



1. Introduction

This submission has been created in order to provide the All-Party Parliamentary Group on Shale Gas Regulation & Planning with views on Community Compensation associated with shale gas exploration and production.

2. About Remsol

Remsol is a Lancashire-based sustainability, CSR and environmental consultancy.

In 2012, it was commissioned by Cuadrilla Resources to research, identify, test and prove a safe and effective method of treating 'flowback' wastewater from its hydraulic fracturing activities. This work was completed successfully, and the identified treatment has since been adopted across the industry.

Remsol was also asked to prepare and submit a series of duly made environmental permit applications on behalf of Cuadrilla Resources.

Since then, Remsol has remained engaged in the debate in a number of ways. For instance, Remsol managing director, Lee Petts, was called to give evidence to the 2013 House of Lords inquiry into the economic impacts of UK shale gas and oil. Remsol was also among the founder members of the Onshore Energy Services Group, a trade association formed in 2014 to advance the interests of small British companies in the onshore oil and gas supply chain.

3. Evidence

This evidence on Community Compensation is split in two: firstly, it examines artificial mechanisms to ensure that communities benefit (such as the proposed Shale Wealth Fund); and, secondly, the natural benefits that could be felt by communities as a result of job creation and local supply chain sourcing.

Community benefit schemes

Community benefit schemes are commonplace in major energy developments, including in wind and nuclear power. With respect to shale gas, there are currently three elements of such a scheme proposed:

Firstly, there is an industry commitment to provide local communities with £100,000 payments in areas where hydraulic fracturing of exploratory wells takes place.

Secondly, there is an industry pledge to share 1% of future production revenues with local communities.

And, thirdly, there is a Government proposal to establish a Shale Wealth Fund using shale gas tax receipts and to distribute Shale Wealth Fund proceeds to communities.

Together, these add-up to potentially significant financial benefits for local people and communities, but there is so far little appreciation of just how big the benefit could be.

In our recent policy paper, "A Blueprint for Shale Gas Community Benefits", accessible at <http://www.remsol.co.uk/blueprint-shale-gas-community-benefits/>, we set out how used wisely and invested in renewable energy and energy efficiency measures for local residents, it is possible to amplify the benefits of the 1% of shale gas revenues - with up to 260 local homes around each shale gas site able to access combined direct and indirect benefits of over £41,000 each.

Not only that, it would help to cut household carbon emissions and sustain jobs in the renewables and energy efficiency sectors.

If these same homeowners were to then also benefit from up to £10,000 each from the Shale Wealth Fund, as has been suggested may be possible, it puts the total benefit at over £50,000 per household.

Furthermore, the energy cost savings of £13,700 related to the whole-home renewable energy and energy efficiency scheme we outline in our policy paper, plus the £10,000 Shale Wealth Fund payments, could also be used to leverage even greater benefits over the 20 year producing life of a shale gas site: according to the online calculator provided by Hargreaves Lansdown here <http://www.hl.co.uk/investment-services/isa/calculator>, £23,700 invested at £1,185 a year over 20 years could generate returns of between £1,700 and £25,000 depending on growth rates.

These are not insignificant sums, and communities would be wrong to dismiss them too quickly.

Natural benefits

As well as the artificial financial benefits that communities could derive from the schemes outlined above, they also stand to gain substantially from the natural benefits that stem from job creation and local sourcing.

According to Ernst & Young, a mature and successful shale gas industry could one day be responsible for over 64,500 jobs at peak across the UK.

Many of these, it suggests, will be in the supply chain and beyond in the wider economy, supported by induced local spending.

In its launch paper, the Onshore Energy Services Group set out a vision for maximising the numbers of jobs created by ensuring that small British companies benefit substantially from supply chain opportunities - particularly in the areas hosting shale gas developments. The reasoning behind this is quite simple: unlike their larger counterparts, small companies are much more likely to have to take-on and train new people in order to grow and meet the increased demand placed on them by operators in the shale gas sector, thus increasing the

chances of job creation. In the case of those based near to shale gas sites, small companies are also much more likely to recruit locally, providing skilled, well-paying employment opportunities for people in host communities.

This could be of particular significance in small rural communities where local jobs are often limited to seasonal, low-paid roles in tourism and agriculture.

To facilitate this, and ensure the natural benefits of job creation are maximised, it is important to ensure that small companies, local or otherwise, are given a fair opportunity to bid for contracts, with SME-friendly procurement practices and legal agreements adopted across the industry as standard. Mechanisms for enabling small companies to remain abreast of contracting opportunities should be developed, and shale gas operators should work with small companies to help them attain the minimum standards that will be required of them.

In Lancashire, the North & Western Lancashire and the East Lancashire Chambers of Commerce have joined forces to host and manage an online portal for supply chain hopefuls - this could serve as a model for the industry as a whole, and can be accessed at www.shalegaslancashire.co.uk

4. Conclusions

Communities that play host to shale gas developments stand to gain substantially as a direct result of industry and government community benefit schemes combined with jobs created as a consequence of local sourcing arrangements.

These benefits should not be dismissed.

Labelling direct financial payments as 'bribes' is not helpful, but nor is it correct to refer to them as 'compensation' - it is simply about maximising the total benefit of extracting shale gas and ensuring that communities share in that benefit.

Local people must have a say in how community benefit schemes operate and should be prioritised for jobs. Government must help to create the conditions that allow British SMEs to thrive in the shale gas supply chain in order to help boost the number of employment opportunities a UK shale gas industry is one day responsible for.