



Oil & Gas  
Authority

# Call to Action: Six months on

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# Introduction

It is six months since the Oil and Gas Authority (OGA) published Call to Action in response to the commission from the Secretary of State for Energy and Climate Change. The report identified the key risks facing the UK oil and gas industry following the sharp decline in global oil prices, the required action from industry, government and the OGA, and early priorities for the new regulator.

In February 2015, a barrel of Brent crude was priced at \$60. As this report went to press in early September 2015, the price had fallen to below \$50, creating an even more challenging economic environment for companies involved on the UK Continental Shelf (UKCS), where unit operating costs have become and remain higher than many other basins around the world.

As a result, companies have had to make some tough decisions to reduce operating costs, improve efficiency and remain competitive. Regrettably, this has led to the loss of around 5,500 jobs since late 2014 and the OGA, working with other groups such as the Scottish Energy Jobs Taskforce, continues to encourage companies to consider all possible alternatives to redundancy, and retain capability needed for the future.

These difficult conditions have underlined the need for structural change in our industry and, over the past six months, have galvanised collaboration and action from industry, government and the OGA, of the sort recommended by Sir Ian Wood in his 2014 review of the UKCS.

Our Call to Action report, which identified clear actions for the OGA and for industry, has helped to focus these collective efforts on the most urgent priorities and led to a number of positive outcomes that have made a real difference as we work together to protect the future of our oil and gas sector.

While the level of new exploration activity remains low, we have made rapid progress with the UK Government-funded seismic programme. The £1.3 billion package of new fiscal measures announced by HM Treasury in March is securing investment in new development projects. And operators are beginning to find new ways to work together, change behaviours and, as a result, remove barriers that have existed for decades.

We should be in no doubt about the scale of the challenge ahead but it is important that we recognise the progress that has been made over the past six months and remain focused on the things that matter most as we look forward. This short report is intended to do just that.

It describes what we've done to establish the OGA as an independent regulator, the new regulatory powers included in the Energy Bill and how the MER UK Strategy will shape the future operating environment on the UKCS. It provides an update on the actions identified in our original report and highlights some of the positive work that has since been done, as well as areas of future focus.

Our oil and gas industry supports around 375,000 jobs, provides secure energy for our homes and businesses, and generates billions of pounds for our economy every year, at home and through exports overseas. Government, industry and the OGA must continue to work together to increase the competitiveness of this vital sector and maintain the significant benefits it brings to the UK.

