



Barryroe Offshore Energy

**Review of the Security of Energy
Supply of Ireland's Electricity and
Natural Gas Systems Consultation**

**Submission on behalf of
Barryroe Offshore Energy**

October 28th, 2022

Introduction

The following submission is in relation to the Review of the Security of Energy Supply of Ireland's Electricity and Natural Gas Systems ('the Review'), published on 19th September, 2022.

At a time when Ireland's population and energy demands are growing, but its energy supply is increasingly unreliable and dependent on rising imports, Barryroe Offshore Energy welcomes the opportunity to contribute to the consultation process.

Barryroe Offshore Energy is an Irish-based energy company with a significant oil and gas discovery offshore Ireland. The company's primary focus is to progress the phased commercial development of the Barryroe Oil and Gas Field. Barryroe is one of the largest undeveloped oil and gas fields offshore Europe and has been independently assessed to potentially contain some 350 million barrels of oil equivalent.

Ireland has a clear goal of being carbon neutral by 2050 and we acknowledge that expanding renewable sources of energy must be the main focus in the years ahead. Barryroe is a confirmed oil and gas field, with contingent and prospective in place gas resources in excess of 1tcf. This means it has the potential to contribute significantly to Ireland's gas balance over the next 10 to 15 years.

Barryroe Offshore Energy has proactively and repeatedly engaged with the GeoScience Regulation Office (GSRO) and the Minister for the Environment, Climate and Communications, expressing a sense of urgency over the granting of the Lease Undertaking, which is critical to moving the project forward. The company has also engaged with a number of other key stakeholders, including public representatives. Despite these efforts, a decision on the Lease Undertaking is still outstanding.

Oil and gas are expected to remain part of the Irish and global energy mix for the next 30 years. We are extremely disappointed that the Review does not incorporate into its modelling the potential for delivery of gas from existing exploration licences, such as the one associated with the Barryroe Oil and Gas Field. As a result, we believe that the Review does not accurately reflect all possible mitigation options to the extent that would be expected in a modern functioning European economy, and in the spirit of a truly independent and comprehensive analysis of Ireland's gas and electricity security.

In our submission, we will provide feedback on our analysis of the Review documentation, under the categories of Risks, Mitigation Options and Policy Measures, as outlined in the Consultation document.



Risks

Barryroe Offshore Energy broadly agrees with the risks identified in Section 6 of the Consultation document. Of primary concern are the risks relating to any interruptions to our imports from the UK, or geopolitical risks that could impact Europe's ability to import energy from other countries around the world.

Ireland's reliance on the UK for the bulk of its gas supply puts the country in an extremely vulnerable position. Following Brexit, Ireland is no longer compliant with the EU's requirements for energy security, according to the Commission for Regulation of Utilities (CRU). Ofgem, the UK's energy regulator recently warned that "*there is a significant risk that gas shortages could occur during the winter 2022-23 in Great Britain*"¹. By extension, this creates significant risk for Irish gas security for the coming winter months. With the UK no longer bound by EU internal market rules, the requirement to share gas under the EU Member 'solidarity principle', or the need to honour international agreements, creates uncertainty and poses a real, and very possible, risk to gas supplies.

From a geopolitical perspective, Russia's invasion of Ukraine has re-emphasised the value of national self-sufficiency across the whole range of primary energy sources. Whilst we all remain hopeful of a peaceful resolution in the near future, any risk planning must recognise that this war may continue for quite some time and that the longer it continues, the more nations may begin to focus on their own energy security, thereby jeopardising exports to countries like Ireland.

Mitigation Options

Barryroe Offshore Energy is extremely disappointed at the Review's exclusion of the potential for delivery of oil and gas from existing exploration licences, such as the one associated with the Barryroe Oil and Gas Field. Current Government policy does not restrict Ireland's use of hydrocarbon fuels; it merely precludes new oil and gas exploration in Irish waters. We believe that the Irish Government's delay in granting a Lease Undertaking for the Barryroe Field adds unnecessarily to the potential risk of energy shortages.

The Review has omitted indigenous exploration from its modelling of mitigation options on the grounds that "*Additional domestic production of natural gas above forecasted demand could lock Ireland into a high-gas energy market*" and "*The volume of any potential additional discoveries cannot be known*". We fundamentally disagree with the tenor of both of these statements.

