

# Friends of the Earth Scotland Response to the Oil and Gas Authority consultation on proposals to revise the MER UK Strategy



July 2020

## Introduction

Friends of the Earth Scotland (FoES) campaigns for socially just solutions to environmental problems and to create a green economy; to end the degradation of our environment and to create a society which cherishes and protects the natural world on which we depend; we think globally and act locally, enabling people to take individual and collective action.

In 2019, Friends of the Earth Scotland co-published *Sea Change: Climate Emergency, Jobs and Managing the Phase-Out of UK Oil and Gas Extraction*<sup>1</sup>, with Platform and Oil Change International, as part of our programme of work on Just Transition.

FoES welcomes the opportunity to respond to the OGA consultation. This submission includes a response to specific consultation questions (1, 2 & 3) however we first present our view that the premise of the consultation is flawed since the policy of Maximising Economic Recovery (MER) is incompatible with the UK's climate commitments. The UK's climate targets and approach to oil and gas extraction must instead be aligned with the 2015 Paris Agreement goals. This response demonstrates why MER is incompatible with achieving this alignment, with the inclusion of "net zero" an insufficient amendment to the previous MER Strategy to meet international climate commitments.

## Climate Leadership, the Paris Agreement and Fossil Fuels

The UK Government consistently projects itself as a "climate leader", and will host the UN climate negotiations - COP26 - in November 2021. The Glasgow summit is viewed as the most important COP since 2015 for what it needs to achieve in generating new, ambitious emissions reduction targets and for "real economy" initiatives which can accelerate the low-carbon transition.

Part of the UK's claim to be a global climate leader is based on the UK Parliament being the first national parliament to adopt a "Net Zero" greenhouse gas emissions target date of 2050, which the Government integrated into the 2008 Climate Change Act. However, a "Net Zero" emissions target is not the same as a commitment to limiting average global temperature rises to 1.5°C as required by the Paris Agreement which demands far more urgent action to reduce emissions, particularly over the crucial next decade.

The 2015 Paris Agreement commits signatories, including the UK, to strengthen the global response to the threat of climate change by limiting global temperature rises this century to well below 2°C above pre-industrial levels, and to pursue efforts to limit the temperature increase to 1.5°C. The Intergovernmental Panel on Climate Change's (IPCC) ground-breaking 2018 Special Report on 1.5°C<sup>2</sup> demonstrated, unequivocally and comprehensively, the devastating consequences of climate impacts if warming rises

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<sup>1</sup> Friends of the Earth Scotland, Oil Change International and Platform, *Sea Change: Climate Emergency, Jobs, and Managing the Phase-out of UK Oil and Gas Extraction*, May 2019: <https://foe.scot/resource/sea-change-climate-report/>

<sup>2</sup> IPCC, "Summary for Policymakers," In: Global warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty: [https://www.ipcc.ch/site/assets/uploads/sites/2/2018/07/SR15\\_SPM\\_High\\_Res.pdf](https://www.ipcc.ch/site/assets/uploads/sites/2/2018/07/SR15_SPM_High_Res.pdf)

beyond 1.5°C and the significant benefits of remaining below this threshold. In this context, the net-zero by 2050 target is woefully inadequate, particularly seen through the lense of the principles of equity and common but differentiated responsibility - enshrined in the UN Framework Convention on Climate Change and given effect in the Paris Agreement. With an estimated 5 years at current emissions levels left before the carbon budget for 1.5°C is used up, clearly what's needed is action over the next decade to reduce emissions as fast as possible. Debra Roberts, Co-Chair of one of the three IPCC working groups that produced the 2018 Report said at the time of publication (our emphasis):

*“The report gives policymakers and practitioners the information they need to make decisions that tackle climate change while considering local context and people’s needs. The next few years are probably the most important in our history.”*

The latest UNEP Emissions Gap report published in November 2019 provides an assessment of current and estimated future emissions and compares these with emissions levels permissible to achieve the goals of the Paris Agreement. The report underlines the importance of near term emission reductions and warns that global greenhouse gas emissions need to be reduced by 7.6% a year between 2020 and 2030 in order to get on track for limiting global warming to 1.5°C<sup>3</sup>. We would emphasise that this is a global average, and does not reflect the necessary differentiation between wealthy countries with historical responsibility for causing the climate crisis like the UK, and poorer countries with low per capita emissions, minimal historical responsibility for the crisis, and lesser capability to act.

