



CODE OF CONDUCT

ONSHORE GAS PRODUCTION FROM SMALL FIELDS

Introduction

CODE OF CONDUCT

In 2017, the gas production industry in the Netherlands initiated the drafting of a Code of Conduct for gas production from small fields. The Code of Conduct sets out guidelines for operators to help local residents and businesses and the relevant municipalities, provinces, water boards, drinking water companies, and nature and environmental organisations by informing them in a timely manner and by engaging with them where possible. This will ensure that it is clear for everyone what can be expected from operators and how the operators work with local communities.

The gas production companies strive to achieve an optimal balance between all the diverse interests and to be no less than precise and transparent in our communication about projects and the spatial, technical and economic outline conditions that these projects are bound by. By working towards an atmosphere of mutual trust, we want to try to understand the various interests and hope to bridge any differences.

GAS PRODUCTION IN THE NETHERLANDS

The Dutch government has set itself the goal of becoming carbon neutral by 2050. However, it is important to guarantee a secure, stable and affordable energy supply during the transition. This presents a huge challenge in which science, industry, the authorities and citizens will have to work together to make a success of the energy transition. Natural gas currently accounts for more than 40% of the Dutch energy supply and will continue to do so in the coming decades, according to scenarios envisaged by the Netherlands Environmental Assessment Agency (PBL). Natural gas is the least polluting of all the fossil fuels and will be needed to facilitate the transition and ensure it is affordable too. Dutch natural gas has a 30% lower carbon footprint than imported natural gas and is therefore less harmful to the environment. Over time, natural gas will be replaced by other, more sustainable forms of energy. The government's small fields policy therefore assumes a gradual

reduction in natural gas production from the small fields¹. This means that, as long as we still need natural gas and it can be produced safely and responsibly, it is preferable to produce natural gas from small fields in the Netherlands rather than to import it from elsewhere. The top priority of the Dutch oil and gas production industry is to meet the demand for natural gas in a way that is safe and responsible for people and the environment.

CODE OF CONDUCT COMPLEMENTS EXISTING LEGISLATION AND REGULATIONS

This Code of Conduct is a voluntary initiative by the industry to allow us to listen to and continue to learn from the environment where operators are active. It complements existing legislation and regulations by setting out arrangements that the sector as a whole has agreed to.

EVALUATION AND REFLECTION

The underlying purpose of this Code of Conduct is to contribute to maintaining and increasing understanding and acceptance of the projects that our sector carries out. Furthermore, we believe it is important that this Code of Conduct remains up to date. Evaluation and reflection will be important in order to ensure it continues to be relevant to an ever-changing society.

In this light, the signatories are therefore open to any suggestions, comments or tips to that may help to further improve the Code of Conduct or its implementation. If you have any ideas for improving the Code of Conduct, or if you would like to join in the discussion, please do let us know. Contact Element NL by sending an email to gedragrcode@elementnl.nl.

¹ For more information, see: <https://www.rijksoverheid.nl/onderwerpen/gaswinning-uit-kleine-gasvelden/gaswinning-uit-kleine-gasvelden> (in Dutch)

1. Definitions

STAKEHOLDER(S): A person or organisation that has a direct and demonstrable interest in the environment of a project or potential project.

INITIATOR: The operator or prospective operator of activities for the exploration and production of natural gas and/or petroleum; may also be referred to as the 'operator'. In the Netherlands, initiators such as those described here are members of the industry association Element NL and are therefore bound by the Code of Conduct.

ENVIRONMENT: any individuals who may experience an impact from the activities. The term may also refer to the physical area where the impact from activities is discernible.

ENVIRONMENTAL & COMMUNICATION PROCESS:

A process involving stakeholders to coordinate aspects relating to wishes, arrangements and activities in terms of communication and co-determination. Such activities should, as far as possible, be in line with the wishes and needs of the environment of a project.

CO-DETERMINATION: Engaging in dialogue with stakeholders and involving them in the realisation of a project within its spatial, technical and economic frameworks.

PROJECT: A project is an activity within the gas or oil production cycle. A project focuses in particular on the exploration, production, treatment (including water injection) and storage of petroleum or natural gas, as well as on the construction, modification, decommissioning and reuse of sites and wells, which may result in some environmental impact. For each project, the anticipated impact is assessed and the outcome of this is used to shape the environmental and communication process.

2. Scope and justification

Each project is unique and must be integrated into the specific local context. For each project, an examination therefore takes place of how the interests of the environment can best be safeguarded. This means that there will not always be scope for consultation or co-determination in all areas. However, the operators do undertake to be as open and transparent as possible from the outset.

