

**EXPLANATORY MEMORANDUM TO**  
**THE GAS ACT 1986 (EXEMPTION) (ONSHORE GAS) ORDER**

**2013 No. 1726**

1. This explanatory memorandum has been prepared by the Department of Energy and Climate Change and is laid before Parliament by Command of Her Majesty.
2. **Purpose of the instrument**
  - 2.1 This instrument exempts onshore producers of gas from the requirement to obtain a gas transporter licence under section 5(1)(a) of the Gas Act 1986 (as amended).
3. **Matters of special interest to the Joint Committee on Statutory Instruments**
  - 3.1 None
4. **Legislative Context**
  - 4.1 This Order is made in exercise of the powers conferred on the Secretary of State by section 6A of the Gas Act 1986.
5. **Territorial Extent and Application**
  - 5.1 This instrument applies to Great Britain.
6. **European Convention on Human Rights**
  - 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.
7. **Policy background**
  - 7.1 Section 5(1)(a) of the Gas Act 1986 specifies that a transporter licence is required for the conveyance of gas through pipes to any premises or pipe-line systems operated by a gas transporter (i.e. gas network companies). Therefore, onshore producers of gas (e.g. conventional, shale, coal-bed methane and biomethane) are required to hold a transporter licence if they want to operate pipe work that connects their onshore production facility to the grid.
  - 7.2 This was identified by industry as a barrier for onshore gas production sites who chose to convey that gas to the grid. Hence, we propose to remove the requirement by creating a class exemption which applies to all onshore gas production techniques.

7.3 This instrument therefore grants an exemption from the requirement under section 5(1)(a) of the Gas Act 1986 to hold a licence when transporting gas (conveying gas through pipes to pipeline systems operated by gas transporters) in respect of a person who conveys gas from an onshore gas processing facility to a pipeline system operated by a gas transporter.

7.4 The exemption applies to gas conveyed from an onshore gas processing facility, which is a facility defined as one that carries out gas processing operations on gas extracted from or produced in landward areas only. Landward areas are in most cases the areas on the landward side of the low water line along the coast of Great Britain.

7.5 The exemption only applies if the length of pipeline through which the gas is conveyed does not exceed 16.043 kilometres; this distance is measured from the first facility at which gas processing operations are carried out on that gas for the purpose of introduction into the gas grid. Preliminary operations which are not for this purpose are not considered to be gas processing operations for the purposes of the exemption and are therefore not taken into account for the purpose of this length limit.

7.6 The exemption does not apply if the gas is conveyed to any premises.

## **8. Consultation outcome**

8.1 There were eight responses to the consultation. All of the respondents agreed in principle with the creation of this exemption. A detailed discussion of the responses received is available on the [.gov.uk/decc](http://www.gov.uk/decc) website.

## **9. Guidance**

9.1 The Department does not currently anticipate publishing guidance in respect of this exemption.

## **10. Impact**

10.1 The impact on business has been estimated at £0.04 million cost benefit per year. The impact on charities or voluntary bodies is nil.

10.2 The impact on the public sector is nil.

10.3 An Impact Assessment is attached to this memorandum and will be published alongside the Explanatory Memorandum on the OPSI website.

## **11. Regulating small business**

11.1 The instrument does apply to small business but as this is a deregulatory measure, with a net benefit to business, the legislation will not be detrimental to firms employing up to 20 people.

**12. Monitoring & review**

12.1 As this instrument does not impose a burden on business, it does not contain a review or sunset clause. However, the Department will continue to keep the exemption under review as part of its on-going policy considerations.

**13. Contact**

Saleha Dani at the Department of Energy and Climate Change Tel: 0300 068 5195 or email: [saleha.dani@decc.gsi.gov.uk](mailto:saleha.dani@decc.gsi.gov.uk) can answer any queries regarding the instrument.