

Summary of Tender

The purpose of this request for tenders to review Ireland's oil and gas terms seems quite clear. On the one hand the oil companies believe they have a great deal – Europa Oil & Gas CEO Hugh Mackay stating earlier this year *"The geological ingredients here are good. The fiscal terms are fantastic"*. On the other hand, an increasing percentage of the Irish population believe that we are giving away our oil and gas resources for little or no real gain - the television comedy show *Irish Pictorial Weekly* satirised the current situation with an Angela Merkel character declaring *"I heard you found oil but gave it away for a handful of colourdy beans. Keep it up pixies, you're the best."* With the tide gone out on the economy and rising energy costs the government and civil service is under increasing pressure to re-examine the insane fiscal regime established by Ray Burke and Bertie Ahern in the 80's and 90's to govern oil and gas extraction in Ireland. This pressure is coming from an assortment of forces including unhappy citizens and the current Joint Oireachtas committee on Natural Resources whose recent review was critical of the current oil and gas terms.

However, recent history has shown us that a strange Stockholm syndrome operates at the heart of the Department of Communications, Energy and Natural Resources wherein senior civil servants and successive ministers seem to believe that what is best for the Oil and Gas giants is also best for present and future citizens of Ireland. Minister of State Fergus Dowd's recent statement perfectly illustrate the mentality that dominates at the Department: *"Ireland competes for mobile exploration investment in the same way it competes for other forms of foreign direct investment"*. It should be stating the obvious but oil & gas exploration is very different from other non-resource based Foreign Direct Investment (FDI). Non-resource based FDI can potentially re-locate easily from one country to another, however oil and gas are in the ground and can't be moved until exploited, therefore it makes no sense to say that Ireland competes in oil and gas exploration in the same way it competes for other forms of foreign direct investment. Moreover, unlike say the iphone which is Apple's intellectual property, hydrocarbons (Oil & Gas) and other minerals are physical goods which come under the ownership of the citizens of the country in which they are discovered. As such it is a material wealth of the nation and while it may require outside expertise and technology to be harnessed, it is not comparable to an iphone constructed in Cork or a laptop made in Kildare. Indeed it is unfortunate that the scope of this review is so narrow as there are important questions concerning resource extraction which go way beyond the fiscal regime that need to be raised and examined.

Can this review process over-turn the colonisation of the Dept. of Energy by Oil & Gas lobbyists? Can the civil servants be convinced to return to the sensible approach pioneered by Minister Justin Keating in the 1970's? Alas we fear that it is unlikely they will, and indeed it's unlikely this process is more than a whitewash. Nonetheless, Shell to Sea can affirm that if given the contract to carry out this independent review for the Department we will initiate the most thorough, far-reaching inquiry yet into the fiscal regime governing resource extraction in Ireland, taking all voices into consideration and evaluating all available data. We will pursue our inquiry with a broad understanding of what exactly constitutes "an economy" or an "economic benefit" and how short-term considerations must be balanced with the long-term health, wealth and well-being of all our citizens.

Since forming in 2005 Shell to Sea has been at the coalface of oil and gas extraction in Ireland. Our experience has not been limited to exposing the lies and breaches of health and

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environmental guidelines by certain oil and gas corporations operating in the west of Ireland, we've also taken a wide view of the entire industry and how it is governed (we use the term loosely here) by the Irish authorities. In 2012, Shell to Sea produced an in-depth 44 page report entitled **Liquid Assets** in which the 69 publically known prospects and discoveries were analysed. This report showed that energy companies estimate the potential fields could contain 21 billion barrels of oil equivalent. If given the tender to conduct this review, Shell to Sea would build on this ground-breaking study.

Finally, our vast experience in dealing with oil companies gives us an edge that other competitors for the tender will not have. We know only too well how slippery oil companies can be, how good they can be at buying their way into our good books, how helpful they might be with our researchers and how they may wish to exert a little bit of influence over our conclusions. Indeed without wishing to cast doubt on the character of the other applicants, we would stress that Shell to Sea is one organisation you can be sure will not be bribed, swayed or unduly influenced by the oil and gas giants and - given the value of these resources to future citizens of our country – this is a key advantage we bring to the table.

Our guiding inspiration will be these words of Minister Justin Keating, spoken just before his death last year: *"If we waste this resource, it will be a crime against Irish people. We're in danger of doing it"*.

Experience and Expertise

Shell to Sea have over eight years of "field experience" dealing with the oil and gas industry in Ireland. This experience has given us valuable insight into the real costs of such development which include hidden costs, such as the carrying capacity of local communities and ecologies and other "externalities" rarely assessed in an accountant's ledger book.

