

Dear Mr Hunt

I am writing to you following your recent comments regarding the application made by one of our members, UK Oil and Gas plc (UKOG), for the appraisal of a significant natural gas deposit discovered under the Dunsfold area, the Loxley gas deposit.

As you likely know, this application was the subject of a full planning inquiry in July and August of 2021, a decision on which has not yet been issued. Recently and post inquiry you commented that *“It is absolutely extraordinary after COP26 in Glasgow that we are even thinking about drilling for oil and gas in this area”*. UK Onshore Oil and Gas (UKOOG), as the trade body for the industry, strongly contest your point and detail below why drilling for indigenous gas, such as Loxley, is fully compliant with the UK’s post COP26 net zero and hydrogen policies as well as making economic sense.

The 6th carbon budget report from the independent Climate Change Committee (CCC) concluded in its balanced scenario that the UK will need to import around 913 billion cubic metres of natural gas by 2050, at a cost of over £200bn assuming a price of 50 pence per therm. This would rise to nearly £2 trillion at current high prices. There can be little ambiguity around the need for natural gas and oil in the transition to net zero and post COP-26 or the substantive cost to the economy of imports.

Furthermore, it is now established that imported natural gas has a significantly higher pre-combustion carbon footprint than domestic gas. Imported liquefied natural gas, a growing sector now accounting for 40% of gas imports in 2019 and 2020, has 4-5 times the pre combustion footprint of domestic gas such as Loxley. Similarly, oil from five out of six of the UK’s six largest supplying nations all have a greater production carbon intensity than UK domestic sources.

Based on our assessment, the further development of the domestic UK natural gas industry would reduce the overall UK carbon footprint by 115 million tonnes by 2050, a significant saving. Similarly, in their inquiry evidence, UKOG also demonstrated that the Loxley development would, over its lifetime, see a carbon footprint saving of 1 million tonnes compared to an equivalent imported volume.

With the need for gas identified by the CCC it therefore makes considerable sense from a post COP26 carbon budget perspective to rapidly prioritise the use of lower carbon footprint domestic gas over imports, where possible. Importing higher carbon footprint gas of equivalent volume to Loxley therefore makes little carbon budget sense, unless the goal is to offshore the UK’s environmental responsibility and economic opportunity.

The CCC also cite that the demand for natural gas will shift from unabated electrical power generation and home heating towards production of blue hydrogen (which can be used in

home heating, industry and transport) plus power generation with post combustion carbon capture and storage. This vision of gas as a source of blue hydrogen is also shared by the government in the 'hydrogen economy' papers issued last year.

UKOG's evidence given at last August's planning inquiry also stated that gas from the Loxley deposit was earmarked as a feedstock for the production of blue hydrogen, fully in line with the Government's 'hydrogen economy' and the CCC's future use expectations. If the UK is committed to a post COP26 hydrogen economy, then surely indigenous blue hydrogen feedstock sources such as Loxley merit drilling, provided that they comply with necessary planning requirements and other regulations?

Interestingly, in his recent CAPX article, John Redwood MP, your backbench colleague, recognises the higher CO2 footprint of imported gas and that it effectively lands in the UK 'carbon free' due to the perversity of the carbon accounting rules. He supports the concept of prioritising UK gas production both to reduce our CO2 footprint and dependence upon imported gas.

If you take the view that onshore gas drilling will 'industrialise the countryside', a view contrary to the findings of Surrey County Council's professional planning and highways officers regarding the Loxley application, then how do you reconcile the fact that the energy produced from a 2-hectare onshore gas site would typically require a wind farm 750 times the size. In terms of maximising energy production per square km, Dunsfold represents one of the best local opportunities for UK energy production. The energy from such gas is also 24/7 irrespective of the weather for the life of the field.

The Energy Minister, Greg Hands MP, said in the House of Commons that '*we will always prefer British gas production to foreign imports*'. If this statement truly reflects the Government's and your party's regulatory position, then given that such gas offers a lower carbon footprint and essential feedstock to the new hydrogen economy, why should the oil and gas resources directly under our feet, including Loxley, not be drilled for and developed?

Our ask is that you consider these facts and take an objective view as to the merits of developing such key resources that can play a demonstrable part in the UK's post COP26 net zero ambitions and energy mix whilst protecting our balance of payments.

I would be very pleased to discuss these matters with you in more detail.

Yours,

Charles McAllister
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