



# THE SUNDAY TIMES

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## Tycoon promises cash for fracking

Danny Fortson

JIM RATCLIFFE, head of the Ineos Group, wants to kickstart fracking in Britain and blast through local opposition by handing out 6% of the revenue from oil and gas fracked by his firm.

By giving 2% to local communities and 4% to landowners, he estimates that his company would give away £2.5bn across Britain.

Under his plan, a well could produce £1.3m in income for a landowner over 15 to 20 years — its average productive life — and £600,000 for the community.

*Tycoon's £2.5bn to break shale logjam, Business*

## Tycoon's £2.5bn to break shale logjam

Jim Ratcliffe, billionaire founder of chemicals giant Ineos, plans huge giveaway to kick-start fracking

Danny Fortson

ONE of Britain's richest men hopes to trigger a shale gas boom by giving away billions of pounds to landowners and communities affected by fracking.

Jim Ratcliffe, the 61-year-old Lancastrian who founded chemicals giant Ineos, has promised to hand over 6% of the revenue from oil and gas wells — 4% to landowners and 2% to local communities — in an effort to jolt the moribund industry into life. The offer would equate to £375m for a typical exploration area of 36 square miles, and goes far beyond the 1% giveaway to which the industry has committed. Ratcliffe estimated the offer could

be worth £2.5bn in total.

To lead the charge, he has hired a trio of experts from Mitchell Energy, the Texas explorer credited with starting the shale gas revolution in America. Drilling expert Nick Steinsberger and geologists Kent Bowker and Dan Steward have signed five-year contracts. Ratcliffe's plan is meant to emulate the American system, where the industry has produced scores of millionaires and billionaires because landowners own the rights to the minerals underneath their properties. In Britain, the rights are owned by the Crown.

Ratcliffe said: "Shale gas won't be successful in the UK unless people see there is some upside or benefit.

If they see that, then at least they may seek facts rather than listen to the rhetoric."

Fracking in Britain has been delayed by opposition from landowners and environmentalists — and a sluggish planning process. Only one well has been fracked, partially, in Britain since the first licence was granted in 2008. Last year America about 20,000 shale wells were drilled. Under Ratcliffe's plan, a single well could produce £1.3m in income for a landowner over 15 to 20 years — the average productive life of a well — and £600,000 for the local community. A typical exploration block six miles by six miles would have about 200 producing wells, bunched together in about 10 drilling sites.

Ineos employs almost 4,000 people in Britain across seven sites, including a giant chlorine plant at Runcorn, Cheshire. The company spends billions importing cheap shale gas from America

factories but wants to develop a domestic source.

Hydraulic fracturing, or fracking, breaks apart gas-bearing rock formations deep underground by blasting it with a mixture of chemicals, water and sand.

The technique has opened huge stores of previously untappable resources. America, once a big oil and gas importer, is now eyeing energy independence.

The price of natural gas price has plummeted by two-thirds from its pre-recession high and cheap energy has led to an industrial renaissance. More than £100bn in new investment has been announced since shale gas

production began in earnest in 2008. Opponents have blamed the technique for poisoning ground water and industrialising swathes of countryside.

Drillers in Britain have been swamped by protesters.

The government closes bidding next month for hundreds of 36 square-mile parcels that are up for auction to shale explorers. It is not expected to reveal the winners until June—after the general election.

Ratcliffe said there was "no reason" Britain could not replicate the revolution that has taken hold in America. He claims the untapped resource has the potential to send household energy prices plummeting, as it has in America. It could also revive manufacturing. "Without shale gas, it will continue to dwindle," he said.

Handing such a large portion of the spoils to locals was, "a game changer for Britain's shale gas industry", Ratcliffe said, and could force rivals to offer more generous incentives to compensate communities for the disruption caused by drilling operations.

He said: "The man in the street gets a benefit, landowners get a benefit, and the community gets a benefit. It has been transformational in the United States."



Pledge: Jim Ratcliffe



**AGENDA**

**DOMINIC O'CONNELL**  
BUSINESS EDITOR

### Local fracking heroes

REGULAR readers of these pages will be familiar with Jim Ratcliffe. We charted his astonishing rise as he built a giant chemicals company, Ineos, out of plants the industry's giants no longer valued. We also detailed Ineos's over-the-abyss moment in the wake of the credit crisis,

when Ratcliffe won the day in a City showdown with more than 500 banks.

Now it's time for the next chapter. Ratcliffe is a keen student of America's shale gas revolution. He wants to recreate here the conditions that made it possible there.

The key to unlock the prize is a promise of 6% of gross

gas sales to locals—4% to landowners and 2% to the council. In America they get the money because they own the rights to the minerals beneath their land. Here they don't, but Ineos wants to cut to the chase and give it to them anyway.

Ratcliffe thinks communities' rational response will be to welcome the frackers with open

arms. Most of Britain's shale beds are in the north of England, where former industrial towns are crying out for jobs and investment.

He might be right, though expecting rationality when it comes to planning decisions might be setting the bar too high. But when it comes to breaking the shale logjam, this is the best idea yet.



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BUSINESS

## Ratcliffe fires starting gun on shale race

The billionaire founder of Ineos is offering royalties to landowners and councils that embrace fracking, writes **Danny Fortson**

**I**N North America, 55 shale gas wells are drilled every day. The boom has led to a halving of household energy tariffs, a two thirds drop in the price of natural gas, and a dramatic fall in pollution as power plants shift away from more expensive coal.

In Britain, the pace has been sluggish: just one well has been drilled, partially, since the first licence was granted in 2008.

The revolution that has freed vast stores of previously untappable fuel and helped spring America out of recession has, in Britain, slammed into a brick wall of nimbyism, weak-kneed politicians and planning red tape.

