



Llywodraeth Cymru
Welsh Government



Petroleum Licensing Functions in Wales:

Frequently Asked
Questions



Introduction

From 1st October 2018 Welsh Ministers are responsible for licensing the exploration and development of Wales' onshore petroleum resources. In England, the licensing functions continue to be carried out by the Oil and Gas Authority.

The information in this document is intended to provide responses to the frequently asked questions associated with onshore oil and gas licensing functions in Wales. The responses are generalised, and do not refer to any specific licence, site, operator or location.

This document is intended for a non-technical audience, and aims to provide a good understanding of the issues, as opposed to a detailed analysis. Technical guidance is also available for licences.

Cover photo – Dr Ian G. Stimpson – Seismologist, geophysicist and geologist at Keele University, UK

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Current PEDL with acreage in Wales (North Wales PEDL and South Wales PEDL)

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.
This document is also available in Welsh.



Petroleum Licensing Functions

1. What are the new licensing functions for Wales?

On the 1st October 2018 the Wales Act 2017, section 23, transferred licensing functions under Part 1 of the Petroleum Act 1998 from the Oil and Gas Authority (OGA) to the Welsh Ministers in relation to the Welsh onshore area. Welsh Ministers are responsible for licensing the exploration and development of Wales' onshore petroleum resources.

Part 1 of the Petroleum Act 1998 defines petroleum (oil and gas hydrocarbons) and vests all rights to it in the Crown. The Act also empowers Welsh Ministers, as the licensing authority in Wales, to grant licences to search, bore for and get petroleum on behalf of the Crown, in return for consideration (referred to as a rental).

2. Who will manage the petroleum licensing functions in Wales?

The petroleum licensing functions for licence acreage in Wales are carried out by the Welsh Ministers. As the licensing authority, Welsh Ministers are responsible for decisions on whether to issue new licences and also the management of existing licences issued before 1st October 2018 in accordance with the licence model clauses.

3. Why have you transferred the petroleum licensing functions if Welsh Ministers are committed to decarbonisation?

Welsh Ministers have a statutory duty to manage the existing petroleum licences that were issued by the UK Government before 1st October 2018. Only following the transfer of the licensing functions can Welsh Ministers effectively manage existing licences and introduce new petroleum licensing policy.

4. Do the Welsh petroleum licensing functions include both conventional and unconventional petroleum extraction?

Petroleum, as defined by Part 1 of the Petroleum Act 1998, includes any mineral oil or relative hydrocarbon and natural gas existing in its natural condition in strata. The Act, and therefore the petroleum licences derived from the Act, do not differentiate between conventional and unconventional petroleum extraction. Therefore, the Welsh Minister's licensing functions cover both conventional and unconventional petroleum extraction.

However, the work programmes that form part of the licence may indicate whether the proposed development is related to conventional or unconventional sources.

5. **What is the Welsh onshore oil & gas licensing area?**

The Wales Act 2017 onshore petroleum licensing provisions refer to 'baselines', and the area within the baseline is regarded as onshore (or landward) for the purpose of Welsh petroleum licensing.

The term "landward area" is also used in the Petroleum Licensing (Exploration and Production) (Landward Areas) Regulations 2014 to mean the area within the baselines established by any Order in Council under section 1(1)(b) of the Territorial Sea Act 1987 (extension of territorial sea).

The Territorial Sea Act 1987 provides for the setting of these baselines, which is normally the low water line. However, inside these baselines can include some waters; bays, estuaries or similar which are referred to as internal waters and treated as onshore.

6. **What types of licences can Welsh Ministers issue?**

Welsh Ministers are responsible for the granting, administration and regulation of three distinct types of petroleum licence:

- **Petroleum Exploration and Development Licences (PEDL)**
- **Landward Petroleum Exploration Licences (XL)** are available for companies wanting to explore but do not need exclusive rights to drill or produce petroleum. They are commonly used by seismic contractors who gather data to sell rather than exploiting the resources themselves.
- **Methane Drainage Licences (MDL)** A MDL is required if the operator or owner of a coalmine must capture natural gas to make the mine safe.

A new PEDL is usually only made available in competitive licensing rounds. Invitations for applications are made by the licensing authority and the applications are assessed on their merits based on objective criteria specified in advance. Companies can apply for a XL or MDL licence at any time.

7. **What is a Petroleum Exploration and Development Licence (PEDL)?**

A PEDL grants exclusive rights to search and bore for, and get, petroleum within a specified area (a PEDL block). A PEDL covers the various stages of a development cycle from exploration to appraisal, production and eventually decommissioning of the wells. A PEDL does not remove the need for permission for specific operations that are required by law. Additional consent from the landowner, the Local Planning Authority, Natural Resources Wales (NRW) and the Health and Safety Executive (HSE) is also required.

