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H M Treasury consultation: Shale Wealth Fund

The National Farmers' Union of England and Wales (NFU) has 55,000 members with an interest in farming and the rural economy.

With 75 per cent of national land area in the agricultural sector, NFU members have a significant interest in land-based renewable energy, where they can benefit directly in the short term as energy producers or hosts for energy plant. The NFU's interest in other energy production technologies focuses mostly on their capacity to impact farmland and farming.

The NFU notes that unconventional oil and gas development in Britain is still at an early stage, with a number of different companies drilling exploratory test wells. We recognise that there is no commercial shale gas production in the UK at present, although the UK has a history of onshore production of conventional oil and gas. Since the mineral rights to gas and oil are held by the Crown, farmers and growers would potentially receive income from exploration and production mostly through the access rights to their land.

The NFU has long experience with regard to other operations that require access to or use of agricultural land, including coal mining operations, opencast coal, oil and gas pipelines, water, sewage, and new railways such as HS2.

Background

The potential range of impacts (both direct and indirect) from unconventional oil and gas exploitation upon local agricultural production and the agricultural industry more widely is still uncertain. We remain concerned that the Government did not previously identify the need for monitoring of the impact on agriculture, and that long-term responsibilities (for compensation, restoration and aftercare of sites) may be reassigned, possibly defaulting to NFU farmer and grower members.

We have previously responded to a number of government consultations and Parliamentary calls for evidence and, over the past 3-4 years, the NFU has engaged with the shale gas industry and government over the potential opportunities and threats from fracking. However, there are few signs yet of what 'good' commercial practice in Britain will look like. There may be a common interest among shale gas stakeholders in establishing a number of "Gold Standard" demonstration fracking sites to illustrate best practice.

General comments

The NFU would like to make the following comments with specific regard to the issues raised in the consultation document, rather than responding to the individual consultation questions.

We understand that, as proposed, the Shale Gas Wealth Fund (spending 10% of shale gas tax revenues through regional and local sovereign wealth funds) would extend the 'payback' from onshore oil and gas development to the local community, on top of the shale gas industry financial package already proposed for communities that host fracking sites. The NFU is most interested in whether this may open up the possibility in the long term of direct compensation payments for residents and landowners near drilling locations.

However, it is anticipated that shale gas interests in land resources may be relatively short-term (up to 10 or 15 years) compared with other energy diversification opportunities for farmers, whereas future liabilities on decommissioned fracking sites could extend for decades. The NFU understands that payments from the Shale Wealth Fund would not be distributed until after a new site begins operating and producing gas profitably, which could be up to five years or more after exploratory surveying and drilling begins. This rather distant prospect suggests that those living or working near drilling sites may not benefit from such funds for many years, if ever.

In particular, the NFU remains concerned that farmers and landowners themselves will not see any compensation payments directly, which will be paid instead either regionally or otherwise to a "relevant community body" agreed by the operator under government guidance. We do not believe that community-level payments are an acceptable form of compensation for the various forms of inconvenience that may be involved in shale gas development.

In previous government consultation responses, the NFU has acknowledged that a statutory right of underground access is probably needed for shale gas operators, but this should be only on the basis that all landowners are notified when drilling is taking place underground, and that individual compensation is made to each landowner.

In conclusion, in order to reassure the agricultural sector, the NFU's key asks remain:

- a standardised process for negotiating underground access, with an agreed minimum level of compensation, as for other major infrastructure schemes
- effective regulation, backed by industry good practice, to minimise the impact on farmland and farming
- government or industry underwriting of possible long-term liabilities