a £2 million benefit to operators over ten years. As this is not a best estimate, the Department has stated an EANCB of zero, although there is expected to be a small benefit to business. Although the IA would benefit from including robust estimates, due to the uncertainty, this appears reasonable on the basis of proportionality.

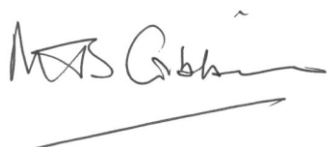
The RPC verifies the estimated equivalent annual net cost to business (EANCB) of zero. This will be a qualifying regulatory provision which will score under the business impact target.

Departmental assessment

Classification	Qualifying regulatory provision (OUT)
Equivalent annual net cost to business (EANCB)	Zero
Business net present value	£1.7 million
Societal net present value	£1.7 million

RPC assessment

Classification	Qualifying regulatory provision (OUT)
EANCB – RPC validated ¹	Zero
Small and micro business assessment	Not required (deregulatory)



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANCB figures to the nearest £100,000.