intergenerational foundation
Fairness for Future Generations

PRESS RELEASE
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North Sea Decommissioning Costs Likely to Double from £39 billion target to more than £80 billion

Children in the UK are set to face an intergenerational bill for decommissioning North Sea Oil and Gas which is likely to be double the government's target cost estimate to more than £80 billion rather than the official target of £39 billion. In arriving at its lower figure the government ignored evidence from its own industry regulator of typical overspending, leading to a serious underestimate of the real costs.

The higher figure would be equivalent to a bill to each child in the UK of nearly £3,000, if the government allows North Sea oil and gas companies to escape their decommissioning obligations, according to new research from the Intergenerational Foundation (www.if.org.uk).

Rigged: How North Sea oil and gas will cripple younger generations, estimates that the bill for the expensive legacy of decommissioning 3,000 pipelines covering 8,000 kilometres, 5,000 wells, 250 fixed installations and 250 subsea production systems, could exceed £80 billion, more than double the current government target estimate. The paper argues that rather than setting aside monies to pay for decommissioning, the North Sea oil and gas industry and the government are together handing a tax burden on to a younger generation who did not benefit from the oil extracted but will be expected to pick up the bill for previous generations' profligacy.

Angus Hanton, IF Co-founder, comments, "It is extraordinary that there is no proper mechanism in place to protect our children from having to pay the clean-up costs for oil and gas they didn't use, while the companies involved can essentially escape responsibility by off-loading their North Sea holdings onto smaller contractors and retain just one quarter of the costs of decommissioning while benefiting from generous tax breaks."

Andrew Simms, report author, adds, "The government is allowing these companies to break the principles of the Energy Act 2004, whereby builders and operators are "responsible for ensuring that the installation is decommissioned at the end of its useful life, and should be responsible for meeting the costs of decommissioning." The next generation is expected to prop up an uneconomic industry harmful to their future that is trying to shirk responsibility for clearing up its own mess."

The paper highlights the irony of the Government planning to part-fund the clean-up costs with further extraction of waning North Sea oil and gas resources, which brings it into direct conflict with Britain's international climate treaty obligations. The authors argue this will simply create a larger burden for future generations to pay in cash, in health bills relating to air pollution, and damages from carbon-emissions. **.../2**

IF calls for a new intergenerational decommissioning deal and policy framework: a "sunset, sunrise" contract which sees the managed closure of systems which have run out of economic usefulness and environmental space, and which allow for the growth and substitution of a renewable energy framework to provide better health, more jobs, a safer environment and long-term economic prospects for young people and future generations.

Hanton continues, "We should be moving towards a greener renewable future for energy. Instead, current government policy is about subsidising the extraction of more carbon."

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<u>Note to Editors:</u>

- 21% of the UK population is under 18 years of age, ONS (2017), Overview of the UK Population. **https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bullet**

- Unlike other oil and gas producing countries such as Norway, UK governments have not prudently managed and saved the proceeds from the industry in a sovereign wealth fund. Norway's fund recently surpassed $1 trillion, worth nearly $200k for every Norwegian citizen. By contrast, in 2016, the UK industry became a net drain on public resources going £24 million into the red.

- On 31 January 2017 Shell announced a £3.8 billion sale of assets in which it would retain a set liability of just around one quarter of the costs of decommissioning.

- The Brent Field alone involves shifting steel the equivalent of ten US navy aircraft carriers or two Dubai skyscrapers comprising:

    - Taking up more than 100 km of subsea pipelines
    - Removing 295,000 tonnes of steel
    - Removing 568,000 tonnes of concrete
    - Removing 238,000 tonnes of sand ballast
    - Removing 16,000 tonnes of rocks

- A crude estimate suggests that the whole weight of metal and ballast in the UK oil and gas fields may be equivalent to getting on for 320 aircraft carriers.

- The UK's annual health bill related to air pollution is estimated at £20 billion, or more than two decades worth of current tax income from the oil and gas sector.

- The carbon cost of a single year's worth of production from the main Scottish North Sea fields in 2016-17 comes in somewhere between £8.3 billion to £49.3 billion, depending on which estimate for the costs of carbon is used, (the range for the UK as a whole would be £10.1bn - £60.1bn.

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