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updated Feb 2016
Key recommendations

- Urgent need for enhanced stewardship
- New Maximising Economic Recovery strategy (MER UK)
- Commitment from industry to collaborate
- Stronger tripartite relationship between industry, government and regulator
- New independent regulator with additional powers and resources

Sector strategies

- Regional development and infrastructure
- Revitalise exploration
- Asset Stewardship
- Technology and Decommissioning

Prize of additional 3-4 billion barrels Helping to protect industry jobs
About the OGA

Role of the OGA

Regulate
- Licence offshore oil & gas
- Licence onshore oil & gas
- Licence carbon capture & storage

Influence
- Industry culture
- Commercial behaviour
- Greater collaboration

Promote
- Investment in UKCS
- Value creation
- Industry development

MER UK
Creating the OGA

- New independent regulator
- Effective stewardship of resources
- New powers, better resourced and funded
- Catalyst for change and facilitator of action
- Encouraging collaboration

The OGA has a key role to play in driving action
Building the OGA

Historically

From 1 April 2015

c. summer 2016

DECC

EDU

LED

Framework Document

OGA Executive Agency (Civil Service)

Energy Bill

DECC

OGA Government Company (Independent regulator)
Provisional legislative and governance timetable

- **June 15**: Establish DECC OGA sponsor team
- **July**: Lay Levy Regulations before Parliament
- **Aug**: Introduce Levy
- **Sept**: Energy Bill Committee Stage
- **Oct**: Publish MER UK Strategy consultation
- **Nov**: Lay MER UK Strategy before Parliament
- **Dec**: Further stages of the Energy Bill
- **Q1 16**: Energy Bill Royal Assent
- **Q2 16**: Government Company created

Rapid progress on all fronts
## Draft MER UK Strategy

### MER UK Definition

Delivering the maximum overall value from the economic reserves in the UKCS

### MER UK Principles

- Maximise net value, not just volume
- Investment will add overall net value to UK
- May oblige companies to redistribute value
- Companies to see satisfactory expected commercial return on investment
- Balance extracting all economic reserves and achieving MER across the UK
Striking the right balance

Sanctions
- Licence revocation
- Fines up to £1m
- Improvement notices

Rewards
- Greater value via cooperation
- Transparency and better data access
- Timely, effective decision making
- MER UK benefits all

Combining new regulatory powers with a more proactive approach
Experienced leadership

Chief Executive
Andy Samuel

Exploration and Production
Gunther Newcombe

Licensing and Legal
Simon Toole

Technology, Decommissioning and Supply Chain
Angela Seeney

Policy, Performance and Economics
Hedvig Ljungerud

HR and Change
Stuart Payne

Chief Financial Officer
John Ogden
Developing the organisation

- Building on existing strengths
- Rapidly increasing capability
- Remaining cost-conscious
- Headcount limit to avoid mission creep

Robust governance

- Chairman: Sir Patrick Brown
- Board Members:
  - Andy Samuel, Chief Executive
  - Stephen Speed, DECC Sponsor Director
  - John Ogden, Chief Financial Officer
  - Mary Hardy, Non-Executive Director & Chair
    OGA Audit and Risk Committee
  - Frances Morris-Jones, Non-Executive Director
  - Robert Armour, Non-Executive Director

- Accountable to DECC Secretary of State

New organisation effective from 1 July 2015
We all need to focus our efforts on the things that matter
Focus on priorities

OGA Opportunity Matrix

Relative value at stake

Tackling immediate risks and seizing opportunities

Opportunity Area
- Complete
- In Progress

Key
- NNS - Northern North Sea
- CNS - Central North Sea
- SNS - Southern North Sea
- P&A - Plugging and abandonment
- FPS - Forties Pipeline System
- TGT - Theddlethorpe Gas Terminal
- SVT - Sullom Voe Terminal
- EOR - Enhanced Oil Recovery
Protect critical infrastructure

The Domino Effect

- Remove Platform A
- Early decommissioning of satellite fields B,C,D
- More expensive future developments
- Exploration plans cancelled
- Impact on jobs
- Supply chain knock on effect

- Increase cost pressure on retaining fields E,F,G
- Exploration plans cancelled

Early decommissioning of E,F,G
Immediate action

- Commercial facilitation
- Sullom Voe Terminal
- Theddlethorpe Gas Terminal

Economic assessments

- Evaluate investment drivers
- Anticipate risks and opportunities
- Early stage involvement