As a broad movement our organisation has access to the expertise of both industry insiders and committed community activists. Our 2012 publication, **Liquid Assets**, contained an in-depth analysis of of Ireland's proven and unproven resources, the fiscal terms governing resource extraction and a comparison of our fiscal terms with those of other countries. Liquid Assets is an example of the kind of scrutiny and thoroughness we bring to the evaluation process. Furthermore, at numerous oral hearings into planning for the Corrib Gas Project Shell to Sea probed deeply into the geological, engineering, environmental, health, safety, social, economic and infrastructural aspects of hydrocarbon extraction.

Through the links we have fostered with communities and industry experts in Norway, Nigeria and elsewhere, Shell to Sea have developed a keen sense of how different one country's experience of an oil and gas development can be from another's. Indeed it has become clear to us that civil service and political ineptitude can be disastrous for a country's fortunes when dealing with the corporate sharks that dominate global hydrocarbon extraction and so we are especially delighted to tender for this review, in the hope that we can awaken the sleeping beauties dozing at Adelaide Road and dreaming of their pensions.

Through working closely with environmental and ecological groups we have developed a greater understanding of how these *finite* resources could be better managed in a world menaced by frequent energy crises and environmental crises. Shell to sea take a holistic look at

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development counting *all* the costs of Oil & Gas development in order to make a truly informed report. We assess the cost of the whole picture rather than the simply the financial returns to the companies, counted and racked up as “profit”.

Approach and Methodologies

The work we will undertake will build on the work already carried out and published in “Liquid Assets”. In “Liquid Assets”, Ireland's oil and gas fiscal terms were compared with other countries and found to be of the most generous to the oil and gas companies in the world. Different options in terms of fiscal systems were also listed and discussed and this work would be further developed for this review.

Our approach would involve consideration of the following:

- Shell to Sea would try to go some way towards addressing the Department's lack of engagement with the public over its oil and gas resources, by calling for submissions from members of the public along with select interest groups on if, how, and when they feel the countries oil and gas resources should be used.
- Analysing the overall value of facilitating extraction under the current regime on a cost/benefit basis.
- Comparison with the fiscal regimes operating in other jurisdictions such as Norway, Nigeria, Cuba, Brazil and South Africa, and consideration of what benefits accrue to the average citizen from the regime in each of these jurisdictions. South Africa, for example, who are also at the early stages of establishing an offshore oil and gas sector recently announced that they would be taking a 20% *free carry* on any future oil and gas projects.
- Analysis of tax reliefs currently available - Shell to Sea will analyse the current tax regime by focussing in on how it is being utilised by Shell in north-west Mayo. In particular, we will investigate the tax write offs which oil companies can avail of for all development-related expenditure, which in Shell's case has also included goods purchased and allegedly used for bribing various parties (such as compliant pseudo-community groups and Belmullet Gardaí Síochána) and the falsification of invoices, all of which are then submitted as part of the 100% tax write-off scheme, i.e. effectively funded by the citizens who do pay tax. Former Shell buyers OSSL have given us a lot of leads which to follow in this regard as recently revealed in The Observer newspaper and elsewhere.
- Consideration of the “do nothing” approach – if it is indeed the case that today's oil industry can only extract the hydrocarbons on what is effectively a *free gratis* basis, what are the possible benefits that the resources may offer to citizens of Ireland in a resource hungry future world, if we allowed them to remain in the ground now?
- Consideration of the “do nothing” approach – in light of Ireland's commitments to cutting greenhouse gases and more importantly in light of the effect that very rapid resource

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extraction and consumption is having on the global climate. Is there an argument for allowing the minerals to remain in the ground until such time as the planet is better able to absorb the carbon and the technology exists to use their energy more efficiently.

- Evaluating the extent to which the free movement of goods guaranteed by the European Treaties undermine many of the Departments favourite arguments relating to energy security.
- Do the current oil and gas terms give any security of supply and how could this be improved?

Contact

The contacts for the tender are Shell to Sea spokespersons Terence Conway and Maura Harrington and may be contacted at mayoshelltosea@gmail.com

Or the address is Shell to Sea, C/o Inver Community Centre, Inver, Ballina, Co. Mayo

Tender Price

€0

That's right – for free.

Shell to Sea feels that assisting Ireland getting an adequate return from its own oil and gas is payment enough.

Resources

Liquid Assets: Shell to Sea's in-depth 44 page report - <http://www.shelltosea.com/booklet>

More Information available at - <http://www.shelltosea.com/>