

ARRANGEMENTS BETWEEN THE WELSH MINISTERS, THE NORTH SEA TRANSITION AUTHORITY¹ AND THE SECRETARY OF STATE, REGARDING ISSUES RELATING TO ONSHORE PETROLEUM LICENSING

Status of MOU

This MoU is a statement of intent and should not be interpreted as a binding agreement. It is not intended to create legal relations or obligations between the Parties.

Scope

The Parties agree that they will work together on the areas described below.

Introduction

Onshore oil and gas licensing is devolved to the Welsh Ministers under the Wales Act 2017, with effect from 1 October 2018.

This document sets out agreed arrangements between the North Sea Transition Authority (the "NSTA"), the Secretary of State ("SoS") and Welsh Ministers (the "Licensing Authority") in regard to the handling of matters that are reserved to the United Kingdom Government.

The list of reserved matters and the arrangements to be followed are set out below.

1. Setting of licence rentals to be applied to licences issued by the Licensing Authority

Background

The consideration payable for the granting of petroleum exploration and development licences ("PEDLs") is determined by the NSTA with HM Treasury's consent, under Section 3(3) of the [Petroleum Act 1998](#). The square kilometre licence rentals to be applied to any new licences issued need to be agreed with the NSTA and HM Treasury in advance of the licence offer and promulgated in the offer package.

Therefore, it will be for the NSTA, with the consent of HM Treasury, to determine the rental rates to be applied to licences awarded by the Licensing Authority.

¹ The North Sea Transition Authority ("**NSTA**") is the business name of the Oil and Gas Authority ("**OGA**"). The OGA remains the legal name of the company.

The process will be as follows:

- A. At least six weeks before a new licence is offered by the Licensing Authority, the Licensing Authority will inform the NSTA of its intention to offer a new licence and, quoting the requirements of Section 3(3) of the [Petroleum Act 1998](#), request the NSTA write to HM Treasury seeking consent for the rental rates that it would like to apply to the licence. The Licensing Authority should provide the NSTA with the rationale for the structure of the licence rentals.
- B. The NSTA will, provided it has the information set out in section A above from the Licensing Authority, seek HM Treasury consent for the rental rates at least one month before a new licence is to be offered, and when a response from HM Treasury is received, will inform the Licensing Authority.
- C. Once consent has been received, the Licensing Authority will include the applicable rental rates in its licence offer.

2. Invoicing, collection and transfer of rentals for licences in Wales

Background

This function is reserved to the UK. It will be for the NSTA to invoice licensees on an annual basis, on the anniversary of the licence start date (or, at the latest, within two weeks of the anniversary date), for the rentals applied to extant licences in Wales at the time of the transfer of functions or the rental agreed for any future licences awarded by the Licensing Authority. As anniversary dates for all licences differ this invoicing occurs throughout the year.

Process

- A. At least four weeks prior to the anniversary of the start of the licence, the Welsh Government will submit a request to the NSTA for the issue of an invoice and will confirm to the NSTA whether there have been any changes to the acreage in the past 12 months, the amount of the licence rental to be invoiced and the bank details for payment.
- B. The NSTA will invoice licensees on an annual basis on the anniversary date of the start of the licence (or, at the latest, within two weeks of the anniversary date). The sum invoiced will be for a full year's rental.
- C. Within one month of receipt of a rental payment in respect of Welsh licences, the NSTA will record the receipt in the separate Trust Account. The NSTA will then inform the Welsh Government of this amount.
- D. The NSTA will pay over the amount raised from Welsh rentals on an annual basis to the nominated bank account or as otherwise agreed with the Welsh Government.

- E. A breakdown of the rentals which will be transferred to the nominated bank account and the period to which they relate will be provided to the Welsh Government by the NSTA in advance of the transfer.

3. The waiving of licence rentals for licences in Wales

Background

The setting of licence rentals is agreed with HM Treasury (as set out in section 1 above). Any waiver of licence rentals must also be agreed by HM Treasury. [UK Government Managing Public Money guidance](#) states that waivers of claims should only occur where there is no feasible alternative. As such, the default position is that waivers will not be granted.

Process

- A. Should a licensee in Wales wish to request a waiver of its licence rental, they will need to make this request to the Licensing Authority, providing representations to support its case. The licensee should aim to submit the waiver request within two months following the anniversary date of the start of the licence (before Reminder Letter 3 is due to be issued, in the event of non-payment of the rental, as set out in section 4). A waiver request may be submitted by the licensee for the current chargeable period and future chargeable periods but the Licensing Authority will consider the request in respect of the current chargeable period only. Requests in respect of future chargeable periods will be considered at the start of that chargeable period, taking into account all factors and policies relevant at that time.
- B. On receipt of a waiver request for the current chargeable period, the Licensing Authority must notify the NSTA Accounts Receivable team so that this request can be taken into account when considering action in the event of non-payment of the rental (as set out in section 4). Regardless of whether a waiver request is made, the licensee remains liable for the rental and the process in section 2 will be followed.
- C. The Licensing Authority should consider the waiver request taking into account relevant Welsh Government policies and any other relevant factors, requesting additional information from the licensee, as necessary. Within two months of receipt of all relevant information provided by the licensee, the Licensing Authority will put forward a recommendation to the NSTA based on its view of whether or not the request should be approved.
- D. If the NSTA agrees to waive the licence rentals, it will need to write to HM Treasury seeking permission to make the rental waiver and providing representations to support the case. The Licensing Authority, on behalf of the NSTA or HM Treasury, will request additional information from the licensee where needed to substantiate the basis on which a request for a waiver has been made.