There have been 14 onshore licensing rounds to date. The last licensing round that included acreage within Wales, the 13th Round, was held in 2008 by the then UK Government Secretary of State for the Department of Business, Enterprise and Regulatory Reform. No licences were awarded in Wales during the 14th onshore licensing round held by the OGA in 2014.

8. What is a PEDL Term?

A PEDL typically runs for three successive terms:

- Initial Term (6 years)
- Second Term (4 years)
- Production Term (20 years)

The splitting of the lifecycle of an oil and gas licence into these three Terms provides clear hurdles for the licensee's progress (finding the hydrocarbons, planning for their extraction and the extraction itself). It allows the Welsh Ministers to ensure that licensees do not retain exclusivity of hydrocarbon exploration and extraction without doing enough work for this to be justified.

During the initial term the licensee carries out an agreed "Work Programme", drawn from the licensee's application proposals, to explore and establish whether there is a petroleum accumulation (a "field") beneath the block.

During the second term the licensee will need to seek Welsh Minister's approval for a Field Development Plan and obtain planning and other regulatory permissions for those activities. During the production term, subject to approval of the Field Development Plan, the licensee will drill production wells, construct treatment facilities and produce the oil and gas.

This licence will expire at the end of the initial term unless the licensee has completed the agreed work programme, or successfully sought an extension to the exploratory phase from Welsh Ministers. The licence will expire at the end of its Second Term unless Welsh Ministers have approved a Field Development Plan.

9. What is a licence Model Clause?

The detailed terms and conditions of every licence are prescribed in a series of Model Clauses, which are set out in secondary legislation made under the Petroleum Act 1998. The Model Clauses applicable to a particular licence are those that are in force at the time the licence was granted. Upon grant of the licence these model clauses are incorporated into the licence. Model Clauses are not affected by subsequent sets of Model Clauses, except through specifically retrospective measures.

The most recent Model Clauses are set out in the Petroleum Licensing (Exploration and Production) (Landward Areas) Regulations 2014.

Model Clauses stipulate what activities require consent from Welsh Ministers, working obligations, and powers of revocation amongst other things.

10. What is a petroleum licence consent?

Every PEDL requires licence holders to obtain Welsh Ministers' consent for specific activities. These consents can be categorised broadly as:

- Approval of development plans.
- Consent to drill, suspend or abandon a well.
- Consent to produce petroleum or flare or vent waste gas.

- Approval of the competency of the well installation operator.
- Approval of the sale of existing licences or change of beneficiaries.
- Approval of time extensions to the initial, second or production term of a PEDL.

These consents must be obtained from Welsh Ministers before the activity or change to the licence can commence.

11. **What is a PEDL work programme?**

The Initial Term carries a work programme of exploration activity that the licencing authority and the licensee will have agreed as part of the licence application process. This licence will expire at the end of the Initial Term unless the licensee has completed the agreed work programme, or successfully sought an extension to the exploratory phase from the licensing authority.

12. **What is a Field Development Plan?**

Every PEDL will require licensees to obtain consent from Welsh Ministers before installing facilities or producing petroleum. The Field Development Plan (FDP) is the support document for Welsh Ministers' development and production authorisations. Petroleum production will only be authorised when Welsh Ministers are satisfied that the FDP meets their requirements.

A FDP should contain a description of the petroleum field, including estimates of petroleum reserves, development and management plans, and drilling and production facilities. When considering whether to authorise a development proposal, Welsh Ministers will take into account whether the proposed project accords with the Government's policy objectives and whether the methods proposed comply with good oilfield practice. When considering what constitutes good practice, the licensees proposals will be compared with the practice adopted in similar, successful developments.

13. **What is licence consideration (rental)?**

Each PEDL licence carries an annual charge, called a consideration or rental, set at the time of award. Rentals are due each year on the licence anniversary. Rentals are charged at an escalating rate on each square kilometre the licence covers at that date. Rentals are designed to encourage licensees to decide which acreage to retain and to surrender acreage they do not want to exploit. Setting of the rental rate is a reserved power for Westminster Treasury.

14. **Can Welsh Ministers revoke an existing licence?**

Welsh Ministers are responsible for the management of existing petroleum licences in accordance with the licence conditions and the general principles of public law. Existing licence holders have ongoing licence rights to exploit petroleum within a given geographic area for a period of up to 30 years. A licensee may retain the licence subject to observing the terms and conditions of the licence, completing agreed work programmes within the agreed timeframes, and payment of the appropriate rental fee (consideration).

