**How the Licensing Round Works**

**Underlying Principles**

The NSTA is committed to supporting the ongoing energy transition.

Oil and gas currently provide about 75% of the UK energy consumption and official government forecasts expect oil and gas to remain important to the UK’s overall energy mix for the foreseeable future, including as we transition to net zero.

As long as this demand exists, the UK will remain a net importer of oil and gas. Managing production and maximising value from the UK Continental Shelf as cleanly and efficiently as possible is necessary for security of supply, to ensure an orderly transition, and to reduce reliance on hydrocarbon imports. This is especially important as some imports, such as liquified natural gas, has a [carbon footprint](https://www.nstauthority.co.uk/the-move-to-net-zero/net-zero-benchmarking-and-analysis/natural-gas-carbon-footprint-analysis/#gas_footprint) more than twice that of UK-produced gas.

**Process**

1: The NSTA studies available acreage in the UK Continental Shelf and, after consultation with other North Sea bodies, makes areas available for licence applications.

2: Potential investors prepare and table their bids to fit the [requirements](https://www.nstauthority.co.uk/licensing-consents/licensing-system/licensee-criteria/) laid out by the NSTA. These relate to technical and financial capability, corporate governance and fitness.

3: The NSTA reviews the applications and, with the agreement of the Secretary of State, awards licences as appropriate.

4: It is expected that in the case of this, the 33rd, Licensing Round the NSTA will award licences in Q2 2023.

The licences are awarded with conditions which require the licensee to make agreed progress at agreed times. These conditions can include submitting development plans, shooting seismic and other benchmarks.

The licensees must apply for, and receive, a series of further consents from the NSTA and other organisations before proceeding with stages such as shooting seismic, drilling exploration and other wells, and progressing towards production. This process allows the NSTA to steward the process throughout.

Being awarded a licence does not guarantee that further consents will be awarded, nor does it guarantee that hydrocarbons will be produced. It is only the first step on the journey. A large number of licences will not lead to production.

Of those licences that do eventually lead to production, it now takes an average of five years from Licence award to production.

**Priority Areas**

To encourage production as quickly as possible, the NSTA has identified four priority cluster areas in the Southern North Sea, which have known hydrocarbons, are close to infrastructure and have the potential to be developed quickly - and will seek to license these ahead of others. Applicants will be encouraged to bid for these areas so they can go into production as soon as possible.

**Environmental and Net Zero principles**

The Licensing Round was formulated in compliance with the Climate Compatibility Checkpoint (CCC) (link) which was recently published by BEIS.

It was also written in light of the OGA [Strategy](https://www.nstauthority.co.uk/news-publications/publications/2020/the-oga-strategy/) which ‘requires industry to operate in a way consistent with net zero ambitions, lowering production emissions and making serious progress on the solutions that can contribute to the UK achieving net zero. The NSTA believes the industry has the skills, infrastructure and capital to help unlock net zero solutions such as Carbon capture and Storage and hydrogen production.’

OPRED is the environmental Regulator. They have recently updated their Offshore Energy Strategic Environmental Assessment (SEA). (link)

The SEA is the process of appraisal through which environmental protection and sustainable development may be considered and factored into national and local decisions regarding Government (and other) plans and programmes – such as oil and gas licensing rounds, and other offshore energy developments, including renewables and gas and carbon dioxide storage.

The 33rd Licensing Round was also formulated in light of the revised SEA and any licence award offers will also be made in light of its guidance.