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Cuadrilla CEO's address to the AJ Lucas AGM

A lot has happened over the last twelve months since I last recorded a message for the A J Lucas AGM and I am delighted to say that it culminated in Cuadrilla receiving planning consent to drill, frack and test the flow of gas from four horizontal exploration wells at one of our proposed shale gas exploration sites in Lancashire in the North West of England.

We went through a very thorough and lengthy appeals process, involving submitting hundreds of pages of evidence to a public inquiry, chaired by a Planning Inspector. That Inquiry took place over a six-week duration earlier this year. The Inquiry was followed by a six month wait for the Planning Inspector to make her recommendation and the Govt. to make a final decision.

We were granted full planning consent for one 4 well exploration site and the Secretary of State awarded us "minded to grant" on the other proposed 4 well exploration site. On that second site we need to demonstrate we can satisfy some criteria around traffic routes and management. This will involve another public inquiry to look specifically at this issue which is likely to take place sometime next year.

News of the planning consent made headline news in the UK and we spent most of that day giving interviews to all the major TV channels and newspapers.

The decision is definitely a significant boost to the UK shale industry. It is also a boost for the UK as a whole. Over 80% of households in the UK rely on gas for their heating. As UK North Sea production declines we are increasingly reliant on imports to satisfy that demand. Imports currently account for 50% of UK gas supply and this is forecast to increase to 80% by 2030.

In 2013 the British Geological Survey estimated that there is between 800 trillion cubic feet and 2,300 trillion cubic feet of natural gas locked up in the shale rock which stretches across the North of England. This is what we call the Bowland shale.

To put those numbers in context the UK currently uses just 3 trillion cubic feet a year to meet all of its gas needs. If just 10% of the Bowland shale gas resource can be recovered that would supply enough gas to meet UK demand for up to 80 years. This is why shale gas exploration is so critical to the UK. Once we understand and can demonstrate the economic viability of this resource, then there is no doubt that it can play a vital part in securing the UK's energy security.

At Cuadrilla we are now very focused on moving ahead with operations. The first step is to ensure that the various planning conditions that accompanied the planning consent are discharged smoothly. We will then move to begin site construction at the start of next year. We expect to be drilling wells in the first half of next year and fracking and testing the flow of gas from those wells in the second half of 2017.



We are very confident that our operations will be safe and environmentally responsible and the comprehensive site monitoring programmes planned by ourselves and by UK regulators will conclusively demonstrate this. The British Geographical Society is also working with several British universities to undertake independent monitoring of our site as part of a pilot study. So I have no doubt this relatively small exploration site in Lancashire will be one of the most closely monitored in the world!

Earlier this year we cemented our commitment to Lancashire by moving our headquarters from Staffordshire to Preston. Receiving planning consent means we will increase employment and procurement opportunities for Lancashire and we are committed to putting Lancashire people and businesses first as we progress our work in the County.

In the North East of England, we have now formally accepted the award of further onshore exploration licences issued by the UK Oil & Gas Authority. These licences total approximately 1300 km² in area, and are located in Yorkshire. This more than doubles our operated shale gas exploration acreage in the Bowland shale. Whilst our current operational focus remains primarily in Lancashire, we will be undertaking desktop studies for this new Yorkshire exploration acreage. This will give us a very detailed understanding of the geology deep underneath the licence areas, helping to assess where future exploration sites can subsequently be located.

The year ahead will be a very exciting one for Cuadrilla. We are very pleased that we can now start operations to make production of UK shale gas a reality and I look forward to sharing with you update on our exploration progress next year.

On our part we are grateful for the support from our long standing investors and recognise the important role A J Lucas plays as a shareholder in Cuadrilla and an investor in the Bowland licence in your own right.