93% of the UK’s carbon dioxide emissions are from oil and gas<sup>4</sup>; therefore reduction in emissions necessitates significant reduction in oil and gas demand. The focus of the OGA on territorial emissions and the deliberate omission of Scope 3 emissions (i.e. the amount of emissions indirectly generated by the extraction of oil and gas) is in our view disingenuous. A recent report from Climate Tracker revealed that just 15% of oil and gas lifetime emissions come from operational emissions - those produced from extracting and refining - with 85% coming from end use combustion emissions. The OGA - and ultimately BEIS as the sponsoring department - should take responsibility for ensuring that UK industry is pursuing zero emissions from both its operations and the use of its products through a managed phase-out.

The Environmental Justice Commission, a group composed of cross-party MPs, business executives, union leaders, climate activists and members of the Institute for Public Policy Research recently noted the current failure to properly address oil and gas extraction as:

*“...the area of policy that is most clearly inconsistent with the UK and Scottish governments net zero targets and the Paris Agreement goal which requires that all Parties make financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.”*

The IPCC found that limiting warming to 1.5°C is still possible if urgent action is taken. The UK Government has committed to supporting delivery of the 1.5°C goal as a matter of government policy (as the Court of Appeal in the Heathrow Judgement has confirmed) – it should now live up to this commitment and implement alignment in its regulation of oil and gas extraction.

### **Aligning UK oil and gas extraction with Paris Agreement goals**

The Sea Change Report demonstrates that even the UK’s 5.7 billion barrels of oil and gas reserves in already-operating fields will exceed the UK’s share in relation to the Paris climate goals – and under the

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<sup>3</sup> UNEP (2019). Emissions Gap Report 2019. <https://www.unenvironment.org/resources/emissions-gap-report-2019>

<sup>4</sup> See table 2 of 2019 UK greenhouse gas emissions data:

<https://data.gov.uk/dataset/9a1e58e5-d1b6-457d-a414-335ca546d52c/provisional-uk-greenhouse-gas-emissions-national-statistics>

existing MER strategy the UK plans to extract nearly 20 billion barrels in total - over three times more than its share of the Paris Agreement goals<sup>5</sup>.

The figures below from the Sea Change report illustrate the need for a reduction in oil and gas production in order to meet climate goals. Figure 1 shows that the natural decline of extraction from existing fields is roughly aligned with the reduction in oil and gas extraction needed according to the IPCC P1 scenario that takes a precautionary approach to negative emission technologies. Figure 2 shows that the UK is planning to more than triple already developed reserves with yet undeveloped and undiscovered production. These additions will either help push the world further into climate breakdown or lead to a deferred collapse in oil and gas extraction.

Figure 1: Global oil and gas extraction with and without new development, compared to demand aligned with 1.5°C.<sup>6</sup>

