Irish State hydrocarbon management: Time for a new approach

Presentation by

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• PhD research was first academic study of Irish hydrocarbon management, funded by the Irish Research Council for the Humanities and Social Sciences (2009-2012).

• PhD research (UCD) involved:
  - Documentary research (policy, fiscal and licensing systems in Ireland & other countries)
  - Interviews with 30 stakeholders from the spectrum of interests surrounding Irish hydrocarbons (incl. politicians, civil servants, oil industry personnel, civil society groups)
  - Observations at 20 public events
  - 2 case studies (Corrib gas conflict, Norwegian approach to resource management)
Wider context: Climate change & environmental degradation

- Fossil fuels and GHG emissions
- International, European and national imperatives to reduce GHG emissions and transition to a more sustainable future.
- Ireland has 3rd highest per capita GHG emissions in EU
- Ireland failing to meet targets, subject to substantial EU fines
- France, New Zealand, Belize and Costa Rica leading the way by banning oil and gas exploration
Irish hydrocarbon management

- Evolution of state’s approach
- Results in the privatisation of publicly owned resources
- Different licensing terms culminate in limited benefits
- Licensing regime used in less than half countries globally
- Uniquely low tax terms
- Flaws in licensing, policy and planning frameworks
<table>
<thead>
<tr>
<th>Licensing terms</th>
<th>Type of authorisation</th>
<th>No. of authorisations</th>
<th>Comments on authorisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marathon licence</td>
<td>Petroleum Lease</td>
<td>1</td>
<td>Production from Kinsale (gas, discovered in 1971, production started in 1978) and Ballycotton (gas, discovered in 1989, production in 1991)</td>
</tr>
</tbody>
</table>
2. Seven Heads (gas discovered in 1973, production in 2003) |
| Frontier exploration licence | 6 | | FEL 1/04 – Conmemara (oil discovered in 1979, Island Assets Porcupine & partners have held an authorisation since 2004)  
FEL 2/04 – Burren (oil discovered in 1978, Providence have had authorisation since 2004)  
FEL 2/04 – Spanish point (gas condensate, discovered in 1981, Providence authorisation since 2004)  
FEL 1/06 – Bandon (oil, discovered in 2009. Serica is the operator and has held the licences since 2006) |
| Standard exploration licence | 2 | | SEL 4/05 – Old Head of Kinsale (gas discovered in 2006, licence held by Island Expro & partners. ‘Lease undertaking application’ has been under consideration since 2011)  
SEL 5/05 – Schull Discovery (gas discovered in 2007, licence held by Island Expro & partners. ‘Lease undertaking application’ has been under consideration since 2011) |
| 2007 Terms      | Lease Undertaking     | 2                     | 1. Dunmore (oil; discovered in 1985. Providence have held authorisations for this discovery since 2000). Dunmore is one of 4 discoveries that were licenced under SEL 2/07 (see below)  
2. Helvick (oil, discovered in 1983. Arcon, the predecessor of Providence was granted an authorisation in 1994. Providence has held SEL 2/07 since 2007, preceded by other authorisations dating back to 1998) |
| Frontier exploration licence | 12 | | |
| Standard exploration licence | 4 | | SEL 1/07 – Providence, extension under consideration (since 2014)  
SEL 2/07 – Hook Head (oil, discovered in 2007 by Providence. Lease undertaking being considered, since 2013)  
SEL 1/11 – Barryroe (oil field discovered in 1973, Providence / subsidiary Exola have held licence since 2011) |
| 2014 Terms      | Frontier exploration licence | 1 | |
| Licensing options | 31 | | 12 follow-on applications received |
| Petroleum Prospecting Licences | 18 | | LO 16/30 contains the Ardmore discovery, previously licenced to Providence/ Arcon under SEL 2/07 (1996-2013) |
| Total number of authorisations | 79 | | |
Key issues with Irish system

• **Choice of regime**
  • Licensing systems enable privatisation of state owned resources
  • Globally production sharing and service contracts more popular
  • Outdated approach which means companies are under no obligation to sell produced Irish gas and oil back to the state and if they choose to do so, sales are at full market prices

• **Uniquely low tax terms**
  • Tax terms for 4 fiscal terms are low by international standards. 1992 terms bottom of the list in several studies
  • Limited economic benefits from hydrocarbon exploitation should not be used to justify continued extraction, particularly when one considers the environmental damage caused by hydrocarbon exploitation

• **Licensing, policy and planning frameworks**
  • State body responsible for responding to climate change also promotes hydrocarbon exploitation and transfers public resources to private interests, undertaking conflictual roles that do not correspond with any notion of sustainability
Interconnected issues surrounding hydrocarbon exploitation, consumption and climate change

- We are at an important crossroads and need to take radical actions if we wish to create a healthy, sustainable society for current and future generations.

- Current production and consumption patterns cannot be sustained

- ‘Our energy system has to fundamentally change, both in terms of where our energy comes from and how we use it...if we use less energy it makes it easier to replace our fossil fuels with renewable energy’ (NPM, 2017, p. 61).

https://climate.nasa.gov/solutions/adaptation-mitigation/
Illuminating interconnections

Environmental:
- Contribution of GHGs to climate change
- Environmental impacts of exploration, development & production
- Environmental damage erodes society’s capacity to provide safe living conditions

Social:
- Societal overconsumption of hydrocarbons
- Impacts of climate change on communities & societies
- Flaws in planning, licensing and regulation
- Social conflicts around resources (Corrib, windfarms, solar energy)

Economic:
- Economic costs of failing to reduce GHG emissions (incl. EU fines; disasters)
- Profits from public resources go to private interests. Citizens pay full market prices.
- No guarantee of supply from indigenous production (resources can be exported)

Political:
- Radical changes needed in response to climate change
- Transfer of ownership of state resources to private companies
- Approach to hydrocarbon management largely consistent since 1958

Ideological:
- Climate change is a collective problem: requires state intervention
- Privatisation of public resources (but climate change affects everyone)
- Responses to climate require change in thinking & action
Conclusion

• Introducing the *(Climate Emergency Measures) Bill (2018)* essential to advance our transition towards a low-carbon future

• There is no second chance when it comes to climate change. We need to act now and act decisively; such actions include banning further hydrocarbon exploitation; reducing energy consumption and properly resourcing the transition to renewable energy in a manner acceptable to all stakeholders.