

IISD Submission to the United Kingdom Consultation on Building the North Sea's Energy Future

April 2025

Summary

The British government has invited input on its vision for the North Sea's clean energy future. The International Institute for Sustainable Development (IISD) welcomes the opportunity to comment.

IISD supports the decision to end licensing of new oil and gas exploration as an important step toward aligning oil and gas production with the 1.5°C target. This can help set a positive example and establish British international leadership that influences other governments.

IISD recommends that, in addition to ending the licensing of new oil and gas exploration,

- To maximise the leadership effect, the United Kingdom should join the Beyond Oil and Gas Alliance as a core member.
- The government should give greater confidence and clarity by removing loopholes for licence extensions, licence transfers, and subsea tiebacks; such loopholes undermine the policy and the British leadership potential.
- The government should consider more fully aligning with the science by ending the granting of development consents for new fields, including where licences already exist. The International Energy Agency has established that this additional step is needed to be consistent with its 1.5°C scenario, and IISD research has found that the same conclusion follows from other 1.5°C scenarios from the Intergovernmental Panel on Climate Change and others.
- The objective of “maximising economic recovery” of oil and gas should be repealed, as it is inherently inconsistent with stabilising the climate. The North Sea Transition Authority should instead be given a revised objective of facilitating a managed and orderly decline in British oil and gas production consistent with 1.5°C.

In addition, IISD recommends that the United Kingdom adopt a definition of “new fields” that matches the commonly accepted meaning of the term, as used in industry, policy, and scientific settings. A new field is a known structure containing oil and gas that has not yet been developed, not an area that has not been licensed for exploration.



Introduction

The British government has invited input on its vision for the clean energy future of the North Sea. The government's consultation document rightly notes that oil and gas production are in natural decline, so clean energy is “the only way to deliver energy security, good jobs for the long term, and a managed, orderly, and prosperous transition for the current workforce and communities.” The government's objectives are that workers and communities benefit from the transition to clean energy, and that British oil and gas production is aligned with limiting warming to 1.5°C, consistent with the science. IISD strongly supports these objectives and applauds the United Kingdom's desire to show international leadership in transitioning away from oil and gas production and becoming a clean energy superpower.

North Sea oil and gas were developed under the backdrop of an energy crisis, in the form of the high oil prices of the 1970s. Just 16 years after oil was first discovered in 1969, the United Kingdom was the world's fifth largest oil producer (Energy Institute, 2024). This journey from a standing start to a world-leading position was the result of strong support from the governments of the time. Today, there is a different crisis in energy systems, as fossil fuels are the primary cause of climate change. In response, a similar kind of world-leading ambition is needed, with strong direction and support from government.

IISD welcomes the opportunity to contribute to the United Kingdom's vision. Our response focuses on what the science says about oil and gas, and on how the United Kingdom can best establish itself as a global leader and influence other governments to rise to the challenge.

About the International Institute for Sustainable Development

IISD is an award-winning independent think tank working to accelerate solutions for a stable climate, sustainable resource management, and fair economies. Our work inspires better decisions and sparks meaningful action to help people and the planet thrive. We shine a light on what can be achieved when governments, businesses, non-profits, and communities come together. IISD's staff of more than 300 experts come from across the globe and from many disciplines. With offices in Canada and Geneva, our work affects lives across the world. IISD is a registered charitable organization in Canada and has 501(c)(3) status in the United States. IISD receives core operating support from the Province of Manitoba and project funding from governments, United Nations agencies, foundations, the private sector, and individuals.