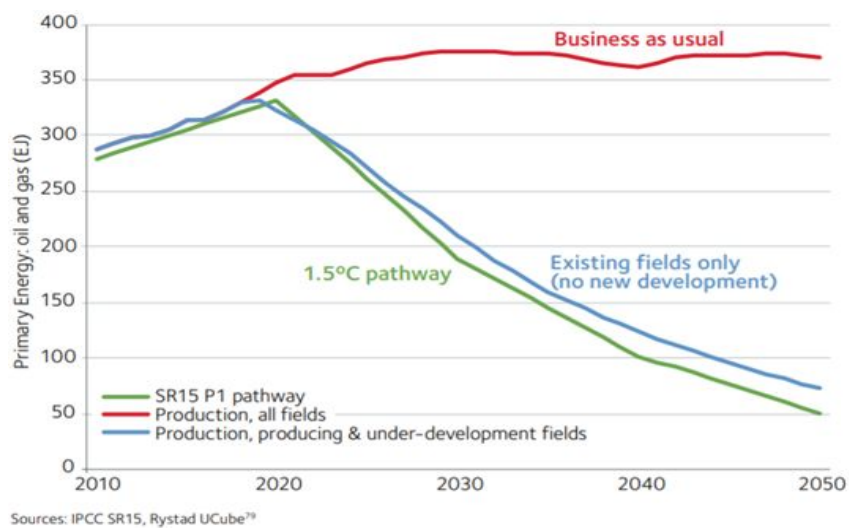
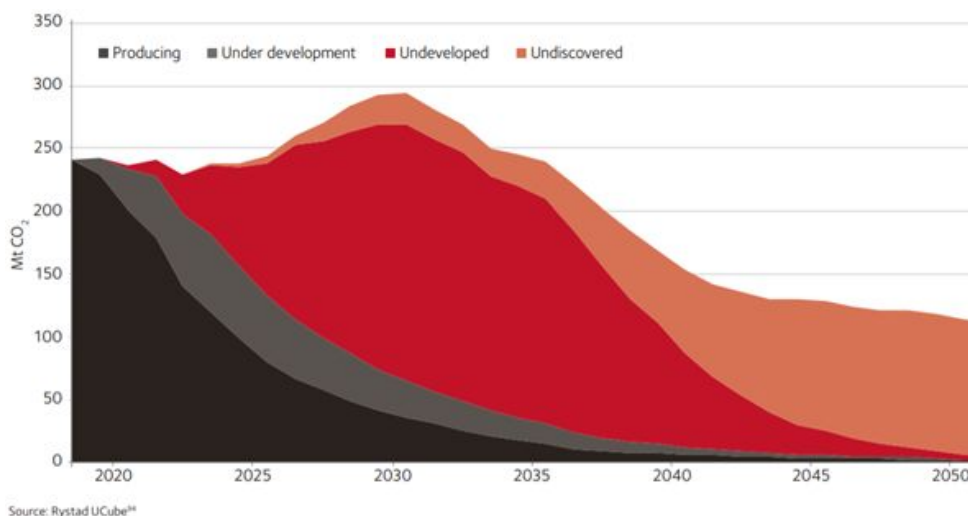


Figure 2: Carbon dioxide emissions from UK offshore oil and gas, 2018-50.<sup>7</sup>



<sup>5</sup> Friends of the Earth Scotland, Oil Change International and Platform, *Sea Change: Climate Emergency, Jobs, and Managing the Phase-out of UK Oil and Gas Extraction*, May 2019: <https://foe.scot/resource/sea-change-climate-report/>

<sup>6</sup> Friends of the Earth Scotland, Oil Change International and Platform, *Sea Change: Climate Emergency, Jobs, and Managing the Phase-out of UK Oil and Gas Extraction*, May 2019: <https://foe.scot/resource/sea-change-climate-report/>

<sup>7</sup> Friends of the Earth Scotland, Oil Change International and Platform, *Sea Change: Climate Emergency, Jobs, and Managing the Phase-out of UK Oil and Gas Extraction*, May 2019: <https://foe.scot/resource/sea-change-climate-report/>

The leaders of the Pacific Islands Development Forum have called for a moratorium on the development and expansion of fossil fuel extracting industries<sup>8</sup> and an increasing number of governments are responding to these calls by introducing precedent-setting limits to oil and gas production and restricting financial support<sup>9</sup> :

- Full licensing bans or moratoria  
*Costa Rica (2011), France (2017), Spain (2020 - pending parliamentary approval), Ireland (2020)*
- Partial licensing bans  
*New Zealand – offshore (2018), Belize – offshore (2018), Denmark - onshore (2018)*
- Full exclusions for upstream oil and gas finance  
*World Bank (2017; begins in 2020), Swedfund (2017), Agence Française de Développement (2019)*
- Full exclusions for all fossil fuel finance  
*Ireland’s national investment fund (2018), European Investment Bank - near full exclusion for fossil fuel finance (2019), Spain (2020 - pending parliamentary approval)*

## Recommendation

The UK and Scottish governments face two pathways to stay within the Paris climate limits:

- Deferred collapse: continue to pursue maximum extraction by subsidising companies and encouraging them to shed workers, until worsening climate impacts force rapid action to cut emissions globally; the UK oil industry collapses, pushing many workers out of work in a short space of time. Or:
- Managed transition: stop approving and licensing new oil and gas projects, begin a phase-out of extraction and a Just Transition for workers and communities, negotiated with trade unions and local leaders, and in line with climate change goals, while building quality jobs in a clean energy economy.

