



Rt Hon Jeremy Hunt MP

House of Commons
London SW1A 0AA

10th June 2022

Dear Mr Hunt,

As a constituent of SW Surrey and as Chief Executive of UK Oil & Gas plc (UKOG), I take serious issue with your assertions regarding the grant of planning consent for UKOG's Loxley development stated in your letter to the Rt Hon Michael Gove MP of 9th June 2022.

Your assertion that Loxley's natural gas has no part in the UK's future energy supply disregards the scenarios envisaged in the PM's British Energy Security Strategy, the UK Hydrogen Strategy, National Grid's Future Energy Scenarios and CCC forecasts, where natural gas plays a significant role in the energy transition as a feedstock for reforming into blue hydrogen. Future gas also has a continued role in the energy transition to help meet peak energy demand, especially during periods when the wind doesn't blow, the sun doesn't shine or nuclear has outages, as seen in summer 2021.

Due to the projected decline of current UK gas production, during 2035-2050 CCC's scenarios predict that gas import dependency could grow from its current 50% to 60-81% of demand. At today's market prices such imports would represent a staggering £1 trillion balance of payments deficit to the UK. Future domestic gas thus has a significant future strategic and economic value and key role during the transitional period.

As a consequence, and as stated at the inquiry, this is why UKOG has earmarked the 43-70 billion cubic feet of independently estimated recoverable gas at Loxley as a predominantly blue hydrogen source, a fuel firmly of our collective futures, capable of delivering an 85% reduction in carbon emissions if allied to carbon capture.

UK domestic gas, such as Loxley's, also has around a fifth to a quarter of the pre-combustion carbon footprint of imports. UKOG's inquiry evidence demonstrated that over its life, future Loxley production could reduce CO₂e emissions by 600,000 to 1,000,000 tonnes compared to an equivalent imported gas volume. This would help, not hinder, net zero as your letter claims.

You also assert that the development would create environmental damage, which is wholly false and untrue. It is a matter of public record that the Environment Agency granted UKOG a full environmental permit covering all aspects of the proposed Loxley operation on 26th June 2020. UKOG acts in obedience of all environmental rules and regulations and can cite an excellent compliance record in all such regulatory areas, as does the wider UK oil and gas industry.

With respect to your assertion that the development would have little economic benefit, the estimated annual Loxley gas volumes, derived from data in four prior boreholes, well tests and other technical data are estimated, in energy equivalent terms, to be equivalent to the annual gas consumption of 110,000 households or the annual electrical power consumption of 200,000 homes. With gas prices currently at around £15/1000 ft³, the project could thus be of significant material benefit to both the exchequer and the Surrey economy over its expected 20-year life.

UKOG's proposed development of the already discovered Loxley resource requires only one well and a sidetrack to confirm that it can produce commercially viable volumes and rates before longer-term production consent is requested. The period where a drilling rig is required on site to make this production decision is therefore short, being c. 45 days for the first vertical pilot hole and a further 30 days for the sidetrack, then followed by a period of flow testing of up to 6 months' duration.

As the Secretary of State's judgement details, UKOG has also agreed to a plethora of traffic, working hours, light, noise, visual and other impact mitigation measures as part of SCC's pre-commencement conditions. For the majority of its life the site will have low levels of operational and traffic activity as do the other largely hidden oil and gas producing sites in the UK onshore. Consequently, your assertion that our activities will be hugely disruptive also seems highly exaggerated.

I should also like to correct a factual error in your letter, where you state that UKOG's proposals were decisively rejected by Surrey County Council (SCC). In fact, SCC's planning and regulatory committee voted to reject our planning application by a slim majority of 6 to 5, against the recommendation to approve by their own planning officers.

Finally, you refer to the moratorium on fracking, but our operations at Loxley do not involve any fracking, it is conventional gas.

I stand firmly behind my assertion that the Loxley development and any others of its kind make perfect strategic, economic and environmental sense for Surrey and the UK. I would be happy to meet to engage in constructive dialogue.

Yours sincerely



Stephen Sanderson
Chief Executive