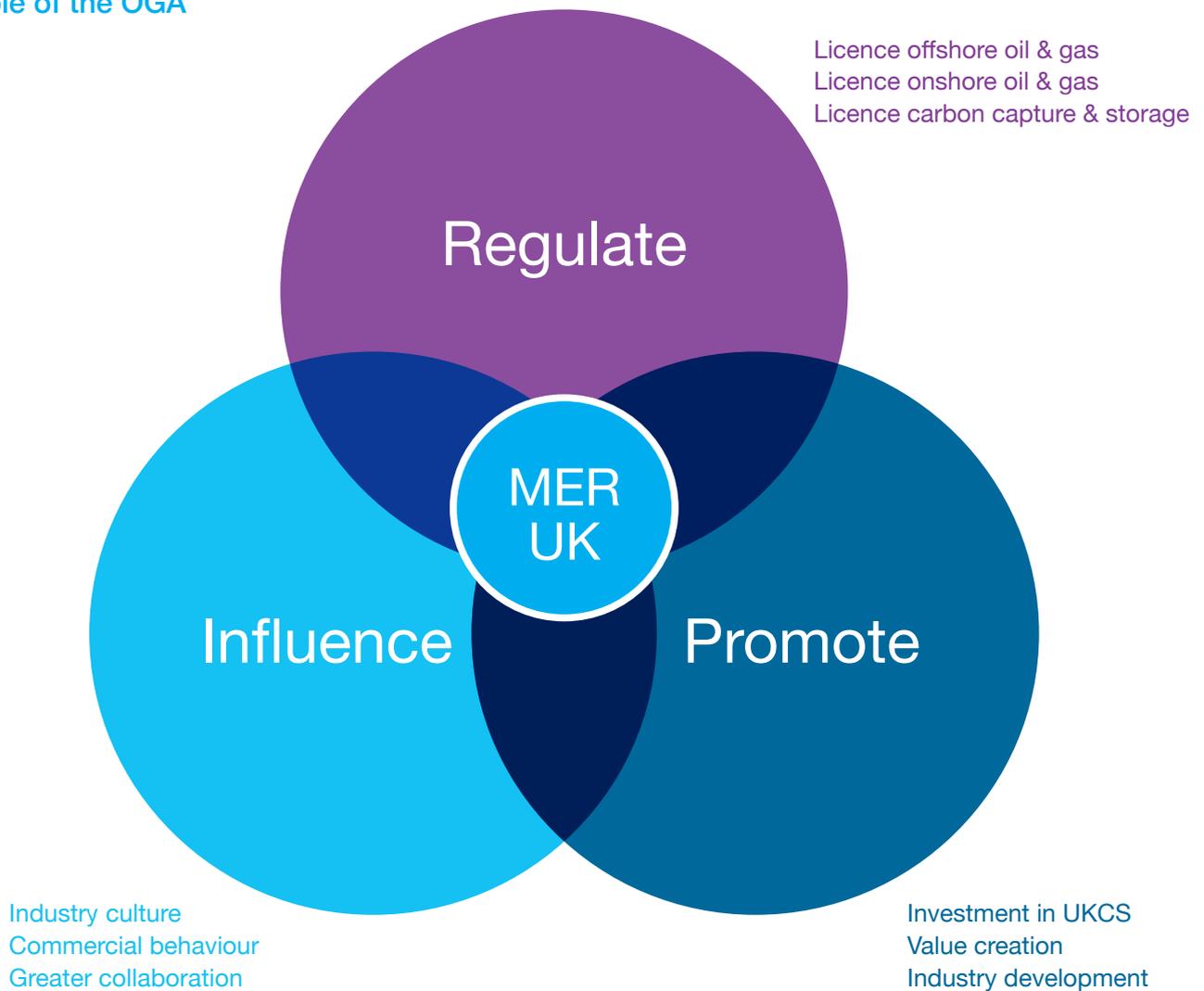


**Dr Andy Samuel**  
Chief Executive



# 1. Build the Oil and Gas Authority

## Role of the OGA



## 1.1 Executive Agency

The OGA became an Executive Agency of the Department of Energy and Climate Change (DECC) on 1 April 2015 and is on track to become a government company by summer 2016, subject to the will of Parliament. The OGA framework document describes our relationship with and day-to-day operational independence from DECC, the remit of the OGA Board chaired by Sir Patrick Brown and our intention to operate like an independent government company from day one. It also sets out the OGA's role to regulate, influence and promote the UK oil and gas industry in order to maximise economic recovery.

<b>OGA Action</b>	Become an Executive Agency of DECC on 1 April	<b>April 2015</b>
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## 1.2 Leadership team

Given the many challenges currently facing the industry, a priority was to move quickly to establish the OGA as a strong and effective regulator. The new leadership roles attracted significant interest and the Chief Executive appointed a high-calibre leadership team which was in place by July 2015. The Chief Executive and leadership team continue to develop the organisation, rapidly increasing capability whilst remaining cost-conscious. The OGA plans to limit its overall headcount to around 179 employees to help avoid 'mission creep'.

<b>OGA Action</b>	Recruit a high-calibre, experienced leadership team aligned to the successful delivery of the six sector strategies	<b>July 2015</b>
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## 1.3 Independent regulator

The OGA has been granted operational independence from DECC, to the fullest extent possible consistent with its status as an Executive Agency. The Chief Executive now has direct accountability for exploration and production decisions and approvals, previously held at ministerial level. The OGA will continue to have a strong relationship with the rest of DECC and the Secretary of State as described in the Framework Document.

<b>OGA Action</b>	Act like an independent regulator once the senior team is formed	<b>August 2015</b>
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## 1.4 Energy Bill

The Energy Bill, introduced to the House of Lords on 9 July 2015, will formally establish the OGA as an independent regulator. The Bill will give the OGA new regulatory powers, including the ability to participate in meetings with operators, have access to data, provide dispute resolution and introduce a range of sanctions such as improvement notices and fines up to £1 million. The OGA will work closely with industry to encourage collaboration and facilitate action, using sanctions only when necessary.

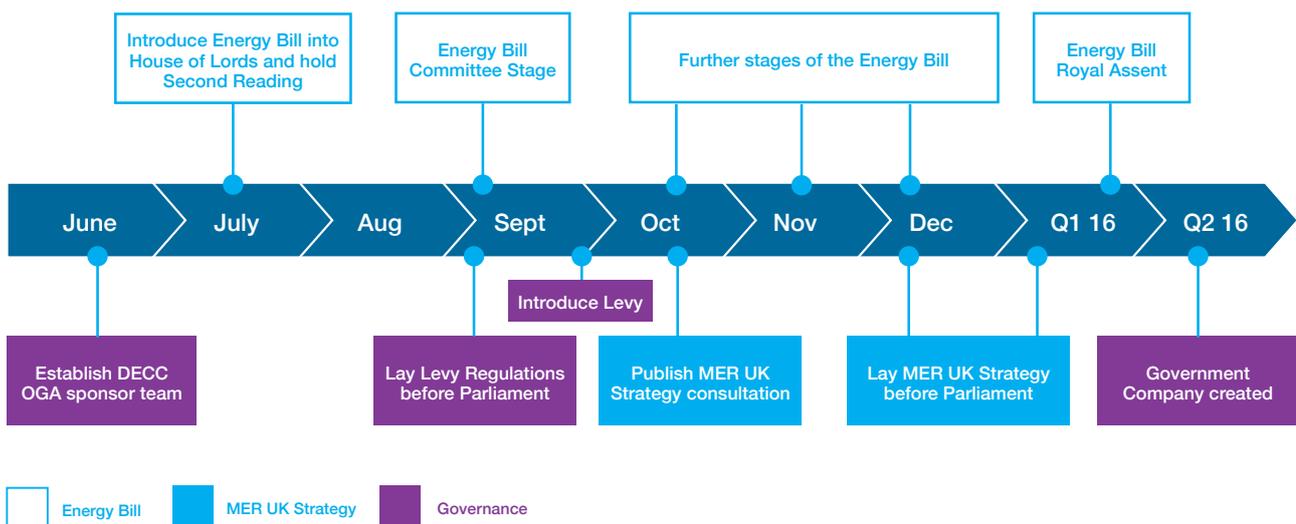
### 1.5 Maximising Economic Recovery UK Strategy

The Infrastructure Act 2015 put into statute the principle of maximising the economic recovery of the UK’s oil and gas resources (MER UK). DECC produced a draft MER UK Strategy, with input from the OGA Stakeholder Board (comprising industry executives, trade association representatives and senior government officials, and chaired by the OGA Chief Executive), and an industry workshop in spring 2015. A public consultation on a further draft of the MER UK Strategy will be launched in autumn 2015, before the final document is laid before Parliament and comes into force by April 2016.

### 1.6 Industry Levy

Shortly, an industry levy will be introduced to fund the OGA in line with the established principle across regulation and service delivery of ‘user pays’ where the regulator recovers its costs from the companies benefiting from its services. The OGA will remain very focused on high-quality delivery and providing value for money to industry.

