

Shale Gas

Background

The chemical industry uses energy both as a fuel and feedstock (raw material). We use feedstock to make the basic chemicals which provide key building blocks for almost every sector of manufacturing and the wider economy. The UK chemical and pharmaceutical industries also have a strong record as manufacturing's number one export earner. Because our sector is both energy intensive and competes globally for product market share and inward investment, this contribution critically depends on secure and competitively priced energy supplies.

Current status

For large users, UK energy supplies are becoming uncompetitive and less secure. Supplies of North Sea gas for use as feedstock and fuel are diminishing and there is increasing reliance on less secure supplies of imported gas. This makes the UK more vulnerable to supply uncertainties and gas prices can be high and volatile in cold winters.

In the US, the shale gas 'revolution' has triggered investments in chemical capacity worth \$150bn this decade. Feedstock use apart, we are also paying more for gas as fuel and electricity than many competing production locations (and more than two times the price of gas in the US).

While UK chemical businesses are installing facilities to import US feedstock, the development of indigenous supplies of shale gas could provide a more secure and potentially competitive source and improve the business case for further investments in UK chemical capacity.

Our opinions and actions

The development of UK shale gas will support energy security and affordability:

- Far from our dependence on gas diminishing, more gas fired generation is needed to 'keep the lights on'. Gas will play a major role backing intermittent renewable power during the transition.
- Gas will also continue to be the main source of heat in homes and industry.

The development of shale gas will also bring multiple economic benefits to the UK:

- It is a key enabler for our shared 2030 vision with government for 50% growth in the UK economic contribution of the chemical and pharmaceutical industries – we currently contribute £14bn in annual value added to the UK economy and support 500,000 jobs both directly and indirectly.

- It is also estimated that UK shale gas development will require supply chain spending of £3.3bn p.a. and generate 64,500 jobs.
- Communities will receive direct benefits from local shale gas development.

Shale gas can be developed in the UK in an environmentally safe way – the UK has a strong regulatory framework for shale gas development.

- There is now a substantive evidence base from government and independent expert bodies which addresses concerns on key issues including seismic activity, water use, impacts on ground water and emissions, and the use of chemicals in fracking fluid.

Government and industry need to redouble efforts to address society's environmental concerns and explain the economic benefits. For its part, CIA is contributing to the debate and has produced materials including a 'Shale Gas the Facts' leaflet and YouTube video.

Contacts:

Nick Sturgeon, Energy, Energy and Competitiveness Director, Chemical Industries Association, UK

Email: SturgeonN@cia.org.uk

Simon Marsh, Director of Employment & Communications, Chemical Industries Association, UK

Tel: +44 20 7963 6725

Email: MarshS@cia.org.uk