



Department
of Energy &
Climate Change

DECC SUPPORT FOR THE OVERSEAS TERRITORIES

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Introduction

The United Kingdom has responsibility for 14 Overseas Territories, eleven of which are permanently inhabited. They are diverse in size, economic and social development and systems of governance. The Overseas Territories are British, but are not constitutionally part of the United Kingdom. The Territories have their own constitutions and most have a democratically elected government.

This paper describes the support that is available to the Overseas Territories on climate and energy issues from the Department of Energy and Climate Change (DECC).

The Department of Energy and Climate Change (DECC) was created in 2008 to bring climate change and energy policy together into one department. Climate change is not only a massive threat to the environment but also one of the greatest economic challenges facing us in the twenty-first century. It is a global problem that demands a global response. Creating a low-carbon and resource efficient world means making major structural changes to the way we work and live, including how we source, manage and use our energy for transport, and in our homes and businesses.

Climate change and energy security are two of the key long-term threats faced by all the Overseas Territories. The Intergovernmental Panel on Climate Change¹ has identified the overseas territories as amongst the “*most vulnerable*” and “*virtually certain to experience the most severe impacts*” of climate change. Sea level rise; changes in the frequency and/or intensity of extreme weather events; coral bleaching; ocean acidification; and sea temperature changes will affect all the Overseas Territories. The economic impacts of climate change will also be significant for the Overseas Territories. The costs associated with adaptation measures are expected to often exceed the amount that can be borne by their economies. Early and ambitious global action to reduce green house gas emissions will be important in minimising these costs.

The Overseas Territories are reliant on imports of fossil fuels (particularly oil) to meet their energy needs. However, global demand for oil is forecast to continue to increase in the medium term, driving the average oil price to \$119.5/barrel in 2020². To manage the impact of the oil price, supply shocks, and improve long-term energy security, the Overseas Territories will need to look to diversify and increase the use of renewable energy sources and increase energy efficiency measures. A reduction in fossil fuel consumption will also lead to a reduction in Green House Gas emissions – thereby supporting wider climate change objectives.

Since its formation DECC has shared with the Overseas Territories information on the development of UK negotiating positions under the UN Framework Convention on Climate Change and provided advice to the Falkland islands on hydrocarbons including licensing policy, geology and operational matters. Although the Overseas Territories are not party to the Paris and

¹Parry, M.L., O.F. Canziani, J.P. Palutikof, P.J. van der Linden and C.E. Hanson (eds.) (2007), *Climate Change 2007 (AR4): Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change*, Cambridge University Press: Cambridge, UK, pp.976.

²Source is IEA World Energy Outlook (WEO) 2012 New Policy Scenario, in 2011 dollars

Brussels Conventions on nuclear third party liability, we have ensured that the benefits of the current regime (on which DECC leads for HMG) have been extended to them.

DECC does not lead for HMG on international adaptation issues, but we will look to increase our engagement with the Overseas Territories in existing areas of collaboration, and to extend this engagement to cover knowledge sharing on renewable technology deployment.

The UN Framework Convention on Climate Change (UNFCCC)

The annual Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change took place in Doha, Qatar, from 26 November to 8 December. The UK, with our European partners, Australia and several other nations agreed to bind our existing actions on reducing greenhouse gas emissions into international law by entering a second commitment period of the Kyoto Protocol (KP) to run for 8 years (2013-2020).

The UK originally ratified the KP in 2002, and subsequently extended that ratification, at their request, to the Overseas Territories of Bermuda, the Cayman Islands, the Falkland Islands, and Gibraltar as well as the Crown Dependencies of Guernsey, Jersey and the Isle of Man. DECC sought initial views from the Overseas Territories on their interest in participating in the second commitment period, and will shortly seek to formally confirm the position of OTs on this following (or possibly in parallel) to eventual UK ratification of this treaty extension.

Hydrocarbons development in the Falkland Islands

Policy on hydrocarbons development, including taxation, is primarily a matter for the Falklands Islands Government, but DECC has provided a supporting role in the development of this industry by providing specialist technical advice to the Foreign and Commonwealth Office (FCO), the industry and the Falklands Island Government.

