



Department
of Energy &
Climate Change

From:

The Rt Hon Amber Rudd MP
Secretary of State for Energy and
Climate Change

The Rt Hon Greg Clark MP
Secretary of State for Communities &
Local Government

The Rt Hon Liz Truss MP
Secretary of State for Environment, Food
and Rural Affairs

To:

The Rt Hon George Osborne MP
Chancellor of the Exchequer

7 July 2015

Dear George,

You asked us to develop a joint plan to develop the shale gas sector in the UK, building on the work that has already been done in the last Parliament. This letter proposes an ambitious strategy to enable the first exploration wells, demonstrate the safety and potential of the sector, and ultimately move to production. We propose to make a joint statement this summer to set out the Government's agenda. Our objectives are stretching, but we propose setting the bar high to drive our ambition.

Objectives for our approach to shale development

We propose these stretching Government objectives for the UK shale sector:

- Within two years - exploration under way and first few sites hydraulic fracturing;
- Within five years - production underway from the first converted sites (assuming the gas flows and is commercially recoverable);
- Within ten years - a maturing shale gas production industry.

Their delivery will depend on favourable geology and investor sentiment, underpinned by strong, clear and consistent support from government at national and local levels.

Shale gas strategy

Alongside geology and investment, the biggest challenge we face is to foster a climate of opinion in which the development of our shale resources is seen as safe and acceptable to a majority of the public, nationally and locally, i.e. communities likely to be directly affected. Other new industries and technologies, such as mobile telecommunications, faced similar challenges in the past and were able to reassure the public. We must now do so with shale. Government has to be united using the levers it can control, and bringing in others to support our policy where we are not in control. This will be a challenging balance given public misgivings. It will be important that we can demonstrate that shale can be developed safely, so this will be a key feature of our communications strategy. We need to focus on:

- developing a **clear and persuasive narrative** which demonstrates why the potential that shale represents is so important to our future energy security and can be done safely on the way to a low carbon future energy mix, and thus merits our support, to be published in the form of a Ministerial statement this summer;
- building on this, the development and implementation of an **ambitious, cross-Government programme of communications and outreach** to influence key opinion formers, decision makers and civic leaders, including media opportunities for Ministers, a suite of information and materials for the public;
- a clear **assessment of the barriers industry faces** and what more Government may be able to do to mitigate them, bearing in mind that this may entail further regulation;
- the **usability and integrity of the regulatory systems**, including the planning system, which together set the parameters for shale development. This includes an early announcement to improve the timescales under the current planning system and going forward consideration of moving shale into national planning;
- the development of a **sovereign wealth fund** (working with HMT), building on the industry's existing community benefits offer, to ensure that there is a strong local and regional dividend for hosting this nationally significant industry.

We will also ensure that we harness all areas of policy delivery across Government which can support our ambitions in shale, in the year ahead. The thinking about city and county deals is a good, recent example of this.

One of the hurdles to overcome to develop a more favourable public attitude is that nobody in the UK has seen or experienced a shale fracking operation in their area, aside from the limited operations at Preese Hall, abandoned in 2011. We need some exploration wells, to clearly demonstrate that shale exploration can be done cleanly and safely here. So we must put our immediate efforts into securing some early wins in exploration.

In this regard, as experiences in Lancashire have shown, it is vital that we reach a position where mineral planning authorities feel able to take sound planning decisions within appropriate timescales and at an appropriate cost.

With this in mind, we have identified a package of measures to speed up planning for shale and are already testing the scope to support shale through city and county deals. Our officials continue to work together and with industry to understand the barriers facing emerging shale exploration projects.

We will continue to work with the regulators to improve the experience for operators, building on existing positive developments such as the Environment Agency's 'one stop shop' permitting centre, its readiness to conduct pre-application discussions with operators and its well-received drop-in sessions for local residents. Enhanced local engagement by the independent regulators, enabled this year by the additional Autumn Statement funding, is key to social acceptance and we ask that you look to roll this funding forward in future years in order to maintain the benefits.

We will also need to prepare for our five year objective, and the evolution of an exploration sector into a nascent production sector. We propose to start work later this year to develop comprehensive scenarios for what a production stage industry might look like, including the need for further regulatory development as the industry progresses (e.g. a single regulator for shale if needed).

As well as improving the current planning system, it is important that we have a long-term approach to planning which is suitable for handling the large number of applications that would be seen in a full production stage. We are therefore minded to bring commercial shale production within the Nationally Significant Infrastructure Planning regime, and to be ready to begin the move from early 2016 for large scale applications. However, we need to think carefully about whether to slow this approach until a number of exploration sites are underway in order to avoid delaying current and prospective exploration applications or undermining public support for exploration sites.

Annex A sets out an outline plan, addressing the points in your letter and some additional actions.

Proposed Government announcement

We support a Government announcement on shale gas policy this summer and propose to make a joint statement to begin a concerted campaign of national engagement. We see great value in articulating the need for shale gas, in particular for security of supply, followed by the economic benefits that come from hosting a new industry. The statement would also show how the regulatory framework protects

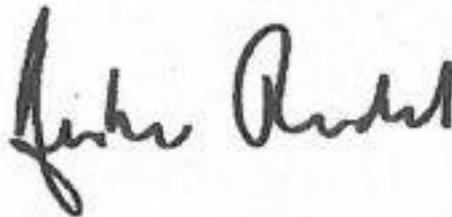
people and the environment and set out actions to support timely decisions on planning applications, capitalising on the Autumn Statement funding, including the designation of mineral planning authorities as underperforming where they are persistently slow, and prioritising appeals and call-ins. It would conclude by explaining the accompanying national and local economic benefit. This could be followed by a second announcement in the autumn, tied to the 14th licensing round allocations, focused on the community benefits, Sovereign Wealth Fund and a potential refreshed industry charter.

Annex B sets out an outline narrative.

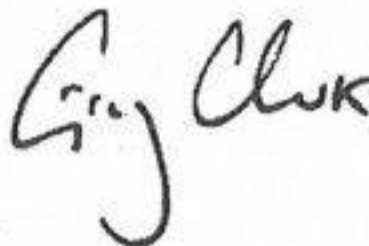
Our Departments will progress this work as a high priority, working with you and your officials, as well as colleagues at No 10, to realise the potential of this important sector.

Yours sincerely,

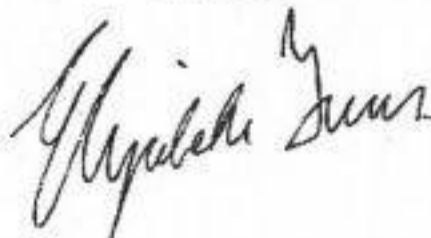
Amber Rudd

A handwritten signature in black ink, appearing to read "Amber Rudd". The signature is written in a cursive style with a large initial 'A'.

Greg Clark

A handwritten signature in black ink, appearing to read "Greg Clark". The signature is written in a cursive style with a large initial 'G'.

Liz Truss

A handwritten signature in black ink, appearing to read "Elizabeth Truss". The signature is written in a cursive style with a large initial 'L'.