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Question 11

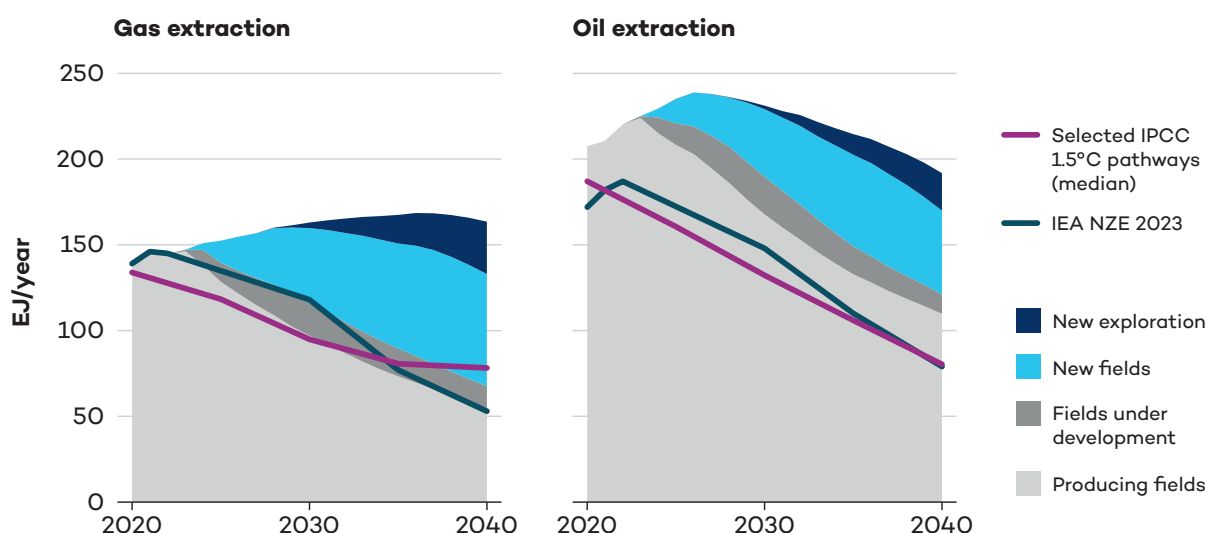
(a) To what extent do you agree or disagree that this position on new licences will support the United Kingdom to set a globally leading example in tackling climate change?

The British government has committed to ending the award of new licences for oil and gas exploration. IISD strongly agrees that this policy will support the United Kingdom to set a globally leading example in tackling climate change.

The science is clear that developing any new oil and gas fields is incompatible with the Paris Agreement target of limiting global warming to 1.5°C. In 2021, the International Energy Agency (IEA) set out its Net Zero Emissions (NZE) scenario, which provides a pathway for reaching net-zero by 2050 and staying within the 1.5°C limit. In NZE, no new oil and gas fields are approved for development after 2021 (IEA, 2021, 2023).

Subsequent analysis by IISD found that this same conclusion—that there is no need for developing any new oil and gas fields in a 1.5°C world—follows also from most 1.5°C scenarios from the IPCC’s Sixth Assessment Report and from all major 1.5°C scenarios published by universities, intergovernmental organizations, companies, and consultancies (Bois von Kursk et al., 2022). This conclusion was again confirmed in a peer-reviewed paper in *Science* co-authored by IISD experts (Green et al., 2024) (Figure 1). Existing oil and gas fields—those already in production or under development—are sufficient to meet energy demand in representative scenarios aligned with 1.5°C.

Figure 1. Forecasted global primary energy production from gas and oil compared with energy demand based on IEA NZE and selected IPCC 1.5°C scenarios



Source: Green et al., 2024.

Green et al. (2024) also considered the leadership question. Based on lessons from norms theory, they found that ending new field development is a policy that is especially prone



to becoming a norm: an international standard of behaviour that increasingly shapes expectations. This is because the policy presents a simple demand for powerful actors to cease a harmful activity; it involves clear, immediate, and verifiable change, and by focusing on new fields, it minimises the opposing political interests. Ending new development or exploration is thus a very good way for the United Kingdom to set a globally leading example.

The best way for the United Kingdom to establish that leadership is through an existing structure—by becoming a core member of the Beyond Oil and Gas Alliance (BOGA), through which 25 governments work together toward a managed phase-out of oil and gas production, led by Denmark and Quebec.¹ It is an example of a “climate club” of governments voluntarily committing to high-ambition climate policies, with the aim of influencing others. The United Kingdom has led other climate clubs, including the Powering Past Coal Alliance, the Clean Energy Transition Partnership, and the Global Clean Power Alliance.

Joining BOGA would both clearly communicate the United Kingdom’s actions on oil and gas and give other governments a ready mechanism to follow suit. Adopting the policy of ending new licensing, alongside adopting a Paris-aligned end date for oil and gas production and exploration, would meet the requirement to become a BOGA core member. And if it did so, the United Kingdom would become the largest producer among BOGA’s core members: a clear position of leadership.

It is important to note that not only is there **no need** for new oil and gas fields in 1.5°C-aligned scenarios, but there is also **no room**. It is particularly difficult to close existing fields, for economic and political reasons related to jobs, vested interests, and infrastructure lock-in effects, as well as legal reasons related to the costly compensation owed to investors when governments attempt to do so. Therefore, any new development of oil and gas fields would ultimately generate stranded assets—either because they have to shut down early or because existing fields will need to produce significantly less than their anticipated amounts—or push the world beyond the 1.5°C goal (Bois von Kursk et al., 2022; Green et al., 2024).

Although what the science ultimately demands is no more **development of new oil and gas fields**, ending licensing for **exploration of new fields** is an important step toward that objective. We recommend that for true leadership and to be more aligned with the science, the United Kingdom should also end the awarding of new development consents as well as licences.