During an initial spell of exploration drilling in the North Falklands Basin in 1998, five of the six wells drilled encountered hydrocarbon traces, but not in commercial quantities. Low oil prices and rationalisation in the oil industry acted against further drilling. In 2008, the UK approved the Falkland Islands Government request to resume Open Door licensing for offshore oil exploration and production in five blocks (areas designated for exploration). Recent serious exploration for oil and gas in the Falklands started in the spring of 2010 with three UK based companies (Rockhopper, Desire, and Falklands Islands Oil and Gas (FOGL) drilling exploration wells). Rockhopper is so far the only company operating to have discovered commercially viable quantities of oil. In October 2011, Rockhopper announced that it was revising its estimate for perspective oil resources to 1,297 million barrels of crude. However, commercial production is still some time away. A further round of exploration took place during 2012 with a combined drilling programme by FOGL and Borders and Southern Petroleum plc.

Whilst the FCO has overall oversight for the licensing of oil and gas exploration in overseas territories, DECC officials have provided technical advice and support to the Falkland Islands Government and have helped ensure that the UK's international obligations and responsibilities in relation to oil exploration have been fulfilled.

The companies drilling in the Falkland Islands' waters must apply the same standards they would if they were drilling in UK waters. The Falkland Islands Government and the oil companies have been working with the British Geological Survey (BGS), the Health and Safety Executive, DECC and the FCO to ensure that all exploratory drilling adheres to international standards of practice.

All companies are required to complete environmental impact assessments which must be approved by the Falkland Islands Government in consultation with DECC. The Falkland Islands Government also funds external reviews of assessments by UK institutions such as the Institute of Environmental Management and Assessment (IEMA), and the Scottish Association of Marine Science (SAMS).

DECC encourage production, transit and export of energy supplies to the global market and we will continue to offer technical advice and support to the Falkland Islands on the development of their hydrocarbons industry.

The Paris and Brussels Conventions

The UK is a signatory to the Paris Convention and Brussels Supplementary Convention on nuclear third party liability. Our obligations under both conventions are enshrined in UK law – the Nuclear Installations Act 1965. The Conventions (and the Act) set out a special regime governing the availability of compensation in the event of a nuclear accident at a nuclear site or during transport of nuclear materials.

The Conventions and the 1965 Act provide a simple, clear and less costly means for third parties to claim compensation for nuclear issues than would be the case if the claims were left to be handled through normal civil procedure.

The UK has had a long-standing policy to ensure that the benefits of the liability regime are extended to Crown Dependencies and Overseas Territories, through Orders of Council under the Nuclear Installations Act 1965. To date it has been extended to Jersey, the Isle of Man, Guernsey, the Falkland Islands, the Cayman Islands, Montserrat, St. Helena, Gibraltar and the British Virgin Islands.

Given recent changes to the Conventions that will allow for an increased amount of compensation (a minimum of €700m rising to €1200m per nuclear incident) to be made available to a larger number of claimants for a broader range of damages (e.g. now including environmental damages), we need to update the 1965 Act during 2013. We propose to extend these changes to the Overseas Territories and Crown Dependencies as soon as we have the legislative powers and consent of Parliament to do so.

Renewable energy technologies

In recognition of the need to improve their domestic energy security and reduce green house gas emissions, the Overseas Territories have begun to request support from DECC to help them identify suitable, and locally appropriate renewable energy technologies. The 2020 Renewable Energy Roadmap summarises a large body of work on how best to address the barriers to renewables implementation. Although the Department has limited resources to support knowledge sharing in this area, we will seek to respond positively to further ad-hoc

requests for knowledge sharing, by directing the Overseas Territories to both internal and external sources of best practice.

The UK is a member of the International Renewable Energy Agency (IRENA). IRENA promotes the widespread and increased adoption and sustainable use of all forms of renewable energy. Acting as the global voice for renewable energies, IRENA can facilitate access to all relevant renewable energy information, including technical data, economic data and renewable resource potential data. IRENA will also share experience on best practice and lessons learned regarding policy frameworks, capacity-building projects, available finance mechanisms and renewable energy related energy efficiency measures.

A single point of contact

DECC provides a single point of contact for Overseas Territories to direct queries and requests in relation to energy and climate change issues.

Officials will continue to collaborate with other Departments across Whitehall on engagement and support to the Overseas Territories where there is a climate change or energy angle, including through participation in project panels and relevant groups such as the Overseas Territories Biodiversity Group.

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