#### Provisional legislative and governance timetable



### 1.7 Cultural change

Given the challenging backdrop for our industry, now, more than ever, is the time to create a future of collaboration. We all must take the opportunity to remove behavioural barriers, set clearer expectations between organisations involved in the North Sea, learn from positive examples and secure leadership commitment to sustainable cultural change. We will lead by example and have defined the following OGA values and behaviours.

<b>Values</b>	Accountable	Fair	Robust	Considerate
<b>Behaviours</b>	One Team - proactive, efficient, delivery-focused, respected and trusted - a catalyst for change			

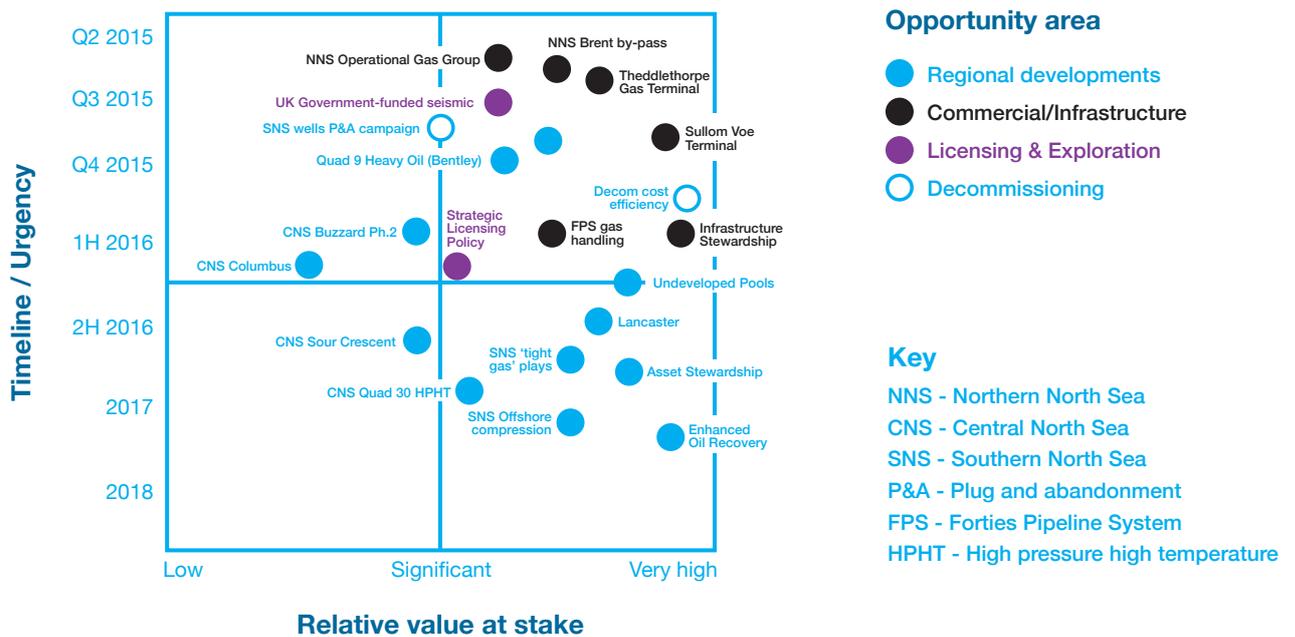
### 1.8 Commercial behaviour

The Wood Review highlighted frustration and concern expressed by companies of all sizes on the negative impact of overzealous legal and commercial behaviour. In its Call to Action Report, the OGA encouraged industry to significantly modify commercial behaviours to align with MER UK by August 2015. While some examples of good practice exist, progress has been limited and a more fundamental shift is required. The OGA is now initiating work with industry representatives to define clear expectations and standards but companies must lead this change.

### 1.9 Commercial facilitation priorities

To help focus collective efforts the OGA has identified, and shared with industry and government, its most urgent commercial facilitation priorities, which are shown below. Some are designed to tackle immediate risks whilst others will help make sure opportunities are realised. Successful delivery of these priorities has the potential to deliver an additional 3 to 4 billion barrels of oil equivalent and good progress has been made through a number of focused OGA-convened, senior-level meetings.

#### OGA opportunity matrix



### 1.10 Integrating plans and delivery

To help improve communication, increase accountability and focus delivery on the key elements of each sector strategy, we produced an integrated plan in our Call to Action Report in February 2015. The plan, which maps current and future industry-wide activities will be updated and included in the OGA Corporate Plan, which will be published later this year.

### 1.11 Driving accountability and delivery

The integrated plan has helped the OGA drive accountability and high-quality delivery across all sector strategies. For example, we have worked with industry trade association Oil & Gas UK to define respective accountabilities between the two organisations and continue to cooperate on important work, with support from industry leaders.

<b>OGA Action</b>	Hold individuals and groups to account for delivery of agreed projects and initiatives, driving high-quality work	<b>Ongoing</b>
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### 1.12 PILOT MER UK

The OGA welcomes the continued strong commitment of industry and government to the PILOT MER UK meeting, Fiscal Forum and Oil and Gas Industry Council. In June, we held the first integrated 'oil and gas day' aligning these three meetings for the first time. We will continue to seek opportunities to increase the effectiveness of this approach.