To establish the best possible relationship with the environment, initiators will - as far as possible - strive to achieve careful communication and provide information in consultation with all relevant authorities and stakeholders in each project. The fundamental principle is to involve the environment in projects carefully and properly in a way that is appropriate given the impact that a project may have. For new locations, opportunities to invest in the environment will also be considered, for example, in the form of an environmental fund.

The Code of Conduct applies to all projects, the extent of involvement of the environment being proportional to the expected impact they may experience. The Code of Conduct identifies three types of projects:

1. *Operation & Maintenance* - at existing gas production sites, including minor modifications that fall within the scope of already licensed activities (such as operation and simple maintenance), the environment is always kept informed about ongoing projects.
2. *Major modifications* - in the case of modifications to existing gas production sites (e.g. drilling a well) where activities are clearly visible and the environment may experience some impact (e.g. more intensive transport traffic, noise), the operator will consult more actively with the environment and consult accordingly in order to integrate the wishes of the environment as far as possible into the concept of the project.

3. **New sites** - New gas production projects are projects that may have a greater and longer-lasting impact on the environment, may require more specific arrangements to be agreed with the environment on how the project could add value for them.

	Operation & maintenance	Major modifications	New sites
Informing the environment	√	√	√
Consulting the environment		√	√
Co-determination by the environment			√

Figure 1: Level of environmental engagement in projects

GUIDELINES:

The sector also follows the guidelines set out below when it comes to the purpose and scope of the Code of Conduct:

2.1 The Code of Conduct aims to increase the engagement of all stakeholders in oil and gas production projects from onshore small fields, in such a way that the interests of the immediate environment are taken into account as far as possible during the development of projects, thereby contributing to the broad acceptance of our activities.

2.2 The Code of Conduct sets out the guidelines that the initiators, the members of Element NL, have committed to.

2.3 The Code of Conduct describes a set of procedures for communications and consultations with the environment that the sector has endorsed. By doing this, the sector is making efforts to safeguard engagement of the environment.

2.4 The Code of Conduct applies to all phases of gas production in the Netherlands. From the licensing process, the initial exploration of the subsoil, the test drilling, the production up to and including the decommissioning of installations and, following cessation of the production, rehabilitation of the site. A project may cover all or part of the lifecycle of a gas production project.

2.5 The initiator will appoint a contact person within its own organisation for stakeholders to discuss the Code of Conduct in particular. The contact details can be found on the initiator's website and are attached to this Code of Conduct as Appendix 1.

2.6 The Code of Conduct and the projects developed in line with the Code shall be subject to periodic review. The purpose of the evaluation is to improve and strengthen the Code of Conduct. The next evaluation will take place three years after the publication of this version. If the situation requires it, we will evaluate the situation earlier.

LOSS OR DAMAGE:

The most important guiding principle for the production of natural gas is that it is carried out safely and responsibly. We will not make any concessions on this, because safety is our top priority. For people and the environment, every day without exception. Our activities are always reviewed beforehand by the independent regulator, the State Supervision of Mines.

Any damage caused by gas extraction activities is always a concern not just for the environment, but also for us in the sector. The law establishes provisions concerning compensation for any loss damage. The initiator is legally obliged to compensate or make good any loss or damage incurred by the environment which is clearly attributable to the initiator.

If, despite best efforts of all concerned, something goes wrong that results in loss or damage, this can be reported to the independent Extractive Industries Damage Committee ('Commissie Mijnbouwschade') through their website: **www.commissiemijnbouwschade.nl**. This committee ensures that any report of damage is assessed and handled in an independent, public and prompt manner to relieve the burden on the complainant. Under the terms of the protocol for processing claims for damage caused by extractive processes in the small fields ('Landelijke Aanpak Afhandeling Mijnbouwschade Kleine Velden', an initiator will provide compensation as determined by the Extractive Industries Damage Committee.

Although the number of damage reports relating to gas production from the small fields has been very low in recent years, we do see an increasing need among residents for certainty that any damage caused by gas production will be treated objectively. In other words, without the intervention of the operator in question. The establishment of the independent committee together with a commitment from the operating companies – anchored in a formal agreement – to acquiesce in the decisions of the independent committee, means that this certainty is now a fact.