(b) Is there anything else you think should be considered in the government’s definition of i) licensing and ii) new fields? What would be the case for doing so, including consideration of the commercial and environmental impacts?

One respect in which the government’s proposal falls short is that it does not restrict the extension of existing oil and gas licences after their term expires. IISD recommends that such licence extensions should be included in the definition of “licensing,” as they constitute a

¹ IISD hosts the BOGA Secretariat, but the Head of Secretariat takes policy guidance from BOGA co-chairs and members independently and is responsible to them for delivering on BOGA policy. BOGA is independent from IISD in its policy positions, relationships with governments, and other activities. This submission is from IISD, not BOGA.



granting of new rights. Companies have no legitimate expectation that their licences will be extended; therefore, there is no significant legal risk to ending extensions.

Furthermore, the government proposes allowing companies to freely transfer their licences to other companies where the existing licence holder does not wish to carry out further activity. IISD recommends that the policy would be better aligned with the science by also ending the assignment/transfer of licences to other companies, leaving companies to continue operations only as long as they remain economically attractive to themselves. Allowing new licence ownership would run counter to the spirit of ending new licences; conversely, ending this practice would not be inconsistent with the government's commitment not to revoke existing licences, as companies would be free to continue to utilise their existing licences if they choose to do so.

To include these exceptions for licence extensions and transfers would place the United Kingdom in a less-than-world-leading position.

“New fields” should mean fields that are not yet producing or in the process of development. Specifically, the term can be defined as referring either to those that have not yet received a final investment decision (FID) or those that have not received development consent. No significant physical work occurs between these two decisions, so these points in the process can be considered as effectively equivalent. Prior to an FID, significant capital has not yet been invested in a field, and, therefore, the operator is not yet financially committed to it.

The government's proposed definition of “new fields” as blocks or areas where no licence has been awarded does not match the commonly used meaning of the term. The term “field” refers to a delineated geological structure in which oil or gas has been discovered. Usually, it is also defined in relation to an investment and development plan for extracting the oil and gas, so it is not a field until it has been explored, discovered, and appraised. The definition of a “new field” as a “new licence” is, therefore, likely to cause confusion about the policy. The term “new fields” is widely used in the oil industry and regulators in relation to the **development** of new fields, never in relation to the licensing of new blocks. Indeed, it has been used in this way in the United Kingdom oil and gas fiscal system to mean a field that has not received development consent as of a given date (e.g., [here](#) and [here](#)). The scientific findings that no new fields are needed, as outlined above, refer to fields that have not yet received an FID. For example, the IEA's 2021 Net Zero report (p. 51) stated, “no new oil and natural gas fields are required beyond those that have already been approved for development.”

We urge the government not to make an exception in the case of subsea tiebacks, as that would not be in the spirit of ending new licensing. Tiebacks, unlike infill drilling in existing fields, require FIDS and, therefore, should be included in the definition of “new field.” According to data from Rystad Energy's UCube, 30 of the 39 fields that have received an FID since 2015 have been tiebacks. By creating an exemption for the type of development that is most often used, the policy would lose much of its credibility.

These loopholes would fail to give businesses clarity and certainty. By falling short of the science and the stated policy ambition, businesses would be concerned about future changes.



(d) Do you anticipate any situations where additional targeted interventions might be needed or beneficial to support the government's climate and North Sea objectives? If so, what criteria or mechanisms do you think should be used to determine whether such situations have arisen?

The government has committed to ending the awarding of new licences for exploration, which is a welcome step. The government should also consider stopping development consents for previously licensed fields. The science, including that from the IEA and the other scenarios mentioned above in our answer to question 11a, is very clear that ending development consents is needed, not just ending new licensing.

Question 13

(a) Which of the following options for revising the principal objectives, if any, do you prefer? Revised single principal objective Introduction of sub-objectives Multiple primary objectives Other: Please specify Don't know Prefer not to say

IISD recommends that the government mandate the North Sea Transition Authority (NSTA) with a revised single principal objective. The NSTA's existing objective of "maximising economic recovery" of oil and gas should be completely removed, as it can never be consistent with 1.5°C in a science-aligned way. Limiting warming to 1.5°C, or indeed any level, puts a finite limit on future global emissions, and any country seeking to maximise recovery is thus inherently in contradiction with that.

(b) Please share your rationale for your answer to question 13a. If you prefer the introduction of a revised single principal objective, or the introduction of sub-objectives or multiple primary objectives, please outline what you think the objective(s) should cover.

A single objective would give the NSTA the most certainty. The revised single principal objective should cover facilitating a managed and orderly decline of oil and gas production in the basin in line with the best available science and 1.5°C pathways, including promoting decommissioning.



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