<b>OGA Action</b>	Fully align PILOT with MER UK and integrate with the Fiscal Forum and co-ordinate meetings with the Oil and Gas Industry Council	<b>June 2015</b>
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### 1.13 Reduce number of workgroups and initiatives

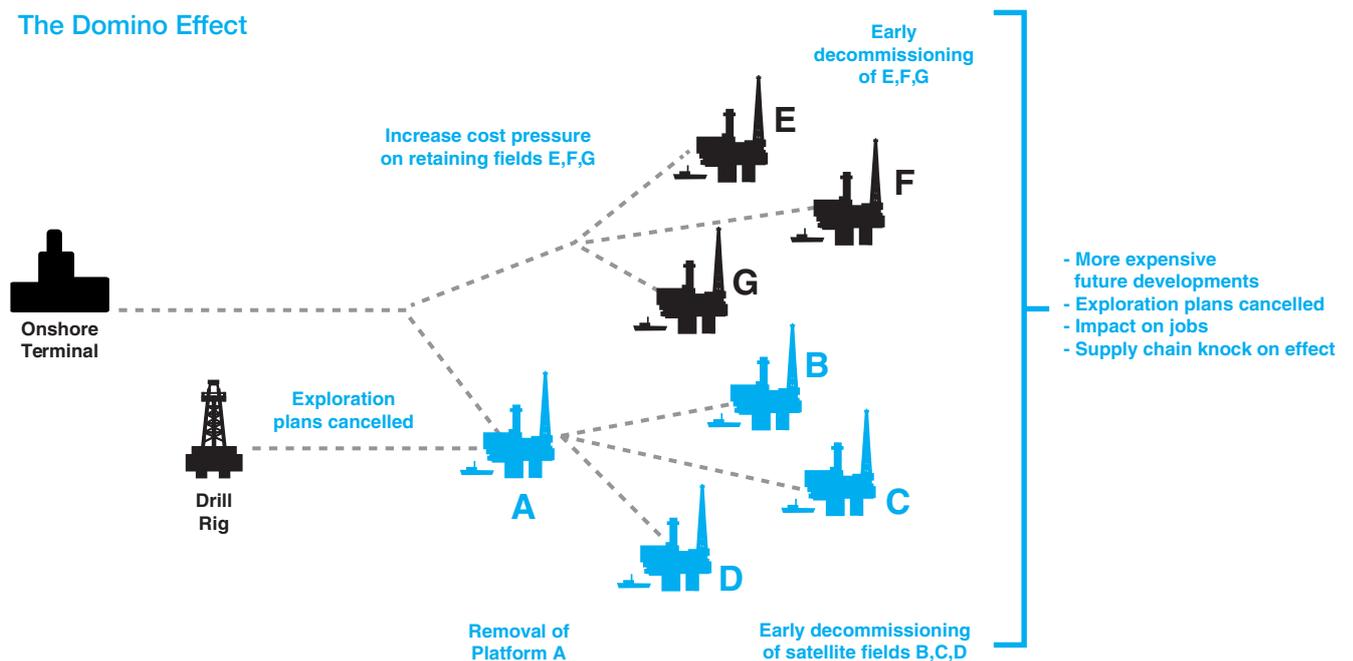
The integrated plan and aligned 'oil and gas day' have helped prioritise action and focus delivery. As a result, collaboration between working groups has increased and there has been further consolidation of initiatives. However, the landscape remains crowded and we will continue to identify opportunities to further simplify and integrate working groups and initiatives.

<b>OGA Action</b>	Drive prioritised action and focused delivery, integrating efforts to reduce the number of working groups and initiatives across the sector	<b>Sept 2015</b>
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## 2. Protect critical infrastructure

In February's report we highlighted the risk that low or negative profitability in producing fields could lead to the premature decommissioning of critical infrastructure, with the potential to shut down whole areas of the UKCS, stranding valuable resources. The further decline in global oil prices in recent months has increased the risk of this 'domino effect'.

### The Domino Effect



### 2.1 Immediate action

Operators and their co-venturers across the UKCS have asked us to help facilitate their commercial discussions and assist in developing area solutions that work for all parties. We have initiated constructive dialogue with companies involved in the Theddlethorpe Gas Terminal in Lincolnshire, Sullom Voe Terminal on Shetland and other key infrastructure hubs.

<b>OGA Action</b>	Facilitate immediate actions to protect critical infrastructure	<b>Immediate</b>
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### 2.2 Regional development plans

The OGA is using stewardship data, including information from the annual industry activity survey, to prepare regional development plans so that it can work with operators to develop hub strategies that optimise the use of infrastructure and maximise value by integrating exploration, development, production, late-life planning and decommissioning. The OGA will also continue to work with companies to provide commercial facilitation to help remove barriers and deliver MER UK solutions.

<b>OGA Action</b>	Facilitate the preparation of Regional Development Plans for critical regions of the UKCS, building on data provided by operators	<b>End 2015</b>
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### 2.3 Economic assessments

As it prepares regional development plans the OGA is making progress evaluating the economic drivers of investment in key production hubs and determining how we best work with operators and their co-venturers to protect and encourage investment. Anticipating future risks and opportunities, and offering commercial facilitation at the earliest possible stage, provides the best opportunity to deliver positive outcomes.

<b>OGA Action</b>	Complete rigorous economic assessments of key production hubs to explore the drivers of continued investment, including fiscal levers	<b>End 2015</b>
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## 3. Significantly improve production efficiency

### 3.1 Stewardship improvement plans

In March 2015, the OGA brought together the managing directors of the top 10 oil and top 10 gas producers (by volume) to present their stewardship improvement plans and discuss production efficiency opportunities. There were three constructive meetings with strong commitment to increased transparency on data, performance and improvement plans in support of MER UK. By the end of 2015, the OGA will publish a comprehensive enhanced stewardship strategy with clearly defined expectations, and a broader definition of 'asset' to encourage enhanced stewardship not only of producing assets but across the lifecycle. We will also rationalise data requests of industry, improving the quality of operators' submissions through more focused surveys.

<b>OGA Action</b>	Require the top 20 production operators (by volume) to present stewardship improvement plans	<b>April 2015</b>
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### 3.2 Introducing a data-driven approach

The OGA will internally track and regularly review 'company scorecards' using leading and lagging performance indicators such as production, investment, well-work, production efficiency and capital project delivery, to inform engagement with operators, share best practice, and increase efficiency and value. The scorecards will be introduced in 2016.