- E. HM Treasury will need to be satisfied that a waiver is appropriate in the circumstances and in accordance with [UK Government Managing Public Money guidance](#), and will need to give its consent before any waivers can be granted. On receiving the NSTA's submission, HM Treasury will consider the case and notify the NSTA of whether consent to a waiver is granted.
- F. The NSTA will notify the Licensing Authority of the outcome of the waiver request.
- G. The Licensing Authority will notify the licensee. If the rental is waived, the NSTA will raise and send a credit note for all waived invoices. Where rentals have been paid, any refund to licensees will be done via BACS in a weekly payment run following receipt from the Licensing Authority.
- H. Waiver requests will be considered on a case-by-case basis and on the merits of each case and in respect of each licence rental period. Licensees should not assume that by having obtained a waiver for a prior licence rental period they have been relieved of the obligation to pay their future licence rental to the Licensing Authority when it becomes due or that they can expect a waiver for any future licence rental period.

4. The revocation of licences in Wales for non-payment of licence rental

Background

PEDLs contain a number of conditions, including the requirement to pay the licence rental scheduled to the licence. Failure to pay the rental (without agreement) is a ground for revocation of the licence as a separate condition of the licence.

The revocation power for non-payment of the licence rental is reserved to the SoS. For licences granted by the Welsh Ministers before 1 October 2018, the SoS' power of revocation is incorporated into the model clauses by Regulation 12 of, and paragraph 3 of Schedule 3 to, the Scotland Act 2016, Wales Act 2017 and Onshore Petroleum (Consequential, Transitional and Saving Provisions and Model Clauses) Regulations 2018. For licences granted by the Welsh Ministers after 1 October 2018, the SoS' power of revocation is incorporated into model clauses by paragraph 4 of Schedule 2A to the Petroleum Licensing (Exploration and Production) (Landward Areas) Regulations 2014.

Process

- A. The NSTA invoices licensees on an annual basis on the anniversary date of the start of the licence (or at the latest within two weeks of the passing of the anniversary date) giving 30 days to pay.
- B. If unpaid, Reminder Letter 1 – issued 30 days after invoice date.
- C. If unpaid, Reminder Letter 2 – issued 30 days after the date of Reminder Letter 1.
- D. If unpaid, Reminder Letter 3 – issued 14 days after the date of Reminder Letter 2.

- E. If still unpaid, the NSTA will inform the SoS and the Licensing Authority about non-payment of consideration (rentals).
- F. The NSTA will inform the licensee that the matter has been referred to the SoS, copying to the Licensing Authority and the SoS, highlighting that the SoS has a statutory power to revoke licences for non-payment (although this does not necessarily lead to automatic revocation).
- G. The SoS will consult, and invite representations, on whether the licence should be revoked.
- H. If the SoS chooses to revoke the licence, he/she will notify the licensee of his/her decision and separately notify the Licensing Authority and the NSTA. The Licensing Authority will remind the licensee that revocation of the licence is without prejudice to any obligation or liability incurred by the licensee or imposed upon the licensee by, or under, the terms and conditions of the licence. The Licensing Authority will engage with the licensee about how any remaining obligations or liabilities will be met and within what timescale.

5. Reserved model clauses

Background

[The Petroleum Licensing \(Exploration and Production\) \(Landward Areas\) Regulations 2014](#) prescribe the model clauses relating to reserved matters which are to be included in licences granted by the Licensing Authority.

For licences granted by the Welsh Ministers before 1 October 2018, the model clauses relating to reserved matters are set out in Schedule 3 of the [Scotland Act 2016, Wales Act 2017 and Onshore Petroleum \(Consequential, Transitional and Saving Provisions and Model Clauses\) Regulations 2018](#).

Process

Any PEDL granted by the Licensing Authority will include, as a Schedule to that licence, these model clauses. This ensures that the powers of the SoS in relation to reserved matters are protected, including the power to revoke licences for non-payment of consideration.

Signatories

The signatories below indicate their intention to enter into this agreement.

On behalf of the Secretary of State for Energy Security and Net Zero

Name: Vicky Dawe

Position: Director, Energy Development

Signed: [redacted]

Date: 12/02/2026

On behalf of the North Sea Transition Authority

Name: Nicola Granger

Position: Chief Information and Financial Officer

Signed: [redacted]

Date: 9th February 2026

On behalf of Welsh Ministers

Name: Ed Sherriff

Position: Deputy Director Energy

Signed: [redacted]

Date: 04/02/2026