Regional plans

- Develop hub strategies
- Optimise infrastructure
- Integrated MER UK approach

Urgent action underway to avoid premature decommissioning
Improve production efficiency

Nexen drives 40% improvement in water injection rates and 30% improvement in productivity
### Enhanced stewardship strategy
- Senior leadership commitment from MDs
- Increased transparency on data and plans
- Stewardship across each lifecycle stage

### Data-driven approach
- Track and review ‘company scorecards’
- Leading and lagging performance indicators
- Increase efficiency, value and accountability

### Managing late-life assets
- MER UK approach upstream and midstream
- Future use of infrastructure after cessation of production
- OGA enhanced oil recovery strategy
- Right assets; right hands

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Some good examples but need for significant improvement
Create a competitive cost base

BP generates $32 million by reviewing inventory management and disposing of surplus materials.
### Rising operating costs

- Must compete in low oil price world
- Structural transformation required
- Operational and cultural change essential

### Cross-sector efficiency study

- Oil and Gas Industry Council working with PWC
- Learning from other sectors
- Applying best practice in oil and gas

### OGUK Efficiency Task Force

- Business process improvement
- Standardisation - reduce complexity and costs
- Cooperation, culture and behaviours
- Industry Behaviours Charter

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Essential that good intentions quickly translate into tangible results
Revitalise exploration

UK Government-funded seismic

40,000km of new and legacy data
Rockall Trough, Outer Hebrides
Mid-North Sea High
Total area 220,000km²
Data freely available early 2016
<table>
<thead>
<tr>
<th>Well reviews and analysis</th>
<th>Improve data quality</th>
<th>Future licensing rounds</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Rigorous analysis of failed wells</td>
<td>• OGA will coordinate data quality and sharing</td>
<td>• 29th Round 2016 – under-explored frontier blocks</td>
</tr>
<tr>
<td>• Fundamental technical work must improve</td>
<td>• In-depth evaluation of regional prospectivity</td>
<td>• 30th Round 2017 – mature parts of the basin</td>
</tr>
<tr>
<td>• Introduce OGA quality assurance process</td>
<td>• Provide high-quality digital geological maps</td>
<td>• Time to evaluate existing work commitments and relinquishments</td>
</tr>
</tbody>
</table>

We will work with operators to ‘high-grade’ prospect inventories
Drive investment

£1.3 billion package of measures introduced in March Budget

- Supplementary Charge 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%
### Driving Investment Plan

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td>Overall tax burden will need to fall as the basin matures in line with MER UK</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td>HMG will consider wider economic benefits of oil and gas production</td>
</tr>
<tr>
<td><strong>3</strong></td>
<td>HMG will take account of the global competitiveness of the UKCS</td>
</tr>
</tbody>
</table>

### Future fiscal priorities

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Barriers to exploration, infrastructure access and new entrants for late-life assets</td>
</tr>
<tr>
<td></td>
<td>HM Treasury and the OGA will take an holistic approach to delivering these priorities</td>
</tr>
<tr>
<td></td>
<td>We will work with industry to gain full access to information and focus on the right issues</td>
</tr>
</tbody>
</table>

We will continue to provide expertise and evidence to HM Treasury
Decommissioning collaboration

SNS well plugging and abandonment initiative

Collaboration on 500 wells with up to 40% cost savings
A huge prize: cost and efficiency is key

Efficiency opportunities

Right assets; right hands: alleviate obstacles to mergers and acquisitions

Industry cooperation: economies of scale; joint campaigns

Standardisation: equipment sharing, efficiencies and reduce risks

Technology: P&A, topsides removal, pipeline inspections

Supply chain: capacity planning, incentives, global exports

Who does what

Area Teams
- Cessation of production
- Regional approach
- MER UK compliant

Decom Teams
- Technology, costs, efficiencies
- Learning and cooperation
- Optimal models and plans

DECC Team
- Funding and security
- Programme approval
- Regulatory compliance
- Environment risk/mitigation
Support the supply chain

Export growth

- World-class supply chain
- £35 billion annual turnover
- c.375,000 highly-skilled jobs

Increasing efficiency

- Service companies vital role
- Deliver efficiency solutions
- Increase competitiveness

OGA approach

- Alliances and campaigns
- Improve project execution
- Encourage standardisation
Delivering a focused technology strategy