With regard to the first statement, this argument does not take into account that replacing imported gas with indigenous supplies would significantly strengthen Ireland's energy security through the transition period. Subsequently, it would also represent a reliable backup energy source for intermittent output from wind and solar generation. The value that this

¹ <https://www.ofgem.gov.uk/publications/p448-decision-urgency>

increased level of security could potentially bring to Ireland is not fully acknowledged in the context of this Review.

Furthermore, the Review also fails to recognise that demand for fossil fuels will not disappear overnight. Most of Ireland’s transport options, particularly freight transport and aviation, currently run on oil, all of it imported. It will take a number of years to transition away from our dependence on fossil fuels. Successful optimisation of the Barryroe Field can contribute significantly to meeting Ireland’s energy demand during the transition over the coming decade, without prejudicing the achievement of a carbon neutral economy in Ireland by 2050. In fact, there is every possibility that the full hydrocarbon resources available from a developed Barryroe Field will be utilised before Ireland stops using oil and gas. To ignore a potential resource located on our doorstep would represent a huge missed opportunity.

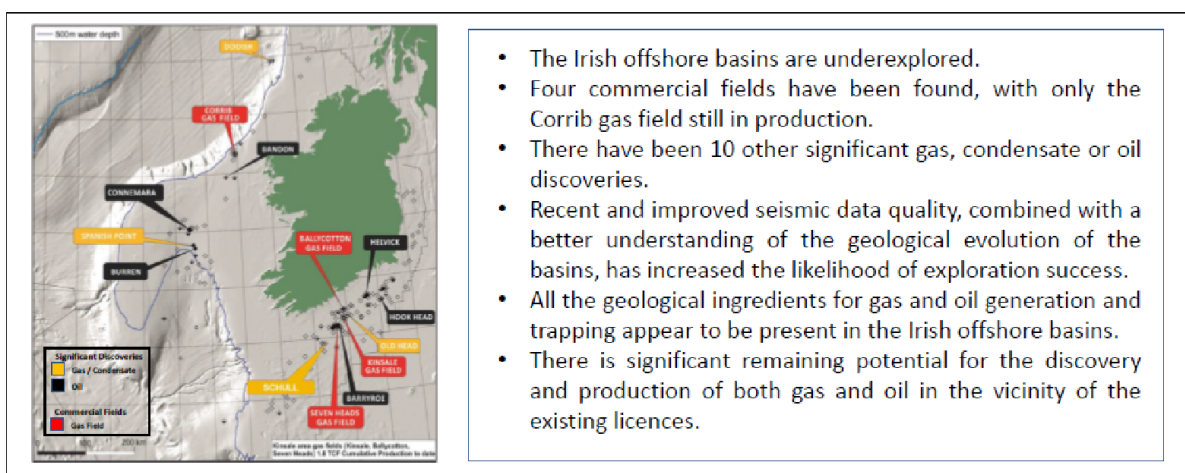


Figure 1. Map showing the location of the Irish offshore gas fields and the significant gas, condensate and oil discoveries².

We question the relevance of “*the volume of any potential additional discoveries cannot be known*” being used as a reason to entirely exclude indigenous sources as a possible mitigation option. Earlier this year, the completion of Barryroe Offshore Energy’s strategic review, along with the Competent Persons Report (CPR), confirmed a core area “base case” of some 80 MMstb of Gross 2C oil resources that can be accessed through an initial two-phase development project, in addition to prospective in place gas resources in excess of 1tcf available within the the Barryroe Field. Whilst the development of the Barryroe Field is ultimately predicated on the outcome of appraisal well drilling, we are very confident in the findings of our independent CPR.

It is important to reiterate that the responsibility for funding an appraisal well, or indeed funding for future development of the Barryroe Field, will be borne by Barryroe Offshore Energy. There is no risk to the State, or the Irish taxpayer, in allowing this project to proceed through the development process. If anything, successful optimisation of the Barryroe Field has the potential to be a net positive for the Irish taxpayer, through significant job creation and tax contributions. Consequently, we do not accept the rationale for omitting indigenous

² Morgan, C. 2018. Exploration Update Offshore Ireland. Atlantic Ireland 2018. Dublin. <https://www.pip.ie/page/410>

exploration based on unknowns regarding the scale of the discovery. This is a risk solely borne by the companies who choose to pursue development opportunities.

