
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations prescribe the model clauses which, unless the Secretary of State thinks fit to modify or exclude them in any particular case, will be incorporated in petroleum licences for landward areas. Schedule 1 to the Regulations describes the location of the line which marks the boundary between the landward and seaward areas; it re-states the description of the line in Schedule 1 to the Petroleum (Production) (Landward Areas) Regulations 1995 (S.I. 1995/1436).

Schedule 2 prescribes model clauses for Petroleum Exploration and Development Licences. They will apply for the purposes of the 14th and subsequent rounds of licensing for landward areas. As regards previous rounds of licensing, and as regards other kinds of petroleum licence, the model clauses previously prescribed will still apply.

For the most part, the model clauses are unchanged from previously prescribed versions. The most significant changes are as follows—

- clause 3, which sets out the commencement and continuation of the licence, has been brought into line with the corresponding clause in the Petroleum Licensing (Production) (Seaward Areas) Regulations 2008 (S.I. 2008/225) (“the Seaward Model Clauses”). The duration of Initial Term, Second Term and Production Period, the existence of any Drill-or-Drop deadlines and the Licence’s Start Date are to be set out at a new Schedule instead of being located at various points within the Model Clauses themselves;
- clause 4 provides for early termination in accordance with certain types of drill-or-drop work programme, in a similar way with the corresponding clause in the Seaward Model Clauses;
- clause 6 allows extensions to the Initial Term or the Second Term to be agreed by notice (rather than by Deed of Variation) in line with the corresponding clause in the Seaward Model Clauses;
- the Licensee and the Secretary of State may agree the creation of Retention Areas (clause 16) and Development Areas (clause 19), with associated work plans and periods, within the Licensed Area. The Licensee may retain all the Retention Areas and Development Areas into a Second Term, even where together they constitute more than 50% of the initial Licensed Area (whereas retention in previous model clauses was generally limited to 50%); during the Production Period the Secretary of State may remove acreage that is not comprised in either a Retention Area or a Development Area;
- licence surrenders at depth (3D surrenders) are treated as non-standard surrenders that require the Secretary of State’s agreement (clause 9);
- the confidentiality period for information supplied pursuant to the licence remains at four years, except for reports about geology, operations and results associated with hydraulic fracturing in shale or other strata encased in shale, for which the period is set at six months.

Schedule 3 prescribes model clauses for Landward Exploration Licences. These licences will be non-exclusive and will permit non-intrusive exploration, principally by seismic survey.

A full regulatory impact assessment of the effect that these Regulations will have on costs to business is available to the public from the Department of Energy and Climate Change’s website at www.gov.uk/oil-and-gas-petroleum-licensing-guidance#legislative-background or for inspection at the Department of Energy and Climate Change, 3 Whitehall Place, London SW1A 2AW. Copies of this assessment have also been placed in the library of the House of Commons.