Technology Leadership Board priorities

- Small Pool Development
- Integrity and Inspection
- Well Construction

OGA approach

- Developing strategy and five-year roadmap
- Identify new themes, e.g., decommissioning
- Early-stage technology planning
- Active in Technology Leadership Board
- Work with Industry Technology Facilitator
- Work with O&G Innovation Centre
- Support Aberdeen City Region Deal

Promote a strong supply chain that competes globally
Develop people, retain skills

Values and behaviours workshop with cross-industry dialogue
Energy Jobs Task Force

- OGA actively supporting initiative
- Established by the First Minister
- Chaired by Scottish Enterprise
- Retain jobs, skills and talent

Continued training and development

- Vital that companies continue to invest in training
- Apprenticeship, trainee and graduate schemes
- Secure the skills and expertise for the industry’s future
- Supported at the Oil and Gas Day in June 2015

Industry must consider all alternatives to redundancy
Values

Behaviours

One Team - proactive, efficient, delivery-focused, respected and trusted - a catalyst for change

Creating the right behaviours

• Overzealous behaviour still an issue

• Create culture necessary to deliver MER UK

• Cross-industry engagement

• Identifying behavioural barriers

• Industry Behaviours Charter

OGA values and behaviours

Values

Accountable

Fair

Robust

Considerate

Behaviours

Now is the time for everyone to demonstrate leadership
### Oil & Gas Day

<table>
<thead>
<tr>
<th><strong>Oil &amp; Gas Tripartite Dinner</strong></th>
<th><strong>Oil &amp; Gas Fiscal Forum</strong></th>
<th><strong>Oil &amp; Gas MER UK Forum</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>OGA lead</td>
<td>HM Treasury lead</td>
<td>OGA/BIS lead</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td><strong>Outcomes</strong></td>
<td><strong>Outcomes</strong></td>
</tr>
<tr>
<td>Direct, open and transparent dialogue between Ministers, industry and the OGA</td>
<td>Collective action on fiscal priorities in Driving Investment Plan: Exploration, infrastructure access and barriers to new entrants for late-life assets</td>
<td>Drive tripartite action in support of MER UK and maximise UK value from the oil &amp; gas industry as a whole</td>
</tr>
<tr>
<td>Reflect on current operating environment – the risks and opportunities</td>
<td>Evidence-based approach embraced by HMT, OGA and industry</td>
<td>Alignment, accountability and action on key priorities</td>
</tr>
<tr>
<td>Building and maintaining strong tripartite relationships – no surprises</td>
<td>Strong engagement on proposed fiscal measures</td>
<td>Tangible results</td>
</tr>
<tr>
<td>High levels of awareness and understanding between all parties</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Continued participation from government Ministers throughout
Oil & Gas MER UK Forum

**Purpose**
Drive tripartite action in support of MER UK and maximise UK value from the oil and gas industry as a whole

**Objectives**
1. Promote dialogue between government, industry and OGA
2. Provide strategic direction, oversight and support
3. Drive alignment, accountability, action and delivery on key priorities

**Core work areas**
- Exploration
- Asset Stewardship
- Regional development and infrastructure
- Cost and efficiency
- Technology
- Decommissioning
- Supply chain and exports
- Skills

**Principles**
1. Each core work area has executive-level leadership from industry and OGA
2. Each core work area has a five-year plan
3. Each core work area has three key priorities each year
4. The Oil & Gas MER UK Forum will therefore drive no more than 24 key priorities each year
5. Each key priority completed before moving to next

**Strategy and Plans**

**Reporting**
The Oil & Gas MER UK Forum will produce an annual progress report

**Frequency**
3 x 2-hour meetings pa

**Secretariat**
OGA external affairs team

Integration of PILOT and Oil and Gas Industry Council
### Core work area boards

#### Boards’ Purpose

Deliver tangible benefits in support of MER UK and maximise UK value from the oil and gas industry as a whole.