3. Informing the environment

Clear, open and transparent communication and contact with the environment is essential during all phases of a gas production project. The aim is to achieve a clear and timely exchange of information between initiators and stakeholders. Each project also comes with its own set of technical, spatial and economic parameters. To achieve this goal, we follow a number of guiding principles:

- 3.1** The most fundamental principle is that stakeholders are provided with information as early and as fully as possible.
- 3.2** The information provision includes, for example, information about any potential or definitive locations, the size of the project and any possible impact, such as nuisance or inconvenience. This involves finding the right balance in the information needed to be well-informed, the degree of (technical) depth and the low threshold of information provision. The initiator may refer certain specific questions to the appropriate authority (for example, questions about safety and the environment to the State Supervision of Mines).
- 3.3** The initiator ensures that information is made available, but also takes any rules relating to commercial aspects and procurement into account.
- 3.4** The initiator liaises with stakeholders throughout all stages of the activities.
- 3.5** During any phase of a project, new insights might emerge that could result in plans being changed. Stakeholders will be actively informed of relevant project changes and/or insights.

4. Consulting the environment

Projects can have an impact on the living environment and members of Element NL are aware of the potential impact of their activities on the immediate environment. The new Environment and Planning Act ('Omgevingswet'), which is expected to enter into force on 1 July 2022, describes the importance of co-determination and the early and careful involvement of the environment in greater detail. The Act makes co-determination itself is obligatory, but does not prescribe how it should be organised.

The operating companies and Element NL endorse this interest, and will comply with the Environment and Planning Act in when organising their co-determination processes. One key objective of the Code of Conduct is that initiators carefully consider the impact of a project on the living environment. The guiding principles that we follow here are:

- 4.1** The fundamental principle is that stakeholders are involved as early as possible.
- 4.2** The potential impact on the environment is spelled out as clearly as possible. Any impact of the activities on the environment will be monitored before, during and after completion of the activities. Any adverse impact on the environment will be prevented or mitigated as far as possible.
- 4.3** Because projects vary in their nature and size, the anticipated impact on the environment will also vary. The method and level of engagement may vary for each project, each phase and each stakeholder.
- 4.4** The environment will be engaged, wherever possible, in the search for the most environment-friendly implementation of the activities. The aim here is to strike a balance between the benefits and the impact within the technical, safety

and economic parameters of the project. Where certain aspects are open for discussion, the environment will be asked for the active participation

to ensure that implementation of the project is aligned as far as possible with the wishes of the environment. This includes, for example, the integration of a location into the landscape.

4.5 In the case of major modifications to ongoing projects and new projects (see also Figure 1), the initiator will launch an environment and planning process to examine in greater detail how the environment can best be engaged in the project, with the initiator outlining the framework in which further dialogue will be enabled.

The topics covered in such an environment and planning process may differ from one project to the next. However, the following topics are typical examples:

- Information provision, questions and complaints
- Potential nuisance due to light, noise or traffic
- Technology, safety, risks and measures
- Site layout and spatial integration
- Nature and environmental aspects
- Opportunities to contribute to the quality of the living environment

4.6 Where possible, the environment will be engaged in the search for the most environment-friendly implementation of projects. The balance described above and the parameters of the project will be taken into account.

5. Co-determination by the environment

The objective of Element NL and its members is to make a positive contribution to the environment in the areas where new projects are implemented. Here too, each situation is unique and integration into the specific local context will be required.


The guiding principles that we follow here are:

5.1 Wherever possible, the initiator will endeavour to engage local or regional businesses in the implementation of activities for the project in order to make a positive contribution to the local environment, employment opportunities and the economy.

5.2 The initiator may also make knowledge and resources available to contribute to the environment.

The deployment or allocation of any contribution will be decided in consultation with the environment. Where and how this is done will be elaborated following dialogue with the environment. The aim of this is that the contribution will strike the best possible balance of benefits and burdens for the environment. Contributions may include:

- A local contribution to the energy transition (such as investments in solar panels or LED lighting in sports clubs and community centres).
- A social contribution through synergies with local projects, activities and objectives (such as support for high-quality artistic and cultural initiatives or activities, educational projects or other types of positive social contributions).
- The creation of a specific fund, for example, for local energy transition-related initiatives.



A contribution of this type is a voluntary investment in the local community by the initiator and should be seen in the context of the scale and duration of the specific gas production project.

