



Isle of Man
Government

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Date: 27th June 2022

Dear Officers and Members

Seaward Production Innovate Licence Between the Department of Infrastructure ("the Department") and Crogga Limited ("Crogga") ("the Licence")

Thanks for your letter of 20th June. I would first like to apologise for the time taken for this response but a number of written questions have been answered in Tynwald in recent weeks and some of these have informed this reply.

Background

Council of Ministers supported the award of a Seaward Production Innovate licence by the Department to Crogga in October 2018 based on established Tynwald policy, most notably; "A Report by the Council of Ministers on the Strategy for Offshore Energy Production" (GD No: 2014/0028)" and the approved recommendation within it that:

"Tynwald supports the development of offshore wind, marine renewables and hydrocarbon energy sources in the Isle of Man's territorial sea in order to produce energy, subject to projects receiving appropriate consents and planning approval. It is expected that electricity produced would initially be exported to neighbouring jurisdictions, though may become an alternative local supply in the future".

The Phase B element extension of the licence is to allow for the remaining elements of the Phase B works to be undertaken and completed, as set out in Schedule 3 of the Licence. Specifically:

- Geotechnical Studies:
 - Obtain and reprocess existing 2D seismic Data
 - Petrophysics Study
 - Reservoir Deliverability Study
 - Rock Physics Study

- Acquisition of New Data:
 - 350sqKm of 3D Seismic Survey (acquisition and processing)

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Sea Terminal Building, Douglas, Isle of Man, IM1 2RF

- Environmental Studies:
 - Drilling Environmental Impact Assessment
 - Seabed Environmental Survey
 - Post 3D Survey Environmental Summary Report

The terms of the licence can be varied according to the provisions of section 2 of the Petroleum Act 1986 and within the licence itself.

Decision to extend the licence

The Department decided to grant the requested extension to Phase B to Crogga was on 25th March 2022. This decision was endorsed by the Council of Ministers on 7th April and Treasury concurrence was received on 27th April. The Second Variation of Licence was agreed and signed by the Department and representatives from Crogga on 28th April 2022.

Climate Change Act 2021 considerations

The Department is satisfied that the provisions within the Climate Change Act 2021 do not preclude hydrocarbon exploration.

With regards meeting the net zero emissions target by the net zero target year, 2050, the Department required agreement from Crogga to an earlier end date of the licence (and production) to 31st December 2048 which would allow for the adequate decommissioning of the site. This would result in the site to be at net zero by 2050, as required by the Section 9 of the Climate Change Act 2021.

Departmental officers, with colleagues in Cabinet Office and Department of Environment, Food and Agriculture ("DEFA"), have worked to understand the emissions implications of the implementation of this licence. Cabinet Office has engaged with Genesis, a specialist consultancy firm, to support the analysis of information provided by Crogga regarding the projected operations.

The report which Genesis produced reviews the information supplied and summarises the implied emissions over the lifetime of the project to implement the licence, separating out the emissions which would be generated within the Isle of Man and those generated elsewhere. No emissions were included from eventual combustion of the gas, acknowledging that the work was focused on the inevitable emissions associated with extraction and the potential processing of the gas including from fugitive emissions (for example methane leaks or maintenance related releases).

I believe Genesis concluded that, whilst satisfied with the greenhouse gas emissions data provided by Crogga, it would like to see other development concepts which could reduce greenhouse gas emissions which may follow during the next phase of the licence. It also sought evidence that the onshore processing facility will be entirely renewable and concluded that fugitive emissions will be likely.

I understand that Cabinet Office is currently liaising with the third parties involved with a view to making elements of the report available.

The Department will require further clarification on emissions and appropriate mitigations as the project progresses, and more is known about the field once the Phase B and Phase C works have been completed, specifically *"any development or production programme provided or requested under this paragraph shall include a methodology to be agreed by the Department in respect of the mitigation of any development or production emissions to*

comply with the provisions of the Climate Change Act 2021” (new paragraph added at 17(2)(d) of the licence)

A number of provisions were included within the variation of the licence specifically relate to the Climate Change Act 2021. In particular, and despite existing provisions in the licence, namely Clause 9B *“The Licensee shall, in the performance of their obligations under this licence comply with all applicable statutes, regulations and orders as may be application at the time being in force”*. A new paragraph 8(3)(f) was added, namely that the Licensee should comply with the provisions of the Climate Change Act 2001 as maybe amended, varied or replaced during the term of the Licence in respect of any emissions (as defined in the Climate Change Act 2021).

The Department has always been clear that should there be any emissions as part of the implementation of the licence, it would be Crogga’s sole responsibility to ensure these are adequately mitigated against in line with the provisions of the Climate Change Act.

In respect of the just transition principle and the climate justice principle, the Department and colleagues from the Climate Change team considered a letter (dated 24th February 2022) from the UK’s Climate Change Committee to the Secretary of State for the Department for Business, Energy and Industrial Strategy which includes the key message;

“The CCC has not been able to establish the net impact on global emissions of new UK oil and gas extraction. UK extraction has a relatively low carbon footprint (more clearly for gas than for oil) and the UK will continue to be a net importer of fossil fuels for the foreseeable future, implying there may be emissions advantages to UK production replacing imports. However, the extra gas and oil extracted will support a larger global market overall. Whereas the evidence against any new consents for coal exploration or production is overwhelming, the evidence on new UK oil and gas production is therefore not clear-cut”.

Application of these principles will be further considered.

In terms of the UN sustainable development goals this project might contribute to the Island’s economic growth, whilst also ensuring there is a reliable source of fuel until such times as the future energy scenarios for the Island have been determined and implemented.

Seismic Survey Work

The Department is satisfied that, prior to any seismic work being undertaken, the required approval will be sought from DEFA under the provisions of the Controlled Marine Area (Seismic Survey Works) Regulations 2016 (which came into operation on 5 December 2016) and the Controlled Marine Area (Seismic Survey Works) Byelaws 2016 (which came into operation 1 February 2017). As part of this decision making process, DEFA will ensure that the marine biodiversity, ecosystems and ecosystems services, as appropriate, will be taken into account.

The Paris Agreement

There is nothing in the Paris Agreement that precludes hydrocarbon exploration.

Climate Emergency

The Department is satisfied that, with the assistance of colleagues in the Climate Change Team, due consideration is being given to the Climate Emergency.

In summary the Department ensured that there was appropriate deliberation over any impact the licence implementation project would have in terms of emissions and it is considering the mitigation proposed by Crogga to ensure it is appropriate and sufficient. The Department will require further clarification on emissions and appropriate mitigations from Crogga as the project progresses, and more is known about the field once the Phase B and Phase C works have been completed. There are appropriate provisions and clauses in the licence which requires the Licensee to seek the approval of the Department prior to undertaking any relevant works and such a programme of works must also be approved by the Department. It would be as part of this that the Department would expect to see this further clarification in respect of emissions, and as outlined above, the relevant works will be required to be approved by the Department.

If there is anything else you require, please do not hesitate to contact me.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'C Thomas', written in a cursive style.

Hon. C Thomas MHK
Minister for Infrastructure