Given the tightness of remaining carbon budgets, each new license, permit or tax break for oil and gas pushes the UK further towards the deferred collapse path. Our Sea Change report shows that energy transformation can meet UK climate commitments while protecting livelihoods and economic well-being, if the right policies are adopted and affected workers’ organisations and communities are able to guide these policies.

Based on these findings, levels of oil and gas extraction on the UKOS (and their associated downstream emissions) should therefore be regulated to ensure that they remain at safe levels consistent with limiting the average temperature increases to 1.5°C above pre-industrial levels. A revised MER strategy that fails to acknowledge this will - just like the current MER strategy - not be compatible with the UK Government’s obligations as a signatory to the Paris Agreement. We would therefore like to place on record our view **that the fundamental premise of the consultation the OGA has been asked to undertake by the Secretary of State for Business, Energy and Industrial Strategy (BEIS) – that the UK should only be concerned with operational emissions – is not correct. We recommend that the MER objective be replaced by an objective of equitably managing the phase-out of UK oil and gas production, in line with the Paris goals.**

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<sup>8</sup> SUVA declaration:

<http://www.piango.org/wp-content/uploads/2016/06/PACIFIC-ISLAND-DEVELOPMENT-FORUM-SUVA-DECLARATION-O-N-CLIMATE-CHANGE.v2.pdf>

<sup>9</sup> e.g. Erickson, P., Lazarus, M. and Piggot, G. (2018). Limiting fossil fuel production as the next big step in climate policy. Nature Climate Change, online 26 November 2018. DOI: 10.1038/s41558-018-0337-0

To be clear, we do not believe (nor are we arguing) that the oil and gas industry should shut down overnight. To respond to the challenges presented by climate change while avoiding a deferred collapse of the UK's oil industry, a structured and planned transition is needed which covers both the phasing out of extraction and replacing the oil and gas with clean energy to power our domestic economy. Renewable energy is now cheaper in the UK than gas power. Several UK and global studies have shown that a rapid transition to 100% renewable energy is both technically feasible and affordable. The barriers are political.

The UK offshore oil industry is a significant employer, with about 30,000 direct workers and over 70,000 more in the domestic supply chain. However, as the industry increases automation and tries to cut costs, it has made many job cuts and put pressure on working conditions – the industry's response to COVID-19 will only accelerate this trend. A Just Transition Plan for industrial conversion to renewable energy sources while protecting workers' livelihoods is urgently needed.

The history (and present) of UK oil and gas extraction shows what can be achieved when a government sees a strategic interest in enabling an industry. From the first discovery of oil in 1969, the UK was an oil exporter within just twelve years, and by 1985 was the world's fifth largest producer of oil. It was government policy that enabled this rapid expansion, and government policy (through subsidies and industrial interventions) that sustained extraction long after it would have otherwise declined.

## **Responses to Consultation Questions**

### **Q1. Do you have any comments on the proposed changes to the introduction?**

The consultation the OGA has been asked to undertake by the Secretary of State, is inadequate and fundamentally flawed since MER, as it is currently interpreted, is itself incompatible with the Paris Agreement goals that the UK has signed up to: aligning oil and gas production with the goals of the Paris Agreement would require a managed reduction and phase out of oil and gas production. The UK Government should make clear what, if any, IPCC pathway to 1.5°C it is following in developing UK oil and gas policy, and the relevant scenario assumptions.

Aligning a new UK oil and gas extraction policy with Net Zero by 2050 - which does not explicitly state limiting average global temperature rises to 1.5°C as an objective - will likely be insufficient to comply not only with the Paris goals; but also the UK's duties under the European Convention on Human Rights (ECHR) and the Human Rights Act 1998, to protect its citizens from threats to the right to life and the right to family and home.

### **Q2. Do you have any comments on the proposed changes to the central obligation?**

The central obligation of any new UK oil and gas extraction strategy that replaces the current MER strategy should only allow oil and gas extraction within safe limits that reflect the UK's human rights obligations and commitment to supporting achievement of the Paris Agreement goals of limiting average temperature rises to 1.5°C above pre- industrial levels.