It is our view that the potential offered by the successful optimisation of the Barryroe Field would be an important element in the execution of Government policy, as enunciated by the Department of the Environment, Climate and Communications' (DECC) "*Policy Statement on Security of Electricity Supply*" (November 2021) and Section 3.7 of the "*National Risk Assessment 2021/2022 – Overview of Strategic Risk*".

From a climate perspective, the recently published report from the UN-backed Intergovernmental Panel on Climate Change (IPCC), says that "*fossil fuels will have to be phased down at unprecedented scale and speed. Pursuing 1.5C will require coal use to drop by 95%, oil by 60% and gas by 45% by 2050*".

By its own reckoning, the IPCC is not advocating zero oil and gas by 2050, recognising that global demand, including Irish demand, will not be wholly eliminated by then; just hugely reduced. With that in mind, successful optimisation of the Barryroe Field could be a substantive contributor to energy demand, at lower carbon emission levels than imported alternatives, due to much shorter transportation routes.

In reality, Ireland's commitment to achieving net-zero carbon emissions by 2050 cannot be achieved without realistic transition planning. Successful optimisation of the Barryroe Field, in conjunction with industry and government, can contribute significantly to meeting Ireland's energy demand during the transition, without prejudicing the achievement of a carbon neutral economy in Ireland.

Policy Measures

Barryroe Offshore Energy agrees with the policy measures proposed in Section 8 of the consultation document. We welcome the commitment to conducting regular, periodic reviews of Ireland's energy security in the coming years, but we would consider it imperative that all industry representative bodies are consulted and involved in this process.

The outcomes from this Review will have a profound impact on Ireland's future – both economically and socially. Following this period of public consultation, we believe that the process would benefit significantly from being considered in a wider interdepartmental forum. The decisions taken will have ramifications across all areas of society, so it is important that a wide range of stakeholders are represented at the decision-making table. The Review may also benefit from detailed consideration at Oireachtas Committee level. Barryroe Offshore Energy, and the offshore exploration industry as a whole, stands ready to contribute to any meaningful discussions or debates on the future of Ireland's energy security.

Conclusion

Barryroe Offshore Energy believes that this Review represents a bias towards short-termism, i.e. energy security up to 2030. Whilst many of the Review's recommendations will still be valid beyond 2030, the narrow scope of the Review means that it does not appropriately assess the risks as some potential indigenous gas supply mitigation options are excluded from the modelling.

The Review assumes conservative energy demand forecasts for Ireland in the coming decades. In this respect, the proposed mitigation options have not been stress-tested to the extent which would allow this Review to provide a robust outlook for Ireland's future energy security. It does not allow for some circumstances which may impact upon energy demand (e.g. particularly cold winters), or energy import disruption (e.g. through geopolitical events, like Russia's invasion of Ukraine). As a nation, we cannot afford to overlook the value of building in contingencies which would allow our energy system to absorb shocks.

Given the present geopolitical instability in Europe, there has been a dramatic acceleration in ambition for more renewable energy generation across the continent. One consequence is that resources required for new renewable capacity are in even higher demand, more costly and suffering longer lead times. As stated before, we wholeheartedly embrace the need for Ireland to achieve net zero by 2050. However, it is unrealistic to believe that the need for oil and gas is going to disappear overnight, just as it is unrealistic to believe that Ireland is currently on track to meet its existing renewable energy generation targets by 2030. The Barryroe Field can contribute significantly to supporting Ireland in a resilient transition to net zero, in a manner which allows for continuity of energy security throughout the coming decades.

As a company, we are concerned that the scope of this Review has been unduly constrained. The terms of reference ensured that due consideration was not given to all available sources of indigenous supply. We are not naïve enough to believe that oil and gas have a long-term future within the Irish economy. However, we are concerned that this Review has not acknowledged that oil and gas have a critical role to play in a safe and successful transition to a renewable future.

If the Irish Government is committed to delivering a comprehensive assessment of the country's energy future, then it needs to take seriously the positive impact that indigenous resources could have on our energy security.