Dear Mr Chisholm,

RE: DECOMMISSIONING ARRANGEMENTS FOR FRACKING ASSETS

Thank you for your letter of 21 May in response to my Committee’s recommendation that the Department explain its decommissioning arrangements for fracking and what it is doing to prevent liabilities falling to taxpayers.

You are aware that the National Audit Office will report in the autumn on the government’s plans and provisions related to fracking and the decommissioning of fracking assets. I expect this report will clarify what you expect to happen in circumstances when neither an operator nor a landowner is able to meet the costs of decommissioning fracking assets. Your letter is not clear on this point, and we remain concerned that taxpayers will become liable for meeting these costs.

I also foresee other risks: for example, that landowners may not be made aware of the scale of the potential liability they are taking on when entering into commercial arrangements with operators. You indicate that landowners may require suitable financial security from the operator to cover the costs of decommissioning and restoration. I think it highly unlikely that the average landowner could estimate the value of a suitable financial security when there remains so much uncertainty about the extent of environmental damage from fracking or the associated decommissioning and restoration costs. I would therefore expect to see a clearer articulation from you about how these risks are being managed.

While I recognise that fracking is still at an exploratory stage in the UK, I am concerned that the arrangements you describe are vague and, as you have noted, yet to be tested. I have asked the NAO to compare the arrangements you set out for fracking with those in place for similar activities, including offshore oil and gas installations.

MEG HILLIER MP
CHAIR OF THE COMMITTEE OF PUBLIC ACCOUNTS