### 3.3 Late-life asset management and enhanced oil recovery (EOR)

The OGA is working with operators to make sure that late-life asset management, of upstream and midstream facilities fully supports MER UK and gives clear and timely consideration to the future use of infrastructure prior to cessation of production. The OGA has also developed an EOR strategy focusing on polymer and low-sal water technology, with the aim of delivering 250 million barrels of oil equivalent over the next decade.

### 3.4 Build commercial capacity

As the OGA develops its new organisation, increasing its commercial and economics capacity is a priority and recruitment is well underway. This is enabling the OGA to become more involved in commercial facilitation and adopt a more data-driven, evidence-based approach to delivering the sector strategies.

<b>OGA Action</b>	Build significant new capacity within the organisation to facilitate operators' discussions to achieve commercial alignment	<b>Ongoing</b>
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## Case Study:

# Nexen drives production efficiency improvements

Recognising the need to improve its water injection performance, Nexen Petroleum UK Ltd, earlier this year ran a series of multi-discipline engagement workshops to empower employees to change beliefs and experiences about the importance of water injection in enhancing production, which helped drive a 40% improvement in water injection rates. The company also introduced the concept of Marginal Gains Theory, created by the British Olympic Cycling Team, which involves breaking down routine work activities to find small efficiencies or enhancements which accumulate into significant benefits and savings. Nexen's leaders encouraged onshore and offshore teams to work together on a campaign to drive improvements and better working practices from everyday tasks.

For example, the wells team identified an opportunity to reduce wellhead maintenance shut-in times which delivered an additional 140mboe of in-year production, reversing a 300mboe production loss for this critical work routine the previous year. Another benefit of collaboration between Nexen's onshore and offshore teams has been a 30% increase in offshore productivity – or 'wrench time' – in 2015.

## 4. Create a competitive cost base

The significant fall in production efficiency and sharply rising costs have left the UK oil and gas sector particularly exposed to the drop in oil price. It is now widely recognised that a transformation in the way business is done is required if the sector is to become more resilient and competitive in a world of sustained lower oil prices. Whilst there are some signs that this transformation has begun, further concerted action is essential.

### 4.1 Individual company action

Companies are addressing their costs by exploring ways to work smarter and more efficiently. Some of the actions being taken are illustrated on Oil & Gas UK's website as examples of good ideas being put into practice and delivering value, which can be shared across the industry. They include:

- **Nexen** improving the productivity of offshore shifts from five and a half hours to over eight hours by encouraging its workforce to contribute to the concept of marginal gains - used by British Olympic Cycling Team. (See case study on page 12).
- **BP** reviewing its inventory management process and, as a result, halving the number of storage locations, halving the number of inventory items and generating around \$32 million by disposing of scrap and materials identified as surplus to the company's needs.

<b>OGA Action</b>	Encourage a 30% to 40% improvement in efficiency	<b>End 2017</b>
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### 4.2 Pan-industry action

Oil & Gas UK has also led pan-industry activities, for example by publishing guidelines to minimise the frequency and duration of planned maintenance shutdowns. The Oil and Gas Industry Council also published a cross-sector efficiency study which investigated measures taken by other industries to improve operational efficiency and recommended how these could be applied to oil and gas operations on the UKCS.

### 4.3 Efficiency Task Force

The Task Force, led by John Pearson, Group President Northern Europe and CIS at AMEC Foster Wheeler and Oil & Gas UK Co-Chairman, focuses on:

- **Business process:** Reviewing the day-to-day operations of the offshore oil and gas industry, exploring how companies can work together to share resources and good practice to maximise recovery of oil and gas. Processes related to compression systems and inventory management are being considered.
- **Standardisation:** Developing simplified approaches and standard solutions – and encouraging pan-industry adoption – to save costs, accelerate delivery and reduce operational complexity. The Task Force will look first at subsea technology, valves and well plugging and abandonment.
- **Cooperation, culture and behaviours:** Delivering the behavioural change this sector needs to compete in a lower oil price world. To help secure a step-change in industry culture, projects will include the launch of an industry-wide Efficiency Charter and a Rapid Efficiency Exchange, to share insights across industry.

Operators and service companies recognise the urgent need to create a competitive cost base and improve efficiency. It is now essential that these good intentions quickly translate into tangible results and the OGA will monitor progress every two months.

<b>OGA Action</b>	Work with industry to prioritise activity and monitor efficiency improvements	<b>Ongoing</b>
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## 5. Revitalise exploration

With the level of new exploration and appraisal activity remaining low, revitalising exploration continues to be a priority for the OGA. The 21<sup>st</sup> Century Exploration Roadmap initiative has driven a number of important projects including the assessment of potential new and neglected plays, and a detailed post-well analysis study which provided significant insights shared by the OGA. The OGA will continue to play a full and active role leading the Exploration Task Force.

### Q1 and Q2 Exploration and Appraisal Wells 2010 - 2015

	2015	2014	2013	2012	2011	2010
Exploration	7	8	10	10	5	16
Appraisal	9	4	17	13	14	15
<b>TOTAL</b>	<b>16</b>	<b>12</b>	<b>27</b>	<b>23</b>	<b>19</b>	<b>31</b>

### 5.1 UK Government-funded seismic project

The OGA is moving ahead with a £20 million UK Government-funded seismic project to acquire new high-quality, broadband 2D data from the Rockall Trough and Mid-North Sea High area. Operations began in mid-July with three vessels in the field acquiring data over an area of 220,000 km<sup>2</sup> – roughly the land mass of the UK. Survey operations are progressing to schedule and the data will be made freely available to the industry early in 2016.