Licences do not give the licence-holder automatic permission to commence petroleum extraction operations. A range of additional planning and environmental permits are required before a development can commence.

15. **Can a Term be extended?**

There is inevitably a risk that even the most diligent of licensees will be prevented from meeting work programmes agreed for each Term by factors beyond their control (including the vagaries of geology and drilling, oil price and access to land) and the potential for agreed variations of length and requirements of the terms provides a reasonable balance between clear objective milestones and reasonable flexibility.

Requests for variations can be made in writing to Welsh Ministers, and if agreed, they will normally be executed by notice. If the licence terms are not extended, the licence will expire (determine).

When considering applications to extend licence terms Welsh Ministers will consider relevant circumstances, which could include but not be limited to:

- Relevant Welsh petroleum policies.
- Whether the licensee has worked diligently to meet the relevant deadline and/or has been prevented from doing so by factors beyond its control.
- Consistency with decisions in similar cases.

16. **Where can I find copies of current licences, applications, Field Development Plans, seismic data and well data?**

Historic well and seismic data is currently archived by the UK Onshore Geophysical Library (UKOGL).

17. **What is the role of the Oil and Gas Authority?**

The Oil and Gas Authority is the onshore petroleum licensing authority for acreage located within the English onshore area. The Oil and Gas Authority can not issue new licences or licence consents in relation to the Welsh onshore area.

18. **Is Underground Coal Gasification covered by the petroleum licensing function**

Underground coal gasification is regulated by the Coal Authority and does not require a Petroleum Act 1998 licence from Welsh Ministers. Underground Coal Gasification is the process of creating syngas through the combustion of coal in-situ. The syngas is not petroleum as the gas does not exist naturally within the rocks.

19. Who regulates petroleum activities in Wales?

The regulation of petroleum licence activity in Wales is managed by a number of bodies, each with a specific role and remit.

Organisation	Role
Welsh Ministers	<p>A developer must obtain the relevant petroleum licence from Welsh Ministers before any further permissions can be obtained (except where a licensee already has a licence issued before 1st October 2018). Welsh Minister's consent is also required to appoint a licence operator (a person with responsibility for organising or supervising petroleum operations).</p> <p>For existing licences, the licensee must obtain the relevant well consent from Welsh Ministers before drilling or production can commence. Before a consent application is submitted to Welsh Ministers, the operator must first obtain the additional consents or permissions outlined below.</p>
Local Planning Authority	<p>Companies must seek consent from the Local Planning Authority for all surface works associated with a petroleum development life-cycle (construction, operation, maintenance, decommissioning and abandonment). The local planning authority will consider issues such as noise, light, traffic, flood risk and air pollution.</p>
NRW	<p>Companies must apply for the necessary environmental permits associated with any activity that is captured by the relevant environmental legislation. NRW regulates activities that may cause pollution or that pose other risks to the environment throughout the life cycle of a petroleum development.</p>
HSE	<p>The HSE ensures the operator is managing the health and safety risks appropriately throughout the life cycle of a petroleum development. In particular, the HSE are responsible for ensuring the appropriate design and construction of a well.</p>
The Coal Authority	<p>The Coal Authority is responsible for granting consent for activity which cuts across, disturbs or enters coal seams.</p>



How are consent applications determined?

20. How many existing petroleum licences are there in Wales?

There are currently 14 extant PEDL in Wales, all issued before 1st October 2018. The location and extent of the current petroleum licences in Wales can be viewed on the UK Onshore Geophysical Library website.

21. What checks will Welsh Ministers complete before issuing a consent or permission?

Welsh Ministers will scrutinise all applications for consents under an existing licence to ensure that the proposed application:

- complies with the law,
- demonstrates good petroleum field practice, and
- to satisfy ourselves that effective operational and environmental management systems are in place.

The specific nature of the checks undertaken by Welsh Ministers will depend on the type of consent sought by the applicant. The following highlights some of the key issues that Welsh Ministers will consider.

Applications for consent to drill an exploratory or production well –

The process of obtaining consent to drill a well is the same whether the well is targeted at conventional or unconventional petroleum. Welsh Ministers will give consent to drill only when they are satisfied that:

- The local planning authority has granted permission to drill and the relevant planning conditions have been discharged.
- All the necessary permits from Natural Resources Wales are in place.
- The Health and Safety Executive is satisfied with the well design.
- The operator has arranged an examination of the well design by an independent, competent well examiner.
- The British Geological Survey (BGS) has been notified of the intent to drill.