APPENDICES

1. CONTACT DETAILS OF ORGANISATIONS INVOLVED

All organisations concerned have designated a single point of contact specifically for the Code of Conduct and are actively engaged in promoting dialogue between the industry and stakeholders. If a stakeholder has any suggestions or questions, would like to speak to Element NL or one of the operating companies about the Code of Conduct, or is of the opinion that certain actions are not in the spirit of the Code of Conduct, you may contact Element NL by sending an email to gedragscode@elementnl.nl or by contacting the operating company directly. Contact details of the organisations involved are set out below:

- Element NL, the association of Dutch energy producers. NOGEPA became Element NL on 16 May 2022. The twelve companies licensed to produce oil and gas in the Netherlands are united in Element NL.

Pooja Poonath
Bezuidenhoutseweg 27-29
2594 AC The Hague
Tel: +31 70 347 8871

MINING COMPANIES

- Nederlandse Aardolie Maatschappij (NAM)
Schepersmaat 2, 9405 TA Assen
Tel: +31 592 369 111
- Vermilion Energy Netherlands B.V.
Zuidwalweg 2
8861 NV Harlingen
Tel: +31 517 493 333
- TAQA Energy B.V.
Kruseman van Eltenweg 1
1800 AE Alkmaar
Tel: +31 88 8272500

2. ROLES OF STAKEHOLDERS

For an extensive glossary and further explanation of the terms below, please visit www.hoewerktgaswinnen.nl (in Dutch).

- **MUNICIPALITY:** Municipalities may be involved in gas production in one or more capacities. As landowner, competent authority, issuer of a declaration of no objections, advisory administrative body and/or stakeholder.
- **PROVINCE:** Provinces may be involved in gas production in the capacity of landowner, advisory administrative body and/or stakeholder.
- **WATER BOARD:** water boards may be involved in gas production in the capacity of landowner, advisory administrative body and/or stakeholder.
- **MINISTRY OF ECONOMIC AFFAIRS & CLIMATE POLICY:** The Ministry of Economic Affairs and Climate Policy is the competent authority for extractive industries. This means that the Minister for Economic Affairs & Climate Policy is authorised to grant licences for extractive production activities, including the consent for any production plan. The responsible minister is also the competent authority for notifications made under the Decree establishing environmental rules with regard to mobile installations and subsea installations ('BARM').
- **STATE SUPERVISION OF MINES (SSM):** SSM, or the Inspector-General of Mines, may have the role of adviser, supervisory authority and enforcement body.
- **OIL & GAS COMPANY:** Oil & gas company is a general term for companies, often international, engaged in the exploration and production of natural resources, specifically oil and gas. An oil & gas company may be the sole or joint licensee of an exploration or production licence, and may also be designated as an operator.
- **OPERATOR:** The operator (or initiator) is the person or entity designated by the licensee(s) to actually carry out operations or to instruct others to do so.

3. LIST OF CONSULTATION PARTNERS/ ORGANISATIONS

During the development of the Code of Conduct in 2017, we consulted with one or more persons from the following organisations:

- 1 Dorpsbelang Kommerzijl
- 2 Dorpsbelang Wapse
- 3 Dorpsvereniging Top & Twel
- 4 Municipality of Alkmaar
- 5 Municipality of Ameland
- 6 Municipality of Bergen
- 7 Municipality of Delfzijl (now municipality of Eemsdelta)
- 8 Municipality of Dongeradeel (now municipality of Noardeast-Fryslân)
- 9 Municipality of Loppersum (now municipality of Eemsdelta)
- 10 Municipality of Westerveld
- 11 Municipality of Woerden
- 12 Interprovinciaal Overleg (IPO)
- 13 It Fryske Gea
- 14 Ministry of Economic Affairs (now Ministry of Economic Affairs & Climate Policy)
- 15 Ministry of Infrastructure and the Environment (now Ministry of Infrastructure and Water Management)
- 16 Boekelermeer Business Association
- 17 Province of Drenthe
- 18 Province of Fryslân
- 19 Province of Groningen
- 20 Rijkswaterstaat
- 21 Staatsbosbeheer
- 22 State Supervision of Mines (SSM)
- 23 Stichting Natuur en Milieu
- 24 Dutch Union of Water Boards
- 25 Vewin, the national association of water companies in the Netherlands
- 26 VNG, the Association of Netherlands Municipalities
- 27 Noorderzijlvest water board
- 28 Wetterskip Fryslân (water board)

During the first review of the Code of Conduct, we consulted with one or more persons from the following organisations:

1. Municipality of Westerveld
2. Municipality of Noardeast-Fryslân
3. Heerenveen Residents' Association
4. Westerveld Residents' Association
5. Ministry of Economic Affairs and Climate Policy
6. State Supervision of Mines (SSM)

4. GAS IN A NUTSHELL: 4 PHASES OF PRODUCTION

