
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations prescribe model clauses for offshore exploration licences granted under section 3 of the Petroleum Act 1998 (“the 1998 Act”), and under section 4 of the Energy Act 2008 (“the 2008 Act”). Unless the Secretary of State decides to exclude or modify them in any particular case, such clauses are deemed to be incorporated into the relevant licences (which permit certain kinds of exploration for the purposes, respectively, of petroleum production and the storage or unloading of combustible gas). For the most part, identical clauses are prescribed for both kinds of licence, so that the licences can be combined in a single document; however, in a few cases, provisions are prescribed only in respect of petroleum exploration licences, and in others only in respect of gas storage and unloading exploration licences.

As regards exploration licences under section 4 of the 2008 Act, model clauses are prescribed by these Regulations for the first time. Except in relation to the unloading of gas to a pipeline, the relevant provisions of the 2008 Act are commenced by the Energy Act 2008 (Commencement No. 4 and Transitional Provisions) Order 2009 (SI 2009/2809 (C. 123)). As regards exploration licences under section 3 of the 1998 Act, model clauses were previously prescribed by Schedule 1 to the Petroleum Licensing (Exploration and Production) (Seaward and Landward Areas) Regulations 2004 (SI 2004/352) (“the 2004 Regulations”). The model clauses now prescribed will apply only to licences granted after the coming into force of these Regulations.

The licences in question will enable the holder to undertake the exploration of the entire offshore area below the low-water line, out to the seaward limits of the United Kingdom Continental Shelf, but only by means of such relatively non-intrusive methods as seismic surveys and shallow drilling. In order to obtain the right to explore particular areas by more intrusive means (such as deep drilling below 350 metres) it will be necessary to obtain a separate licence under section 3 of the 1998 Act, or section 4 of the 2008 Act. Furthermore, licences for either intrusive or non-intrusive exploration of the offshore area for the purposes of carbon dioxide storage can be granted under section 18 of the 2008 Act. Model clauses in respect of gas storage licences under section 4 of the 2008 Act are prescribed by the Offshore Gas Storage and Unloading (Licensing) Regulations 2009 (SI 2009/2813). As regards licences under the Petroleum Act 1998, see Schedule 6 to the 2004 Regulations, and the Schedule to the Petroleum Licensing (Production) (Seaward Areas) Regulations 2008 (SI 2008/225).

An Impact Assessment has not been prepared for these Regulations. In the case of licences under the 1998 Act, the model clauses prescribed have no effect on existing licences and are largely similar to those previously prescribed. As regards the clauses prescribed for licences under the 2008 Act, the assessment for the proposed offshore licensing regime contained in the Impact Assessment for the Energy Bill 2007-08 is relevant. That assessment is contained in Annex C to the Government’s *Consultation on the Proposed Offshore Gas Storage and Gas Unloading Licensing Scheme: Implementing the Energy Act 2008*, and is updated in section 8 of that document. The document is available at:

<http://www.decc.gov.uk/en/content/cms/consultations/open/gsul/gsul.aspx>

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