

Running an oil or gas business if there's no Brexit deal

Summary

How oil and gas energy businesses would be affected if the UK leaves the EU with no deal.

Detail

If the UK leaves the EU in March 2019 without a deal, find out how this would affect:

- oil and gas licensing, exploration and production
- environmental protection relating to relevant energy sectors
- oil stocking arrangements

A scenario in which the UK leaves the EU without agreement (a 'no deal' scenario) remains unlikely given the mutual interests of the UK and the EU in securing a negotiated outcome.

Negotiations are progressing well and both we and the EU continue to work hard to seek a positive deal. However, it's our duty as a responsible government to prepare for all eventualities, including 'no deal', until we can be certain of the outcome of those negotiations.

For two years, the government has been implementing a significant programme of work to ensure the UK will be ready from day 1 in all scenarios, including a potential 'no deal' outcome in March 2019.

It has always been the case that as we get nearer to March 2019, preparations for a no deal scenario would have to be accelerated. Such an acceleration does not reflect an increased likelihood of a 'no deal' outcome. Rather it is about ensuring our plans are in place in the unlikely scenario that they need to be relied upon.

This series of technical notices sets out information to allow businesses and citizens to understand what they would need to do in a 'no deal' scenario, so they can make informed plans and preparations.

This guidance is part of that series.

Also included is an [overarching framing notice](<https://www.gov.uk/government/publications/uk-governments-preparations-for-a-no-deal-scenario/>) explaining the government's overarching approach to preparing the UK for this outcome in order to minimise disruption and ensure a smooth and orderly exit in all scenarios.

We are working with the devolved administrations on technical notices and we will continue to do so as plans develop.

Purpose

This notice explains to businesses engaged in energy sector activities (e.g. oil and gas exploration and production operations), and companies obligated under the UK's Compulsory Stockholding of Oil regime, how these will apply should the UK leave the EU in March 2019 with no agreement in place.

This notice covers:

- oil and gas licensing
- environmental protection relating to relevant energy sectors
- oil stocking arrangements

Hydrocarbons licensing and environmental protection

Before 29 March 2019

Legislation introduced through Parliament in accordance with various Acts sets out the requirements of the Environmental Impact Assessment Directive, Industrial Emissions Directive, the Hydrocarbons Licensing Directive and Oil Stocking Directive on the UK's energy sector. The relevant legislation and Acts are listed below.

Businesses engaged in the sector are required, for instance, to minimise the environmental impact of the offshore oil and gas industry and BEIS also needs to ensure the continued licensing (by the Oil and Gas Authority) of areas to explore and exploit potential oil and gas reserves offshore in the UK Continental Shelf and onshore in England.

Onshore oil and gas licensing in Scotland and Northern Ireland is devolved; and the devolution of onshore hydrocarbon licensing to Wales commences on 1 October 2018.

After March 2019 if there's no deal

The established regime for hydrocarbon licensing and environmental issues will continue to operate.

Implications

The government will amend the relevant legislation to ensure broad continuity.

The legislative changes will have no impact on energy sector businesses, whose residual obligations under the legislation covered will remain unaltered.

Actions for businesses and other stakeholders

UK and EU businesses will not be required to take any action.

Further information

For further information on the government's legislative regimes (administered by the Department for Business, Energy and Industrial Strategy's Energy Development and Resilience Directorate) see the information pages relating to [oil and gas](<https://www.gov.uk/government/publications/energy-development-unit-oil-and-gas-activities>) as well as [nationally significant energy infrastructure projects](<https://www.gov.uk/government/policies/energy-industry-and-infrastructure-licensing-and-regulation>).

Relevant legislation and Acts:

- The Hydrocarbons Licensing Directive Regulations 1995 (1995/1434)
- The Offshore Petroleum Production and Pipe-lines (Assessment of Environmental Effects) Regulations 1999 (1999/360) (as amended)
- The Public Gas Transporter Pipe-line Works (Environmental Impact Assessment) Regulations 1999 (1999/1672) (as amended)
- The Pipe-line Works Environmental Impact Assessment Regulations 2000 (2000/1928) (as amended)
- The Electricity Works (Environmental Impact Assessment) (England and Wales) Regulations 2000 (2000/1927) (as amended)
- The Oil Stocking Order 2012
- The Offshore Combustion Installations (Pollution Prevention and Control) Regulations 2013 (2013/971) (as amended)
- The Petroleum Licensing (Applications) Regulations 2015 (2015/766)
- The Electricity Works (Environmental Impact Assessment) (England and Wales) Regulations 2017 (2017/580)
- Section 2(2) of the European Communities Act 1972
- Section 56(1) & (2) of the Finance Act 1973
- Section 6(6)(a) and section 17(2) & (3) of the Energy Act 1976
- The European Communities (Designation) Order 1988

- Section 36C(2) of, and paragraph 1(3) of Schedule 8 to, the Electricity Act 1989
- Section 4(1) & (2) of the Petroleum Act 1998
- Sections 2(1) to 2(4) & 7(9) of, and paragraphs 1 to 19 & 20(1) of Schedule 1 to, the Pollution Prevention and Control Act 1999

Oil stocking obligations

Before 29 March 2019

The UK has two international obligations to hold emergency oil stocks that can be released in response to disruptions to the oil market, as required by the International Energy Agency (IEA) and by the [EU Oil Stocking Directive 2009/119/EC ('the Directive')](<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32009L0119>). The Directive requires a higher level of oil stocks to be held than the International Energy Agency. The Directive also requires one third of emergency stocks to be held as finished oil products (such as diesel or motor gasoline).