Jim Ratcliffe has a solution. The billionaire founder of chemicals giant Ineos wants to give away billions of pounds to landowners and local communities where underground shale formations are found.

The plan goes far beyond the 1% of turnover that developers have agreed to hand to councils. Ratcliffe wants to give away 6% of the gross revenues from oil and gas production: 4% to owners of the land above the shale and 2% to local government.

The Lancastrian hopes what he calls a “game-changer” will spark the industry into life.

“The biggest difference between the United States and UK in terms of shale gas is that, in the US, the landowners own the gas or oil that comes to the surface.

“People encourage shale gas because every month they get a cheque,” said Ratcliffe, in an exclusive interview with The Sunday Times. “We’re trying to emulate the US model because it has been very successful.”

The Crown owns mineral rights in Britain. Locals have little incentive to allow hydraulic fracturing, or “fracking”, the controversial technique that shatters gas and oil bearing rock formations with a high pressure mixture of chemicals, water and sand.

Ratcliffe said: “Shale gas won’t be successful in the UK unless people see that there is some upside or benefit. If they see that, then at least they may seek facts rather than listen to the rhetoric. These are significant numbers.”

The industrialist claims Britain’s untapped shale resources have the potential to slash household bills and revitalise Britain’s dwindling

manufacturing sector. His offer is timed for maximum impact.

Next month the government closes the bidding for hundreds of six-mile by six-mile exploration blocks that it has put up for auction. Ratcliffe reckons, under his plan, just a single parcel that produces an average amount of gas would yield nearly £400m in payments to locals over its 15 to 20 years of production.

To get to that figure, the block would have about 200 wells, clustered in about 10 drilling sites, each about the size of a football pitch.

He said: “We should be upfront about this. For the six months of drilling it is disruptive and noisy and inconvenient. But once that’s done what’s left is little green pipes coming out of the ground, delivering gas for the next 20 years.”

It is unclear whether all that cash will be enough to break through popular opposition. The government issued an 18-month fracking ban in 2011 after drilling caused tremors near Blackpool.

Subsequent attempts have been stymied by planning delays and virulent protests from environmental campaigners over fears that fracking will foul water tables and despoil the countryside. The heavy lorry traffic at the height of drilling operations is one of the biggest concerns among communities.

This month, Lancashire’s Fylde council voted against drilling applications by Cuadrilla Resources, a private explorer chaired by the former BP chief Lord Browne of Madingley.

The stasis here stands in stark contrast to America, where chemicals companies have announced plans to invest more than £100bn in new plants since shale production began in earnest and led to a collapse in energy prices. Once a huge gas importer, America has energy self-sufficiency in sight, a fantasy of presidents going back to Nixon.

The transformation has been deeper and faster than anyone expected. For example the Marcellus shale, a large formation that runs under the states of West Virginia, Ohio, Pennsylvania and New York, produced virtually nothing five years ago. Today it yields 16bn cubic feet of gas a day — 2½ times Britain’s daily consumption.

“There is no reason that can’t happen here,” Ratcliffe said.

The 61-year-old has hired the team credited with starting the shale gas revolution at Texas explorer Mitchell Energy in the hope of repeating the trick. Drilling expert Nick Steinsberger, and geologists Kent Bowker and Dan Steward have signed up to five-year contracts with Ineos.

He said: “These guys were the pioneers in the United States. They enjoyed that journey, which I imagine was very exciting, and they can see that potential in the UK. They have looked at lots and lots of data, and they are seeing things here that they have seen in the States.”

However, Tony Bosworth, a climate and energy campaigner at

Friends of the Earth, dismissed as “industry hype” Ratcliffe’s promise of energy security and rock-bottom household energy prices.

“Energy secretary Ed Davey said it’s not likely and even Cuadrilla admits UK fracking won’t have a material impact on prices,” Bosworth said. “The best solution for the UK — for cutting bills, cutting carbon and ensuring energy security — is doing much more to save energy and exploiting the UK’s huge potential for renewable power.”

Ineos has a lot riding on the plan. The company employs 4,000 people at seven UK sites, including Britain’s biggest chlorine plant at Runcorn, Cheshire, which uses as much energy as Liverpool. The company has contracts in place to buy more than \$10bn worth of gas from America over the next decade.

Ships being built in yards in China will ferry ethane, a type of gas that comes from many shale formations, to its plants in Europe and elsewhere.

Last year the company nearly shut its refinery at Grangemouth, Scotland, when workers refused to accept pay cuts and pension freezes to help pay for a new import terminal. The plant is now barely operational due to dwindling supplies of crude oil from the North Sea.

The industry finds itself at a critical juncture. The energy department is expected to reveal the winners of the exploration rights auction by June — after the general

election. Leaving it until then would be hardly surprising, given it is such a divisive issue. Ratcliffe is hoping that his gambit will force their hand.

“The government is very positive about shale, but they need more positive feedback from people in the UK to go out and really push it. It’s not a vote-winner, is it?” he said. “If this offer starts to change the argument and gets people saying, ‘Hang on, why are we not doing this?’, I think you’ll see more politicians be a bit braver about it.”

Ratcliffe, who in 2010 moved to Switzerland along with top 80 executives to slash the company’s tax bill, claims the push is about more than just Ineos’s bottom line. It also has to do with Britain’s place as an economic power.

“Until seven or eight years ago, we were on a par with the rest of the world because energy costs were similar. We’re not any more. We’re at a substantial disadvantage. Manufacturing has collapsed,” he said. “Most of the shale in the UK is in the old industrial heartland, which is not in the best of shape.”

So, will 6% be enough to break the logjam for shale exploration? “Well,” said Ratcliffe, “it depends if you think putting hundreds of millions of pounds into communities is going to make a difference.”

### ST DIGITAL

Watch how Ineos ships cheaper gas to Europe

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