

## Statement on the Soundness Tests Caerphilly Local Development Plan



### *Introduction*

The Welsh Assembly Government supports oil and gas operations which can be carried out in an environmentally sensitive way. Onshore gas extraction is comprehensively regulated. The Department of Energy and Climate Change (DECC) has awarded a number of Petroleum Exploration & Development Licences (PEDL) for areas in the South Wales coalfields. These areas including PEDLS 221 and 223 in the Caerphilly County Borough Council area and have the potential to produce methane from the deep virgin (un-mined) coal seams.

Centrica Energy is seeking to modify the LDP include a bespoke policy framework for Coal Bed Methane (CBM) exploration and development which was omitted from the LDP and to designate these PEDL areas on the Proposals Map.

The Council rejects this designation, preferring to await the results of investigations undertaken by the CBM operators.

A Statement of Common Ground was been drafted by Centrica Energy but was not agreed with the Council. Centrica Energy therefore will continue to maintain its original objections. A Summarised Position Statement (Supporting Document Ref: CE1) has been prepared to highlight matters which the Council and Centrica Energy agree or disagree. This confirms the fact that this LDP makes no reference to Coal Bed Methane exploration and development.

### *Briefing about CBM*

CBM is not a mineral resource – it is an onshore gas residing in unworked coal seams, but can be referred to as an energy mineral.

A Technical Briefing Note (Supporting Document Ref: CE2) has been prepared by Centrica Energy to assist all local authorities in the South Wales Coalfield understand the exploration and development process for CBM as well as its implications for environmental impacts and planning process.

14 Petroleum Exploration & Development Licences (PEDLs) have been awarded by DECC covering 8 Councils in the South Wales coalfield to a number of operators to pursue oil and gas exploration and development (Supporting Document Ref: CE1).

The regulation of the extraction of CBM is comprehensive and involves approval from a number of organisations at different stages in the process. It is a well regulated industry by DECC, the Coal Authority, the Health & Safety Executive, Environmental Agency and the Local Authority. A comprehensive range of legislation and regulation therefore controls operations as well as any planning conditions.

CBM has the following characteristics:

- Non-renewable energy resource
- Unconventional gas supply normally in unworked coal seams 600m to 1,500m below ground
- Onshore gas resource with potential to meet 10% of the national gas supply

for next 25 years

- Gas is used to generate electricity locally or is fed into national grid as a gas supply
- It is not a mineral extraction process
- Exploration and development consists of 3 inter-related phases over 25 year period which have physical and development planning implications
- Production areas are not fixed and different combinations of well sites will need to be used to extract gas over time
- Drilling and pipe laying is an environmentally benign process because it can avoid sensitive locations and receptors
- Needs long term development plan support through designation of areas of search in LDPs as advised by national policy
- Surface workings are minimal – well sites and interconnecting underground (2m deep) pipelines and are temporary installations
- Well sites are drilled to stimulate gas extraction and can be up to 1 km apart
- Need for consistent policy approach between neighbouring local authorities within the South Wales Coalfield

Extraction of methane from deep unworked coal seams does not impact on the coal from which it is extracted. In fact, extracting methane in advance of working the coal is beneficial because it provides essential information about the coal resource dewateres and degasses the coal seam, improving its potential for extraction.

CBM extraction involves four stages:

- A. Desktop analysis
- B. Exploration and appraisal stage - temporary vertical coring boreholes
- C. Pilot Test stage – establishing commercial extraction from a cluster of wells through dewatering
- D. Production stage – establishing the commercial cluster of wells, pipeline interconnections and producing the gas.

Stages B, C and D have physical planning implications as part of the development process and these three stages are referred to in Minerals Planning Policy Wales (MPPW) (2000) (Examination Document Ref: W.32).

Centrica is undertaking work for Stage A and is progressing to Stage B. Centrica will lodge 9 applications for CBM exploration during 2010 in Rhondda Cynon Taf, Neath Port Talbot and Bridgend. Exploration sites in Caerphilly have yet to be identified and programmed.

Significant investment in CBM exploration is anticipated over the next 4 years to establish commercial development of CBM across the South Wales Coalfield. It may take 3 to 5 years to reach full production stage (Stage D). It is the intention that wherever possible all wells drilled in during this staged approach will go into full production

The extraction of CBM is dynamic and additional wells to those approved as part of

the establishment of the individual well sites are necessary to maintain a commercial flow of gas. Additional wells may be required which will, in combination, be used to continue to extract the gas.