To meet its obligations, the UK requires suppliers to the UK market to hold oil stocks. Under the Directive, the stocks can be held anywhere within the EU on the UK's behalf (and the UK can also hold oil stocks on behalf of other EU countries). The system is underpinned by reporting requirements to the Department for Business, Energy and Industrial Strategy.

After March 2019 if there's no deal

In a 'no deal' scenario, the UK will continue to be a member country of the International Energy Agency and will remain bound by International Energy Agency oil stocking obligations for 90 days of net imports of oil (as defined under the International Energy Agency's International Energy Programme). The requirements of the Directive will no longer apply.

The International Energy Agency levels of oil stocking obligation, at 90 days of net imports, apply to 30 member countries, which include the United States, Japan and Australia, among others.

The volume of oil stocks held by those countries is considerable, but it is the collective action capability of all countries along with functioning markets that is most effective in ensuring our oil security and, while UK oil stocks held towards our obligations will reduce by moving from the EU's higher (consumption-based) level, the UK will still be able to take part in collective actions if necessary. Such collective actions are very rare and have only taken place three times since the 1970s.

Implications

The UK will continue to meet its International Energy Agency obligations in a 'no deal' scenario. Therefore, the government will reduce overall obligations on companies as soon as practicable, while maintaining a level of stocks still widely considered to be appropriate to protect against oil disruption.

The UK will continue to run a flexible system for oil stocking. Domestically traded tickets – effectively commitments to hold oil stocks on behalf of another party – will not be affected by EU exit. The UK intends to be able to access international ticketing arrangements, which supports our existing flexible system, but there is a risk that EU traded tickets held by UK obligated companies may no longer operate as they do now, and that companies will lose the ability to access the EU market for tickets. This risk and BEIS' planned mitigation actions are explained further below.

UK-to-EU country tickets will not count towards EU obligations from the point that the UK exits the EU.

International tickets for oil stocking are already available to sell to Australia and New Zealand under existing Memoranda of Understanding (MOUs) and neither arrangement will be affected in a 'no deal' scenario.

Actions for businesses and other stakeholders

There will be changes for companies meeting UK obligations for oil stocking. Levels of obligation will be communicated in the first quarterly direction given to obligated companies following the UK's exit from the EU. Businesses will follow the established processes for meeting and reporting obligations.

Companies may want to ensure that they assess the risk of not being able to purchase tickets from EU countries to meet UK obligations. However, government will also look to ensure international (inward) ticketing is still possible by seeking to sign Memoranda of Understanding.

There will be changes for companies holding stocks on behalf of other countries. Obligated companies may wish to consider the risk of UK stocks not being eligible to count towards EU obligations in their planning for a 'no deal' scenario (as referenced in the 'Before 29 March 2019' section above). The EU requires that stocks held towards its obligation must be held in EU countries and so EU entities will no longer be able to count UK located stocks. This may mean that buyers of such tickets may wish to purchase fewer tickets ahead of April 2019 or consider cancellation of existing tickets given the risk of a 'no deal'.

International tickets for oil stocking are already available to sell to Australia and New Zealand under existing Memoranda of Understanding and neither arrangement will be affected in a 'no deal' scenario. Future Memoranda of Understanding may also be bilateral (in that tickets can be bought and sold), although the immediate ambition is to ensure adequate purchasing potential for UK companies to ensure the UK meets its obligations.

More information

BEIS will be writing to all obligated companies and known oil stockholding stakeholders regarding this Technical Notice. Subject to company views, BEIS will also host a stakeholder roundtable in the Autumn. Companies that wish to be kept up to date on the latest oil stocking news should email downstreamoilteam@beis.gov.uk to be added to the distribution list for updates.

For further information please visit the [gov.uk pages for oil stocking](<https://www.gov.uk/government/publications/uk-emergency-oil-stocking-international-obligations>).

This notice is meant for guidance only. You should consider whether you need separate professional advice before making specific preparations.

It is part of the government's ongoing programme of planning for all possible outcomes. We expect to negotiate a successful deal with the EU.

The UK government is clear that in this scenario we must respect our unique relationship with Ireland, with whom we share a land border and who are co-signatories of the Belfast Agreement. The UK government has consistently placed upholding the Agreement and its successors at the heart of our approach. It enshrines the consent principle on which Northern Ireland's constitutional status rests. We recognise the basis it has provided for the deep economic and social cooperation on the island of Ireland. This includes North-South cooperation between Northern Ireland and Ireland, which we're committed to protecting in line with the letter and spirit of Strand two of the Agreement.

The Irish government have indicated they would need to discuss arrangements in the event of no deal with the European Commission and EU countries. The UK would stand ready in this scenario to engage constructively to meet our commitments and act in the best interests of the people of Northern Ireland, recognising the very significant challenges that the lack of a UK-EU legal agreement would pose in this unique and highly sensitive context.

It remains, though, the responsibility of the UK government, as the sovereign government in Northern Ireland, to continue preparations for the full range of potential outcomes, including no deal. As we do, and as decisions are made, we'll take full account of the unique circumstances of Northern Ireland.