<b>OGA Action</b>	Encourage a programme of seismic acquisition in frontier and under-explored areas of the UKCS	<b>End 2015</b>
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### 5.2 Well reviews and analysis

The OGA has completed a rigorous analysis of failed wells drilled in the Moray Firth and Central North Sea between 2003 and 2013, and presented the results at the Exploration Pitfalls Conference and the Oil & Gas UK Conference earlier this year. The results highlight the opportunity for significant improvement in fundamental technical work to avoid drilling poor quality prospects. Moving forward, the OGA will implement a rigorous pre- and post-drill evaluation quality assurance process with operators and share lessons learnt from dry-hole analysis.

<b>OGA Action</b>	Continue to lead well reviews to ensure that data and knowledge are shared quickly and efficiently	<b>End 2015</b>
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## Case Study: UK Government-funded seismic project

Following a competitive tendering process WesternGeco was awarded the contract in early July and all three seismic vessels – Vespucci, Tasman and Regent were in the field by mid-July. The project is expected to deliver 40,000km of new and legacy data.

### **Rockall Trough**

The Rockall Trough area, in the Outer Hebrides is under-explored, with just 12 exploration wells since 1980. It does have a proven working petroleum system - Benbecula discovery in 2000 - but most of the seismic data are pre-1998.

### **Mid-North Sea High**

In the Mid-North Sea High area, new advances in seismic acquisition broadband technology, longer streamer length and advances in processing technology can now improve deeper imaging. We are targeting deeper Palaeozoic penetration and plan also to acquire data close to shore to transfer critical onshore knowledge.

### 5.3 Improve data quality and availability

The OGA will take accountability for the management of geophysical and well data from operators to make sure high-quality data are made available to industry in a timely manner. It will work towards providing industry with high-quality digital geological maps including play fairway maps, ensuring integration with neighbouring countries such as Norway, Denmark, The Netherlands and Ireland. The OGA will provide industry with an in-depth evaluation of regional prospectivity and yet-to-find resources. It will also work with operators to improve the quality, availability and analysis of production data.

<b>OGA Action</b>	Improve the quantity, timeliness and reliability of data and information available internally to the OGA and externally to industry	<b>End 2015</b>
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### 5.4 Revitalising exploration strategy

The OGA is working with industry to help enhance exploration investment, integrate exploration in regional development plans, and licence mature areas to extend asset life and maximise reserves recovery. The OGA has formulated plans to work with operators to help 'high-grade' their prospect inventories and stimulate drilling campaigns. It is also developing a long-term frontier exploration programme, consisting of geophysical data analysis and regional studies.

### 5.5 Future licensing rounds

In 2016, the 29<sup>th</sup> Offshore Licensing Round will primarily target under-explored frontier blocks, reducing the impact on operators' near-term Capex and leveraging the high-quality geotechnical data from the Rockall Trough and the Mid-North Sea High area gathered through the ongoing seismic campaign. Meanwhile operators will need time to fully evaluate and fulfil work commitments from the 27<sup>th</sup> and 28<sup>th</sup> Rounds and make future commitments. Companies will continue to be able to nominate specific blocks and submit out-of-round applications.

In 2017, the 30<sup>th</sup> Offshore Licensing Round, focusing on mature parts of the basin, will enable open acreage, fallow licenses, 'discovered undeveloped', and other 2016 relinquishments to be evaluated and consolidated into hub opportunities. By then the OGA will have the resources to evaluate and implement novel concepts including stratigraphic licensing or themed groupings around infrastructure, clusters of 'discovered undeveloped' hydrocarbons and emerging geological play concepts.

### 5.6 Engaging with other regulators

The OGA has had several meetings with oil and gas regulators from around the world including the Norwegian Petroleum Directorate and the US Bureau of Ocean Energy Management, Regulation and Enforcement. The OGA will continue to engage with other regulators to inform its approach and share best practice. In addition, the OGA has led a new initiative to bring together the leaders of a number of regulators and official bodies that support the UKCS to look at best practice and avoid the introduction of too many new projects. These groups include Scottish Enterprise, DECC, BIS and the Health and Safety Executive with whom the OGA has a formal Memorandum of Understanding.

<b>OGA Action</b>	Engage with other bodies such as the Norwegian Petroleum Directorate on best practices	<b>Ongoing</b>
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# 6. Improve collaboration on decommissioning

Decommissioning experience on the UKCS is limited to around 10 large projects and the industry is still learning and adapting to this phase of activity. Emerging solutions remain expensive and industry, the OGA and HM Treasury recognise the need to significantly reduce costs and manage activity more effectively, from asset design to end-of-life. Doing so could save tens of billions of pounds. The Government plans to give OGA a formal role to scrutinise the costs of decommissioning, through the Energy Bill.

## 6.1 Decommissioning strategy

The OGA is developing a decommissioning strategy, working closely with industry and government, focused on reducing costs, increasing efficiency, facilitating cooperation and technology development. Integrating efforts will help reduce operating, equipment and service costs, downtime and overruns, and limit non-productive activities. We will seek to develop a more competitive model which stimulates market solutions and innovation, while unlocking M&A activity and avoiding premature decommissioning. At the same time, it is recognised that this is an emerging industry from which pioneering breakthroughs in the UK could create significant export potential.

<b>OGA Action</b>	Proactively work with operators to drive collaboration in the planning and execution of decommissioning projects	<b>Ongoing</b>
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## 6.2 Leadership and accountability

The OGA is currently in dialogue with trade associations Oil & Gas UK and Decom North Sea, operators and service companies, to agree the right leadership model to deliver accountability, collaboration and action on decommissioning. There is strong commitment towards the creation of a single board to drive innovation and efficiency in decommissioning.