Welsh Ministers will also assess the geotechnical data provided by the licensee and review its well site operational plans, including the possibility of side-track wells, well stimulation, and plans to save or flare gas when testing for hydrocarbons. Welsh Ministers will take into account the position of other relevant regulators and will also review the operator's financial capacity to meet known costs.

Consent to produce petroleum – Petroleum production will only be authorised when Welsh Ministers are satisfied that the FDP meets its requirements.

Operatorship – Welsh Ministers must authorise any person who will be responsible for organising or supervising petroleum operations. In considering any request for such operatorship, Welsh Ministers will consider a persons technical experience and capability to supervise, manage and undertake the proposed operation.

Licence relinquishments – If the licensee requests to relinquish acreage on a licence, or the entire licence, before agreeing to this, the Welsh Ministers will verify that all wells within the licensed area have been appropriately plugged and abandoned.

22. **Petroleum licence boundaries**

The location and extent of petroleum exploration and production development is strictly limited to the boundaries of a pre-defined PEDL area block. No development, including any horizontal drilling deep underground, is permitted outside of a PEDL area block.

The extent of the current PEDL in Wales can be found at the UK Onshore Geophysical Library and below.

Figure 1: Current PEDL with acreage in Wales (North Wales PEDL and South Wales PEDL)

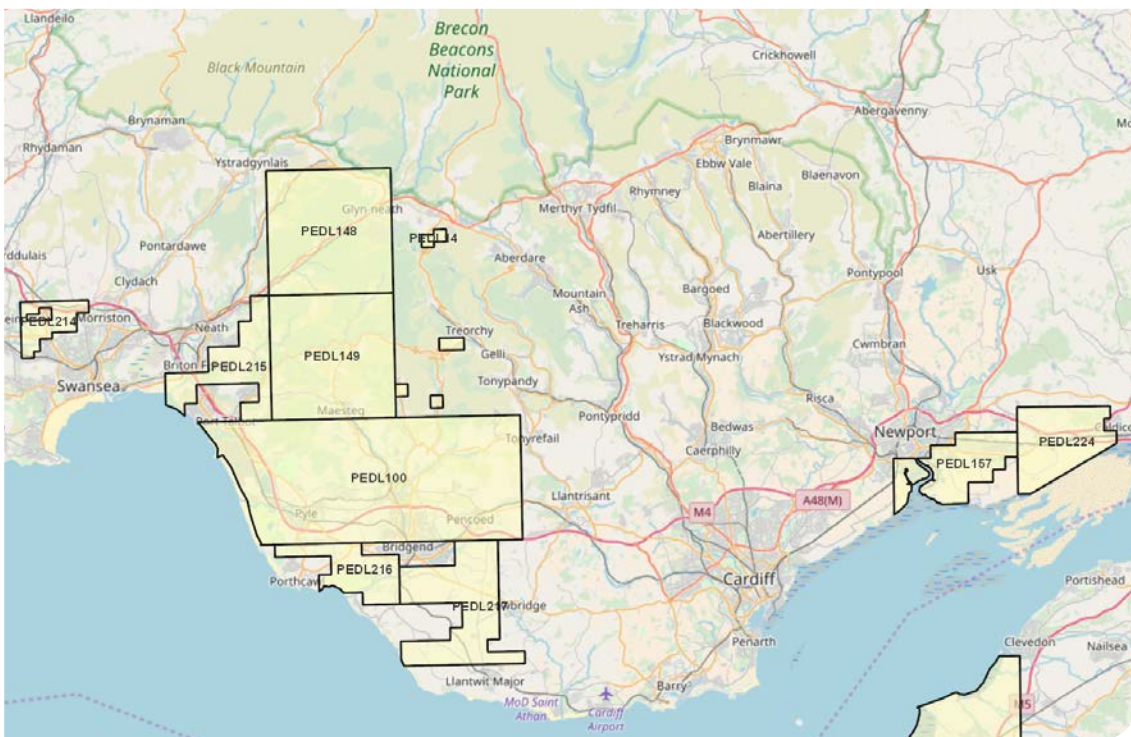
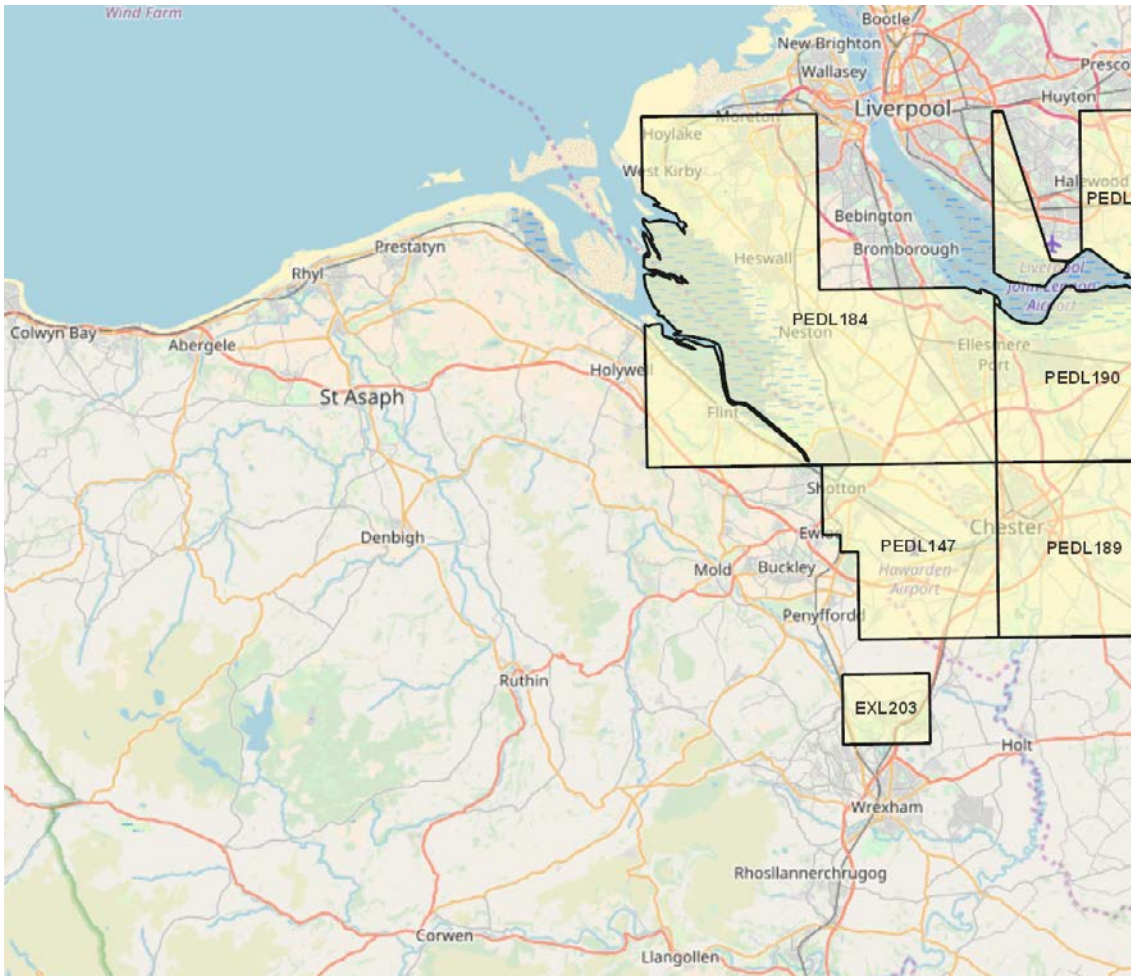