A 'safe limit' must be compatible with the UK's Paris Agreement obligations, based on a credible IPCC pathway, and one that adopts the Precautionary Principle to negative emission technologies.

The proposed addition of "Part (b)" to the central obligation requiring persons to support the delivery of the Net Zero target is insufficient to ensure UK oil and gas extraction will remain within Paris Agreement limits. The reliance on expensive, unproven negative emissions technologies, such as CCS, risks diverting focus and

investment from immediate and most cost-effective policies that could rapidly cut our dependence on fossil fuels and increase our renewable energy capacity domestically.

There are claims made by the OGA in several places in the consultation document that MER “*does not need to be in conflict with the transition to net zero*” which we believe must also be challenged. This is because, apart from being inconsistent with the Paris Agreement, MER conflicts with Net Zero on the OGA’s own terms for three reasons:

Firstly, the OGA Strategy amendments include multiple references to support research and development of carbon capture and storage (CCS). There are well-known reservations about whether CCS can scale up as a mitigation tool. The OGA and the UK Government should commit to adhering to the Precautionary Principle, which is well established through Principle 15 of the Rio Declaration, in relation to negative emission technologies. This means, therefore, that it would be not be over-reliant on high levels of future carbon capture or removal to achieve its CO<sub>2</sub> emission reduction targets, since there is still a significant risk associated with unproven technologies such as carbon capture and storage, carbon capture usage and storage (CCUS), carbon dioxide removal (CDR) and bioenergy with capture and storage (BECCS)<sup>10</sup>. Crucially, not even advocates of CCS expect it to deliver meaningful emissions reductions over the critical next decade.

Secondly, the operations of the industry cause emissions that are impossible to reduce to zero. Even assuming that a scaled-up CCUS were to work (an assumption that, as we have indicated, is widely challenged), there would be residual emissions, so it would not be a sufficient measure to reduce emissions to zero.

Third, the focus of the OGA on territorial emissions and the deliberate omission of Scope 3 emissions (i.e. the amount of emissions indirectly generated by the extraction of oil and gas) is in our view disingenuous and runs counter to the spirit of the Climate Change Act. We believe that the OGA - and ultimately BEIS as the sponsoring department - should take responsibility for ensuring that UK industry is pursuing zero emissions from both its operations and the use of its products through a managed phase-out.

**Q3. Do you have any comments on the proposed changes to the supporting obligations to embed the proposed zero limb of the central obligation?**

A climate compliant Strategy for UK oil and gas extraction should require the industry, the government, trade unions, and other stakeholders to develop a just transition strategy - which should cover reskilling and training - for those currently employed in the oil and gas industry and the communities which depend upon it.

The CO<sub>2</sub> emissions that result from the burning of oil and gas extracted from the UKCS dwarf those that are produced during the extraction of the oil and gas itself. However, we support any measures (e.g. related to flaring or venting) to reduce CO<sub>2</sub> emissions from the operations of the UK oil and gas industry as part of a wider managed phase-out of the industry itself. Such measures should be implemented through the introduction of legally-binding emissions standards. These standards should be designed to deliver substantial near-term emissions reductions across all offshore oil and gas operations, not least given that the UK is set to miss its Fourth carbon budget covering the period 2023-2027 and that the industry has seen emissions levels stay roughly flat over the past ten years despite declining production.

**Q4. Do you have any comments on the proposed clarification to the supporting obligations to reflect stewardship and other changes in the UK kingdom continental shelf?**

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<sup>10</sup> For further information see Friends of the Earth Scotland [Briefing on Carbon Capture and Storage](#) (July 2020) and [Briefing on BioEnergy with Carbon Capture and Storage](#) (July 2020)

No comment.

**Q5. Do you have any comments on the proposed changes to the required actions?**

No comment

**Q6. Do you have any comments on the proposed changes to the definition?**

No comment.

**Q7. On what do you base your forecasts of future carbon prices?**

No comment.

**Q8. Do you have any quantitative evidence of any specific impacts of the proposed revisions to the strategy that you would like us to consider?**

No comment.