<b>OGA Action</b>	Work with industry to establish a single forum to drive innovation and efficiency in decommissioning	<b>Sept 2015</b>
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## Case Study: Southern North Sea well plugging and abandonment initiative

The Southern North Sea (SNS) well plugging and abandonment (P&A) initiative has brought together the eight main operators from the southern gas basin to consider common challenges and share learnings. As a result there is now clarity on the joint portfolio of approximately 500 SNS wells and agreement for details of all wells to be shared with companies involved in the initiative.

This is helping companies identify opportunities to work together on joint campaigns which will help reduce costs and increase efficiency. Companies have also agreed to share learnings from completed projects and work is underway to create an information hub which will be hosted on the OGA website.

Analysis identifies that companies that have completed six or more wells are in the best position to optimise their approach and deliver potential cost savings of up to 40%. This reinforces the compelling case for adopting a campaign approach to well P&A which in most cases accounts for approximately 50% of decommissioning costs.

# 7. Drive investment

HM Treasury worked closely with the OGA and industry in the period leading up to the 2015 budget. The £1.3 billion package of measures provided a welcome boost to the industry and has led to specific additional investment. These measures are expected to incentivise £4 billion of additional investment with a relative increase in production of 15% by 2019-20. Alongside this, it is essential that the industry redoubles its efforts to create a more competitive cost base and increase efficiency.

## Measures introduced in March Budget 2015



Supplementary corporation tax reduced from 30% to 20%



£20 million for new geographical surveys



Confirmation of new basin-wide investment allowance



Petroleum revenue tax reduced from 50% to 35%

## 7.1 Driving Investment Plan

The OGA warmly welcomed HM Treasury's continued commitment to the three principles described in the report: *Driving Investment: a plan to reform the oil and gas fiscal regime*:

to be consistent with the objective of maximising economic recovery as new projects become ever more marginal, the overall tax burden will need to fall as the basin matures;

when making judgments about fiscal policy, the Government will consider the wider economic benefits of oil and gas production, in addition to revenues; and

the Government's judgment of what constitutes a 'fair return' will take account of the global competitiveness of commercial opportunities in the UK and UKCS, and take account of both commodity prices and costs.

## 7.2 Future fiscal priorities

The OGA is continuing to provide economic and commercial expertise and evidence to HM Treasury in support of fiscal policy. The OGA will also monitor and report on industry's progress in key areas, including improvements in production operations and efficiency, cost management and commercial practices.

The Government is now focusing on three important areas: barriers to exploration, infrastructure access and new entrants for late-life assets. HM Treasury and the OGA will pool resources and combine efforts over the coming months to take an holistic approach on these priorities. Industry input will be sought to make sure that we have full access to information and are directing our efforts towards the most important issues.

<b>OGA Action</b>	Continue to support HM Treasury as it develops and implements a fiscal regime which instils confidence and secures investment	<b>Ongoing</b>
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## 7.3 Building additional economics capability

To underpin our support for HM Treasury and the OGA's operational, technical and commercial functions, the OGA is currently building significant additional economics capability within the OGA organisation. We expect much of this new capability to be in place by the end of 2015.

<b>OGA Action</b>	Build significant additional capability in economics within the OGA organisation	<b>Ongoing</b>
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# 8. Support the supply chain, technology and export growth

UKCS operations are served by a world-class UK supply chain, with around 375,000 jobs and £35 billion annual turnover, making a significant contribution to the UK's balance of trade through exports. The OGA will continue to work with industry, government and trade bodies to promote a strong supply chain, which can compete globally while anchoring activities in the UK.

## 8.1 Increasing efficiency

The low oil price is having a significant impact on industry profitability and confidence. The OGA believes service companies can play a vital role in improving the performance and competitiveness of the UKCS, working with operators to deliver a sustainable 30-40% efficiency improvement. The OGA continues to promote healthy dialogue and solutions through events such as the values and principles workshop, held with Scottish Enterprise on 22 May 2015.

## 8.2 OGA supply chain strategy

The OGA will influence the development and commercialisation of supply chain opportunities, capitalising on the inherent strengths of the sector to support the UKCS and grow exports, working closely with BIS, Scottish Enterprise and UKTI, and taking opportunities to participate in events such as the Offshore Technology Conference in Houston. The OGA will work with industry to develop new commercial, alliance and campaign models, improve project execution and encourage standardisation.

## 8.3 Supporting the Oil and Gas Industry Council

The OGA continues to support the work of the Oil and Gas Industry Council, aligned with PILOT MER UK, which brings together government, industry and the OGA to provide strategic direction and oversight on the sector strategies and drive alignment, accountability and delivery on key priorities. The OGA is working with BIS to strengthen the industry's links with UK-wide science and innovation initiatives led by the Research Councils and Innovate UK.

<b>OGA Action</b>	Ensure the Oil and Gas Industry Council milestones are aligned in the integrated plan and fully supported	<b>Ongoing</b>
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## 8.4 Focused technology strategy

The OGA is developing a technology strategy and five-year road map to support a 30-40% efficiency improvement, working closely with industry and government to encourage collaboration, innovation, consistent evaluation and early-stage technology planning across the value chain.

The OGA is playing an active role in the Technology Leadership Board, helping to accelerate current priorities, while identifying new themes linked to industry requirements including decommissioning. The OGA also continues to work closely with the Industry Technology Facilitator and the Oil and Gas Innovation Centre, and provide support to the Aberdeen City Region Deal.

