

Onshore Oil and Gas Sector guidance

Environment Agency

RPC rating: validated

Description of proposal

The Environment Agency (EA) has recently published guidance for oil and gas companies, which sets out which environmental permits they need for onshore oil and gas operations in England. The guidance explains the permits that businesses will need and, where relevant, the best available techniques that they should use to meet regulatory requirements.

Before the guidance was published there was no centrally collated sector-specific environmental guidance for oil and gas companies.

Impacts of proposal

The main impact of the proposal will be a reduction in the resource spent by oil and gas companies on establishing what permissions they require to carry out their business.

30 onshore oil and gas companies that hold petroleum exploration and development licences in England will be directly impacted by the introduction of the onshore oil and gas sector guidance. The EA carried out structured telephone interviews with 6 of these companies (20% of the market) to gather evidence to support the estimation and monetisation of impacts. The sample included a mix of both large and smaller operators.

Companies were asked to estimate the change in the resource required to find and interpret guidance on the permits and permissions required for onshore oil and gas operations, as a result of the introduction of sector specific guidance. They were also asked to estimate any changes in the costs of any third party assistance (such as consultancy fees) required to find and interpret the guidance.

The evidence gathered indicates that, on average, businesses would previously have spent 197 hours of staff time per annum searching for guidance before the introduction of the changes. They anticipated that this resource requirement would fall to an average of 99 hours per annum now that sector specific guidance has been introduced. Furthermore, businesses indicated that they currently spend approximately £60,500 annually on third party assistance in finding and interpreting

guidance, and that they anticipate an average annual saving of £26,500 now that sector-specific guidance has been introduced. The overall saving as a result of the change is estimated at £860,000 per annum, using the average hourly rate for professional occupations to estimate the cost of staff time.

The RPC verifies the estimated equivalent annual net direct cost to business (EANCB) of -£0.8 million. This will be a qualifying regulatory provision that will score under the business impact target.

Quality of submission

The RPC is satisfied that the level of evidence and analysis provided is adequate to support the validation of the EANCB.

As noted above, EA consulted with 6 companies, equating to 20% of market. Although the submission states that the sample included a mix of both large and smaller operators, it would have been useful if EA had provided further evidence to support the assumption that this sample was representative of the overall market.

We note that there may be a perceived new burden associated with the new guidance, given that it also outlines some Best Available Techniques that businesses should use to meet regulatory requirements. However, on the basis that the EA's evidence is based on consultation with the affected businesses, it is likely that they will have accounted for this in their response.

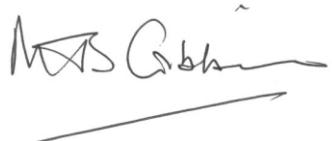
We also note that the EA has not justified the chosen hourly wage rate used for estimating the value of time savings associated with the new guidance. However, we have no major concern at this stage that the use of the average hourly wage for professional occupations (£19.37) is unreasonable.

Departmental assessment

Classification	Qualifying regulatory provision (OUT)
Equivalent annual net cost to business (EANCB)	-£0.8 million
Business net present value	£7.43 million
Societal net present value	£7.43 million

RPC assessment

Classification	Qualifying regulatory provision (OUT)
EANCB – RPC validated ¹	-£0.8 million
Business Impact Target (BIT) Score ¹	-£4.0 million



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.