



# The Climate Change Checkpoint Design

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In tandem with the [North Sea Transition Deal](#) ("NSTD"), aimed at supporting the UK's oil & gas sector through a period of transition to decarbonise North Sea production and encourage the focus on "net zero", the UK Government committed to introducing a climate compatibility checkpoint (the "Checkpoint") to ensure new oil & gas exploration and production licenses are only granted in circumstances where to do so remains compatible with the UK Government's climate change objectives, including to achieve net zero emissions by 2050.

Following a consultation by the Department for Business, Energy & Industrial Strategy ("BEIS") from December 2021 until February 2022, the Government's response to the consultation has now been published together with its design for the Checkpoint, outlining the structure, the tests involved, and the evidence/data that will be used.

## The Checkpoint design

Three key principles have shaped the Checkpoint design: transparency, simplicity and being evidence & data-driven and the Checkpoint design sets out three tests:

1. Whether the industry has met the targets to which it has committed under the NSTD for reductions in UK Continental Shelf ("UKCS") production-related emissions and whether projected emissions show it is on track to meet future targets. (The NSTD commits the industry to a 50% reduction in emissions by 2030 when compared with a 2018 baseline (as well as nearer term targets of 10% by 2025 and 25% by 2027). Beyond 2030, the sector's own commitments to achieve 90% emissions reductions by 2040 and 100% reductions by 2050 will be used for this test). Should any other targets be agreed with government, these would take the place of the NSTD targets and sector's own commitments.
2. Whether UKCS oil & gas production has an emissions intensity below the industry average, with emissions intensity from oil production being compared against a global average (on the basis that oil is a global commodity) and emissions intensity from gas production being compared to the average of production from the countries from which the UK imports gas; and
3. Whether the UK is expected to remain a net importer of oil & gas through an evaluation of current and future oil & gas production from the UKCS over a 10-15 year period compared with the UK's projected demand [during its transition to net zero](#). Again, this comparison is made separately for oil and for gas. There is a suggestion that becoming a net exporter will not necessarily result in a limitation of licensing if the fuel being exported is lower emission than that of other exporters. The Government rejected arguments for a managed decline of UKCS production according to a predetermined roadmap noting "The government does not support implementing a decline in oil and gas production that proceeds more quickly than the natural decline of the North Sea

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basin. This position is reflected in a core statutory objective of the North Sea Transition Authority which is to work with industry to maximise economic recovery of oil and gas from the UKCS.”

The Government has decided against introducing any of the further tests mooted in the original consultation namely (i) sector progress in supporting Energy Transition Technologies; (ii) international Scope 3 emissions; and (iii) the so-called “production gap” between the quantity of fossil fuels the world can afford to burn while remaining within Paris-agreement limits, and the quantity of fossil fuels that the world is planning to burn, based on a global sum of government projections.

## Effect on existing licences

The Checkpoint will not impact the consenting process for proposed developments under licences that have already been awarded to licensees. Many respondents to the consultation noted this as a failing in the Checkpoint – that was not accepted as a failing by the Government, which has taken the view that where a licence has already been granted, it is important to treat the licensee fairly, maintain certainty in the industry and avoid adverse impacts on future investment decisions in the UK, potentially not just in the oil and gas sector. However, the Government response on this point notes that does not mean there are no checks on development under existing licences, as they will be subject to rigorous examination by regulators including an environmental impact assessment by the Offshore Petroleum Regulator for Environment and Decommissioning (OPRED), net zero related assessments by the North Sea Transition Authority (NSTA) and other assessments by the Health and Safety Executive.

## Status of the Checkpoint

As there is no plan to put the Checkpoint on a statutory footing, the resulting information and advice is not intended to bind the Minister to any particular outcome. As such, the Checkpoint does not set out any particular threshold which will result in a pass or fail and has no set period of validity. The Checkpoint will be a piece of advice which ensures Ministers have considered the sector’s performance against climate related targets before endorsing a prospective licensing round and will be weighed by Ministers along with other factors such as the need for energy security and affordability, a just transition for people employed by the industry, and the potential impact on the UK economy. However, the final decision on whether to launch a new round of licenses rests

with the NSTA.

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A full copy of the Climate Compatibility Checkpoint Design as published by BEIS is available [here](#) and the full response to the consultation is

[available here](#).

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