#### Objectives

1. Develop a clear strategy, priorities and plans
2. Create leadership alignment and leverage tripartite action – forum for consultation
3. Deliver tangible and quantifiable results – communicate to the MER UK Forum and whole industry

#### MER UK Boards

<table>
<thead>
<tr>
<th>Core work area boards</th>
<th>Industry lead</th>
<th>Support Lead</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>Paul White GE</td>
<td>Angela Seeney</td>
</tr>
<tr>
<td>Asset stewardship</td>
<td>Ray Riddoch Nexen</td>
<td>Gunther Newcombe</td>
</tr>
<tr>
<td>Regional development and infrastructure</td>
<td>Paul Goodfellow Shell</td>
<td>Gunther Newcombe</td>
</tr>
<tr>
<td>Cost and efficiency</td>
<td>John Pearson AMEC FW</td>
<td>Stephen Marcos-Jones</td>
</tr>
<tr>
<td>Previously Exploration Task Force</td>
<td>Gunther Newcombe</td>
<td>Previously Production Efficiency Task Force</td>
</tr>
<tr>
<td>Building on Production Efficiency Task Force</td>
<td>Paul Goodfellow Shell</td>
<td>Newly created to build on rejuvenated groups</td>
</tr>
<tr>
<td>Technology Leadership Board</td>
<td>Technology Leadership Board</td>
<td>Previously Decom Task Force</td>
</tr>
<tr>
<td>Previously Oil &amp; Gas Industry Council</td>
<td>Supply chain and exports Expro Group</td>
<td>OPITO Board</td>
</tr>
<tr>
<td>OGA / OGUK / OPITO</td>
<td>OGA / OGUK / OPITO</td>
<td>OGA / OGUK / OPITO</td>
</tr>
</tbody>
</table>

#### Frequency

Quarterly
## Who does what in UK Government

### Exploration and production including:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onshore, offshore and CCS licensing</td>
<td>OGA</td>
</tr>
<tr>
<td>Field development plan consents</td>
<td>OGA</td>
</tr>
<tr>
<td>Cessation of production approvals</td>
<td>OGA</td>
</tr>
<tr>
<td>Pipeline works authorisation</td>
<td>OGA</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>OGA</td>
</tr>
<tr>
<td>Commercial matters and changes of control</td>
<td>OGA</td>
</tr>
<tr>
<td>Flaring and venting consents</td>
<td>OGA</td>
</tr>
<tr>
<td>Metering and allocation</td>
<td>OGA</td>
</tr>
<tr>
<td>Production outages</td>
<td>OGA</td>
</tr>
<tr>
<td>Decom efficiency, costs, technology</td>
<td>OGA</td>
</tr>
<tr>
<td>Decom programme approval, execution and monitoring</td>
<td>DECC - OGED</td>
</tr>
<tr>
<td>Environmental management and inspection</td>
<td>DECC - OGED</td>
</tr>
<tr>
<td>Health &amp; Safety management</td>
<td>HSE</td>
</tr>
</tbody>
</table>

### Oil and gas policy including:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall oil and gas policy</td>
<td>DECC</td>
</tr>
<tr>
<td>Legislation including the Energy Bill</td>
<td>DECC – WRIT</td>
</tr>
<tr>
<td>Oil &amp; gas parliamentary processes</td>
<td>DECC – OGA sponsor team</td>
</tr>
<tr>
<td>Decommissioning</td>
<td>DECC – OGED, OGA, HMT</td>
</tr>
<tr>
<td>Fiscal and taxation</td>
<td>HMT &amp; OGA trusted advisor</td>
</tr>
<tr>
<td>Supply chain and business impact</td>
<td>BIS &amp; OGA</td>
</tr>
<tr>
<td>Environment</td>
<td>DECC - OGED</td>
</tr>
<tr>
<td>International relations</td>
<td>DECC, OGA, FCO</td>
</tr>
</tbody>
</table>

### Key

- **OGA**: Oil and Gas Authority
- **OGED**: Offshore Environment & Decommissioning Unit
- **WRIT**: Wood Review Implementation Team
- **HMT**: Her Majesty’s Treasury
- **FCO**: Foreign and Commonwealth Office
- **BIS**: Department for Business, Innovation & Skills
Looking ahead

Building the OGA

- Next wave of recruitment Q1 2016
- Energy Bill passage H1 2016
- MER UK strategy finalised Q1 2016
- Corporate Plan published Q1 2016
- 2016/17 Levy confirmed Q1 2016
- Independent regulator summer 2016

OGA in action

- Opportunity matrix
- Driving investment plan
- Exploration priorities and seismic
- Decommissioning collaboration
- Wood Review and Call to Action
- Sector strategies
- Support the supply chain

Industry in action

- Protect critical infrastructure
- Commercial behaviours
- Asset stewardship
- Cost and efficiency
- Decommissioning efficiency
- Simplify landscape
- Retain and develop skills

Turning commitment into the right action