



Department for  
Business, Energy  
& Industrial Strategy

Alex Chisholm

Rt. Hon Meg Hillier MP  
Chair of the Committee of Public Accounts  
House of Commons  
London SW1A 0AA

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25 February 2019

*Dear Chair,*

**Public cost of decommissioning oil and gas infrastructure**

Following the Committee's hearing on the public cost of decommissioning oil and gas infrastructure on Monday 11<sup>th</sup> February, I am writing to set out further information as agreed on the following subjects:

1. Onshore liabilities
2. Onshore wind financial security
3. Traffic light monitoring system (Shale gas and fracking)

**1. Onshore liabilities**

The Committee asked the Department to confirm who is responsible for the long-term liabilities associated with hydraulic fracturing, particularly if the operating company were to become insolvent.

According to the Environmental Damage Regulations 2015, issued by the Department for Environment, Food and Rural Affairs, the Environment Agency enforces the 'polluter pays principle' whereby the costs of pollution control and remediation must be borne by those who cause pollution. Under this principle, the permit holding company would be responsible. Further, the Environment Agency will not allow surrender of a permit until sites have been returned to satisfactory condition. As part of this, the Environment Agency has the ability to impose conditions on permit holders, further mitigating the risk of pollution. In the event the permit holder company is no longer in existence, the Environment Agency would have the ability to pursue former directors from that company.

Ultimately, should all these safeguards fail, the Environment Agency would carefully consider the specific circumstances of the case, and identify if there were other appropriate parties who could bear responsibility, for example, the landowner. Some landowners, having entered into leasing arrangements for extractive activities to take part on their land, will have insurance in place in order to mitigate the risks associated with these activities.

**2. Onshore wind financial security**

The Committee asked for confirmation of how the Government is planning for decommissioning of onshore wind facilities and whether decommissioning plans and security are required in this Industry.

I have checked the statements I made in response to Q96 from Anne-Marie Trevelyan MP at the PAC hearing on 11 February 2019 and wish to clarify my comments as follows. Unlike the position on offshore renewable energy projects, there is no statutory decommissioning scheme for onshore renewable energy infrastructure. Instead, decommissioning of any renewables infrastructure onshore is subject to agreements between the project developer, the local planning authority within whose jurisdiction the project in question is located and the landowner who has granted a lease for the project. The question of whether a bond is a suitable mechanism for providing securities to protect the landowner's or council's financial exposure in the event of a default by the wind farm developer on its decommissioning obligations is a matter for the parties mentioned above. (The parties would also consider whether a bond is needed or whether some other financial mechanisms might be more appropriate taking account of any relevant issues, including the nature of the project – costs may vary between sites – and the financial background of the developer.)

Local planning authorities in England and Wales (along with Welsh Ministers for some projects in the latter) are now responsible for considering all applications for consent for onshore wind farms – until 2016, the Secretary of State was responsible for considering applications for consent for wind farms with a generating capacity of more than 50MW. Where any consents are issued by local planning authorities, conditions are likely to be attached which may include requirements on decommissioning. It is worth noting that the Planning Practice Guidance for Renewable and Low Carbon Energy states: "Local planning authorities should consider using planning conditions to ensure that redundant turbines are removed when no longer in use and land is restored to an appropriate use". (In the past, consents which were issued by the Secretary of State for onshore wind farms contained conditions that require arrangements for decommissioning to be submitted to the local planning authority for approval.)

### **3. Traffic light monitoring system (shale gas and fracking)**

The Department was asked to confirm the Government's position on the traffic light monitoring system for shale gas and fracking and whether this policy is likely to be changed.

As stated to the Committee, Government has been clear that there are no plans to review the Traffic Light System. Claire Perry, the Minister for Energy, stated in Parliament on 8 January that "if we are to take forward what could be a very valuable industry, it is only right that we do so with the toughest environmental regulations in the world, so I say again that there are no plans from the Government to change the traffic lights system".

Yours sincerely

**Alex Chisholm**