Policy support is also being sought in neighbouring development plans for longer term CBM operations development management policy (Policy TB8) with text has been introduced into the Merthyr Tydfil LDP (Supporting Document Ref: CE3).

**Test C1 - *unsound***

The PEDL regime extends into adjacent local authorities including Rhondda Cynon Taf and Merthyr Tydfil Councils, as well as Caerphilly.

The exploration and development of CBM in the PEDLs may involve development fields which extend into all three council areas. Work is on-going by Centrica to define the commercial areas of gas reserves.

Merthyr Tydfil has introduced a development management policy into its LDP and made reference to CBM. Centrica Energy has made similar objections to Rhondda Cynon Taf LDP to establish this essential and inter related policy framework.

The Caerphilly LDP needs to be explicit about CBM and how it intends to deal with this topic in the LDP as required by MPPW (2000). Reference in the LDP about CBM, and how applications are to be determined, would be a useful reference point for applicants, objectors and the general public.

Centrica Energy has produced a specific policy for consideration and this has been rejected by the Council.

Centrica Energy has been seeking the designation of PEDL 221 and 223 in the Proposals Map (Representation Ref: 4209.A1 – MN99.2) for reference as this guides where CBM can be developed.

**Test C2 - *unsound***

The LDP needs to have regard to national policy. MPPW (2000) refers to CBM within the Oil & Gas Onshore section (para 64.) It states that

*...Development plans should indicate those areas where oil and gas operations are likely to be acceptable in principle subject to development control criteria being met in a particular case, as well as those areas where operations are unlikely to be acceptable.*

The principles of extraction and processing of CBM can be carried out in an environmentally sustainable manner. All impacts are localised and all operations have minimal impact including temporary disturbance due to drilling.

To comply with this guidance, the Council needs to address these specific matters through its policy framework by:

1. Identifying areas where extraction is acceptable when adequate information is available, starting with the PEDLs; and
2. Defining development control criteria to assess future planning applications.

Both requirements need to be addressed by further changes to the Plan.

**Test CE1 - *unsound***

PEDL 221 and PEDL 223 are partially within Caerphilly County Borough. These PEDLs also cover the administrative areas of Merthyr Tydfil and Rhondda Cynon Taf.

CBM operations to develop this resource have the potential to extend beyond the boundary of the LDP. CBM is a cross boundary matter and any cross boundary implications still have to be taken into account by neighbouring authorities.

There is a need to have regard for CBM exploration and development in adjacent local authority areas of Merthyr Tydfil and Rhondda Cynon Taf County Borough Councils.

However, now that Merthyr Tydfil LDP has introduced CBM into the development plan, opportunities exist for each of these neighbouring LDPs to facilitate the exploration, and production processes as further evidence becomes available, and in order to enable inter connectivity of operations and consistency in approach.

**Test CE2 - *unsound***

The omission of any reference about CBM exploration and development still needs to be considered in the light of advice in MPPW (2000).

It is proposed that the boundaries of the PEDLs are designed in the Proposals Map.

**Policy Requirements**

The proposed policies by Centrica Energy about onshore gas and CBM can be adopted. It takes account of the guidance in the Local Development Plan Manual (2006) (Examination Document Ref: W.26) in para 7.3.3 about policy drafting; para 7.3.4 in relation to the Proposals Map and potentially the future development of an SPG in accord with the guidelines in para. 7.3.5.

**Recommendations**

Further action is needed to ensure that the Plan meets the Tests of Soundness with regard to CBM explorations and development.

Centrica Energy recommends the following changes to the LDP:

1. Explicit reference to CBM in the LDP about future exploration and development, and reference in the LDP about PEDLs 221 and 223 which are the designated areas for prospective oil and gas operations including CBM
2. Reference to a policy which the Council wishes to apply to the determination of CBM exploration and development processes, preferably by reference to a specific policy as proposed by Centrica Energy (Representation Ref: 4209.D1 and 4209.D2)
3. Designation of PEDLs 221 and 223 on the Proposals Map (Representation Ref:4209.A1)