INEOS AND OUR VISION FOR SHALE GAS
INEOS was started in the UK in 1998. It is now one of the largest chemicals companies in the world, with 65 sites in 16 countries. In the UK we have large sites at Grangemouth, Runcorn, and on Teesside, which employ thousands of skilled workers and make a significant contribution to their regional economies. Our products are the building blocks that underpin the manufacturing sector, and go into everything from medicine and clothing, through to buildings, vehicles, computers, and green technologies.

INEOS is one of the UK’s largest manufacturing businesses. It employs 4000 people in the UK across 7 sites. It can use shale gas at its manufacturing sites as a feedstock or energy source. The company also owns land, pipelines and storage in some of the key areas being explored in the UK. All that, coupled with INEOS’ clear manufacturing excellence, strong safety focus and good relationships with the communities in which it operates, means that its new oil and gas exploration business INEOS Shale brings something unique to the emerging shale gas industry.

INEOS SHALE
INEOS make chemicals out of oil and gas, to supply many of the raw materials for manufacturing across the UK and beyond. Manufacturing companies depend on secure and competitive supplies of these raw materials and energy to prosper. With this in mind, INEOS has recently set up a new, UK registered, oil and gas exploration and production business called INEOS Shale.

The business made its first move into the shale exploration arena on the 18th August 2014 with the purchase of a 51% share of the shale section of a joint Petroleum Exploration and Development Licence (PEDL). The PEDL 133 licence covers 329 square kilometres of the Midland Valley of Scotland which includes INEOS’ Grangemouth refining and petrochemical complex and the area around it. On 10th March 2015 INEOS Shale agreed a deal with IGas to acquire the remaining share in this license (The IGas deal also includes interests in multiple licences in the north of England). The business also owns an 80% interest in Petroleum Exploration and Development Licence (PEDL) 162, in the Midland Valley of Scotland. This licence area of 400 square kilometres is next to PEDL 133.

INEOS’ VISION FOR SHALE GAS
Our vision for shale gas stems from our experience as a user in the United States. We have seen first-hand how shale gas transformed U.S. manufacturing by providing a secure and competitive supply of energy and raw material. Ten years ago investment in manufacturing in the USA had dried up, today this trend has reversed. For example in the chemicals sector $150 billion is being invested in new facilities creating hundreds of thousands of jobs. In the UK, meanwhile, the chemicals industry faces a difficult challenge, with its supply of raw material from the North Sea (particularly ethane and other light hydrocarbons) rapidly drying up, and energy prices becoming increasingly uncompetitive compared to the rest of the world. As a result the UK has seen a number of high-profile closures in recent years and investment is being diverted abroad.

We see shale gas as an opportunity for the UK to redress this, reinvigorating the petrochemicals industry and the manufacturing sector that relies on its products. The Independent Expert Scientific Panel set up by the Scottish Government has recognised that this could be particularly beneficial for Scotland, given the importance of the petrochemicals industry to the economy. With North Sea oil operations facing decline, shale gas extraction could provide valuable new jobs and replace important tax revenues.
INEOS PLANS TO INVEST MORE WIDELY IN SHALE GAS EXTRACTION

In addition to the licences we purchased in the Midland Valley, INEOS has also acquired a 50% interest in seven IGas shale gas licences in the North West of England (the Bowland licences). This consists of a 60% interest in three Petroleum Exploration & Development Licences (PEDLs 145, 193 and EXL273) and a 50% interest in a further four licences (PEDLs 147, 184, 189 and 190). As part of this deal the company has also acquired IGas’ entire interest in PEDL 133 (the Grangemouth licence) which will give the company 100% ownership of this asset. INEOS also has the option to acquire 20% in two IGas East Midland shale gas licences (PEDLs 012 and 200).

INEOS has applied for new licences in Scotland and England as part of a competitive licensing bid. If successful we would like to invest £640 million in extraction to provide UK Manufacturing with secure and competitive supplies of raw material and energy. Shale gas is not about short-term speculation for us, but about investing in the long-term future of our sites that provide thousands of skilled jobs in regional economies, and underpin the UK manufacturing sector.

THE RIGHT EXPERTISE, INFRASTRUCTURE AND APPROACH

INEOS plants are strategically located in the UK’s industrial heartlands, close to shale gas resources. Safety is our highest priority. INEOS operates top tier COMAH plants within a strict environmental monitoring regime.

INEOS aims to be a good neighbour to build the trust of communities living and working close to our sites.

INEOS owns water treatment facilities and abstraction and disposal points around our UK sites.

INEOS is well capitalised.

INEOS has unparalleled experience both above ground and within onshore gas exploration and extraction.

“THERE IS INCREDIBLE POTENTIAL TO PROVIDE THE UK WITH GREATER ENERGY SECURITY, GROWTH AND JOBS, AND HELP THE UK’S CHEMICAL INDUSTRY AND ENERGY-INTENSIVE MANUFACTURING TO SUCCEED, WORLDWIDE.

GARY HAYWOOD, CEO INEOS UPSTREAM”
INEOS is committed to sharing the benefits of extraction with communities

Shale gas extraction has transformed communities in the USA where landowners own the mineral rights under their property. INEOS has developed an industry leading community benefits package that seeks to replicate this, giving communities a real stake in development. INEOS has promised to share 6% of revenues. Four percent of this would go to homeowners and landowners in the immediate vicinity of a well, and a further 2% to the wider community. Based on our estimates, a typical 10km by 10km development area would generate £375m for the community over its lifespan.

Overall we anticipate that our future shale gas business could contribute over £2.5bn to communities under this scheme, having a material impact on regional economies and the standard of public services. We recognise that more work needs to be done to define how revenue is shared and we are committed to ensuring power is devolved as far as possible and revenue is secure from interference or clawbacks. We want to listen to what communities have to say on this matter, and will consult them fully.

**How INEOS will share the revenue**

- **£375 million**
  - £250m for home and landowners
  - £125m for wider community

- **£2.5 billion** in total could go to communities

**Further facts:**

- **SEPA**: [www.sepa.org.uk/customer_information/energy_industry/unconventional_gas/frequently_asked_questions.aspx](http://www.sepa.org.uk/customer_information/energy_industry/unconventional_gas/frequently_asked_questions.aspx)
- **UKOOG**: [www.ukoog.org.uk](http://www.ukoog.org.uk)
- **Frackland Blog**: [www.frackland.blogspot.co.uk](http://www.frackland.blogspot.co.uk)
- **No Hot Air**: [www.nohotair.co.uk/index.php/library](http://www.nohotair.co.uk/index.php/library)
- **ReFINE**: [www.refine.org.uk](http://www.refine.org.uk)
- **Frac Focus**: [www.fracfocus.org](http://www.fracfocus.org)
- **The Boom**: [www.russellgold.net/books/the-boom](http://www.russellgold.net/books/the-boom)
- **US EPA**: [www2.epa.gov/hydraulicfracturing](http://www2.epa.gov/hydraulicfracturing)
- **PENN State University**: [http://stateimpact.npr.org/pennsylvania/tag/fracking/](http://stateimpact.npr.org/pennsylvania/tag/fracking/)
- **Range Resources**: [www.rangeresources.com](http://www.rangeresources.com)
- **CONSOL Energy**: [www.consolenergy.com](http://www.consolenergy.com)

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