<b>OGA Action</b>	Support the Technology Leadership Board to create a focused strategy on technology development	<b>End 2015</b>
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### Priority technology themes

	<b>Small Pool Development</b>
	Technology to enable the development of more than 1 billion barrels of oil and gas from pools smaller than 50 million barrels of oil equivalent in place
	<b>Integrity and Inspection</b>
	Generate more than £1 billion additional revenue through the radical reduction of time dedicated to vessel inspection and managing corrosion under insulation
	<b>Well Construction</b>
	Reduce well construction costs by 50% (time-to-depth and flat-time) to allow an extra c. 50 wells to be drilled each year

# 9. Develop people and retain skills

## 9.1 Continued training and development

Despite the immediate challenges created by the sharp decline in oil prices, it is vital that companies continue to invest in training and developing people, securing the skills and expertise the industry needs to create a positive future. The OGA is working with companies to encourage the retention of training and development programmes and this was supported by all parties at the Oil and Gas Day in June 2015.

<b>OGA Action</b>	Encourage companies to retain apprenticeship, trainee and graduate schemes despite the current challenges	<b>Ongoing</b>
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## 9.2 Scottish Energy Jobs Task Force

As a result of the low oil price and decreased profitability, companies have had to make some tough decisions as they seek to reduce operating costs, improve efficiency and remain competitive. Regrettably, this had led to the loss of around 5,500 jobs since late 2014 (according to industry estimates) and the OGA, working with other groups such as the Scottish Energy Jobs Task Force, continues to encourage companies to consider all possible alternatives to redundancy and retain capability in the UK.

The Task Force has included a focus on the shared values and principles that should be adopted by operators, service companies and others across the industry. This involved large-scale leadership engagement to discuss how cooperation and collaboration can improve the performance of the industry. Work continues with individual companies, industry organisations and trade unions to make sure the OGA remains informed of the reality facing employers and their staff, and is able to provide advice and encourage a progressive approach.

<b>OGA Action</b>	Encourage companies to consider all alternatives to redundancy during the current downturn, to avoid losing capability from the UK	<b>Ongoing</b>
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## Case Study: Creating the right behaviours

It can be difficult to do business in the UKCS when adversarial commercial, legal and operating behaviours often create unnecessary barriers. To help tackle this, the OGA was delighted to support the Scottish Government's Energy Jobs Task Force with a unique cross-industry workshop in May to identify and remove behavioural barriers, build collaborative relationships and set clearer expectations between the different players involved in the North Sea.

Now, more than ever,  
is the time to create a  
future of cooperation  
and collaboration.

The event brought together large and small operators and service companies, with offshore staff, trade unions, journalists, trade associations, academics, DECC, HM Treasury, the OGA and other regulators and government bodies in a dialogue about creating the right culture and behaviours to deliver MER UK. Although there remains a lot of work to do there was real passion and energy in the room with strong commitment to sustainable cultural and behaviour change and some early breakthroughs. Following the event the OGA has been working with Scottish Enterprise, OGUK and others to create and implement an action plan to build on the positive momentum generated.

# 10. Conclusion and future plans

The findings and recommendations in Call to Action, February 2015 are equally – if not more – relevant today than they were six months ago.

Rapid progress has been made to establish the OGA as an independent regulator and build its capacity and capability to help deliver MER UK. Work to build the team will continue into early 2016 and the OGA will move to its new Aberdeen headquarters later this year.

The Energy Bill is expected to continue its passage through Parliament over the coming months, with Royal Assent anticipated in spring 2016, creating the basis for the OGA to become a Government Company by summer 2016. The MER UK Strategy will be out for public consultation in autumn 2015 and we look forward to constructive engagement with industry and others on this important work.

The challenges facing our oil and gas industry at this time are considerable. Making the tripartite approach integral to how we work across the UKCS is the key ingredient in tackling the immediate risks and creating a positive long-term future. Therefore continued cooperation and collaboration between industry, government and the OGA is essential.

Operators and service companies recognise the need for concerted action to create a competitive cost base, increase profitability and improve efficiency.

Alongside this, further work is necessary to encourage companies to adopt more positive and constructive commercial, legal and operating behaviours. The OGA is committed to working with Oil & Gas UK to drive this cultural change which has the potential to reduce complexity and cost, accelerate decisions and improve productivity. To support these efforts, the OGA will continue to provide commercial facilitation in line with the priorities highlighted in this report, which will be reviewed regularly.

Alignment, focus and communication will be very important. The OGA will continue to engage widely and communicate with openness and transparency.

The OGA plans to publish a five-year corporate plan at the end of 2015. It will describe the OGA's priorities and plans for delivering the sector strategies, and how the regulator will work with industry and government to realise MER UK. It will include targets and performance indicators so that others can understand the OGA's approach and monitor its progress.

Irrespective of the oil price, the UK offshore oil and gas industry needs to change. While the headwinds are strong, the expertise, imagination and tenacity of our industry and the people it employs are more than capable of rising to this challenge. The OGA is urgently working with industry and government to be a catalyst for this change and now is the time for everyone to demonstrate leadership.

# 11. Actions for industry

The Call to Action Report in February 2015 highlighted seven clear actions for industry. While progress has been made on many of the actions, further work is required. The OGA will continue to support operators and service companies to meet these expectations, and closely monitor progress.

## The OGA expects industry to:

Work collaboratively and openly with the OGA and relevant operators to protect critical infrastructure	<b>Ongoing</b>
Fully support the activities of PILOT MER UK, the Fiscal Forum, the Technology Leadership Board and the Oil and Gas Industry Council in support of MER UK	<b>Ongoing</b>
Do everything possible to retain apprenticeship, trainee and graduate schemes despite the current challenges	<b>Ongoing</b>
Continue to deliver significant improvements in asset stewardship, working with the OGA to regularly review progress against structured plans	<b>Ongoing</b>
Significantly modify commercial behaviours to align with MER UK	<b>Aug 2015</b>
Establish a single forum to drive innovation and efficiency in decommissioning	<b>Sept 2015</b>
Reinvigorate and intensify efforts to improve efficiency with a target of 30% to 40%, working with the OGA to allow effective monitoring of progress	<b>End 2017</b>