Table 2: Current Petroleum Exploration and Development Licences (PEDL)

Licence	Licensee Name	Licence Start Date	1st Term Ends Date	2nd Term End Date	Licence End Date	Local Authority
EXL203	Biogas Technology	01/10/91	30/09/97	30/09/02	30/09/22	Wrexham
PEDL014	Alkane Energy UK	04/04/96	03/04/02	03/04/08	03/04/27	Bridgend
PEDL100	Coastal Oil and Gas	08/09/00	07/09/08	07/09/11	07/09/31	Neath Port Talbot
PEDL147	IGas	01/10/04	30/09/11	30/09/17	30/09/35	Flintshire
PEDL148	UK Methane	01/10/04	30/09/11	30/09/16	30/09/35	Neath Port Talbot
PEDL149	UK Methane	01/10/04	30/09/11	30/09/16	30/09/35	Bridgend
PEDL157	Sonorex Oil and Gas	01/10/04	30/09/10	30/09/16	30/09/35	Newport
PEDL184	IGas	01/07/08	30/06/16	30/06/19	30/06/39	Flintshire
PEDL214	UK Methane	01/07/08	30/06/20	30/06/22	30/06/39	Swansea
PEDL215	UK Methane	01/07/08	01/07/20	01/07/22	30/06/39	Neath Port Talbot
PEDL216	Coastal Oil and Gas	01/07/08	02/07/20	02/07/22	30/06/39	Bridgend
PEDL217	Coastal Oil and Gas	01/07/08	03/07/20	03/07/22	30/06/39	Vale of Glamorgan
PEDL224	Sonorex Oil and Gas	01/07/08	04/07/20	04/07/22	30/06/39	Newport & Monmouthshire