01	27/04/17	Annual Statement	C. Nott	C. Orr M.Brattbakk	H.Hammer
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Faroe Petroleum (UK) Limited

Environmental Management System

2016 OSPAR Public Statement

Document number:

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ABBREVIATIONS

BEIS	Department for Business, Energy and Industrial Strategy
BMS	Business Management System
CH_4	Methane
CMS	Caister Murdoch System
CO	Carbon Monoxide
CO_2	Carbon Dioxide
EMS	Environmental Management System
HSE	Health, Safety and Environment
NO_x	Oxides of Nitrogen
N_2O	Nitrous dioxide
NUI	Normally Unmanned Installation
OCNS	Offshore Chemical Notification Scheme
OSPAR	Oslo Paris Convention
SK	Schooner and Ketch
SO_2	Sulphur Dioxide
SUB	Candidate for Substitution
TGT	Theddlethorpe Gas Terminal
UKCS	United Kingdom Continental Shelf
VOC	Volatile Organic Compounds

Contents

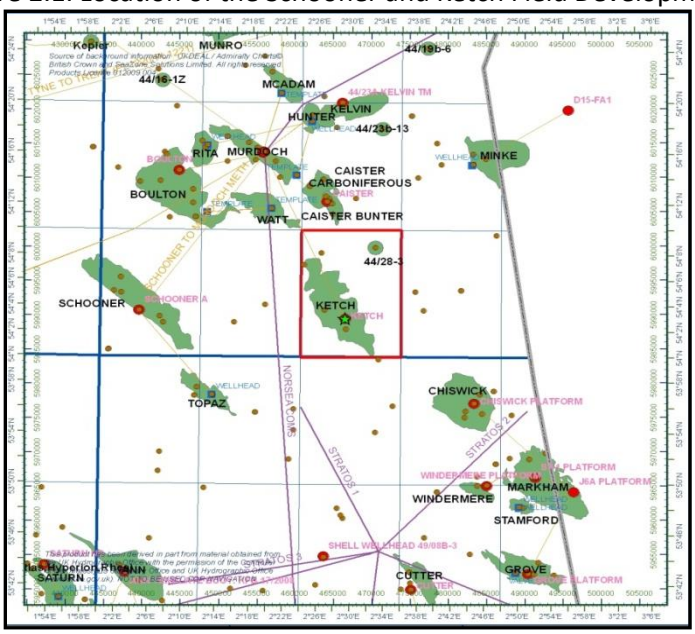
1 Introduction

Under the OSPAR Recommendation 2003/5, the Department for Business, Energy and Industrial Strategy (BEIS) require that all existing United Kingdom Continental Shelf (UKCS) oil and gas operators undertaking offshore operations must prepare an annual statement of their environmental performance, covering the calendar year, and make that statement available to the public. This document represents Faroe Petroleum (UK) Limited's (Faroe) annual public environmental statement for 2016 in relation to UKCS OSPAR reporting.

2 Faroe's UKCS Operations

Faroe is an independent oil and gas group focused on exploration, appraisal and production in Norway, the Atlantic Margin and the UKCS. During 2016 Faroe operated the two producing assets (Schooner and Ketch) which they acquired from Tullow Oil SK Limited in 2014. Both assets are located within the UK Southern North Sea gas basin. The Schooner and Ketch fields are located within Block 44/26a, and Blocks 44/28b respectively, approximately 150 kilometres from the Theddlethorpe Gas Terminal (TGT) on the Lincolnshire coast (Figure 2.1).

Figure 2.1. Location of the Schooner and Ketch Field Developments



Both the Schooner and Ketch field platforms (Figure 2.2) are four legged, twelve slot Normally Unmanned Installations (NUI). The wells are remotely controlled from the Murdoch Field platform through which the gas is exported and where separation and compression occurs, before being transported via the ConocoPhillips operated Caister Murdoch System (CMS) Infrastructure to the TGT for processing.

Figure 2.2. Schooner and Ketch NUIs

3 The Environmental Management System

The Business Management System (BMS) in operation within Faroe has been designed to incorporate the elements of an Environmental Management System (EMS) which aims to:

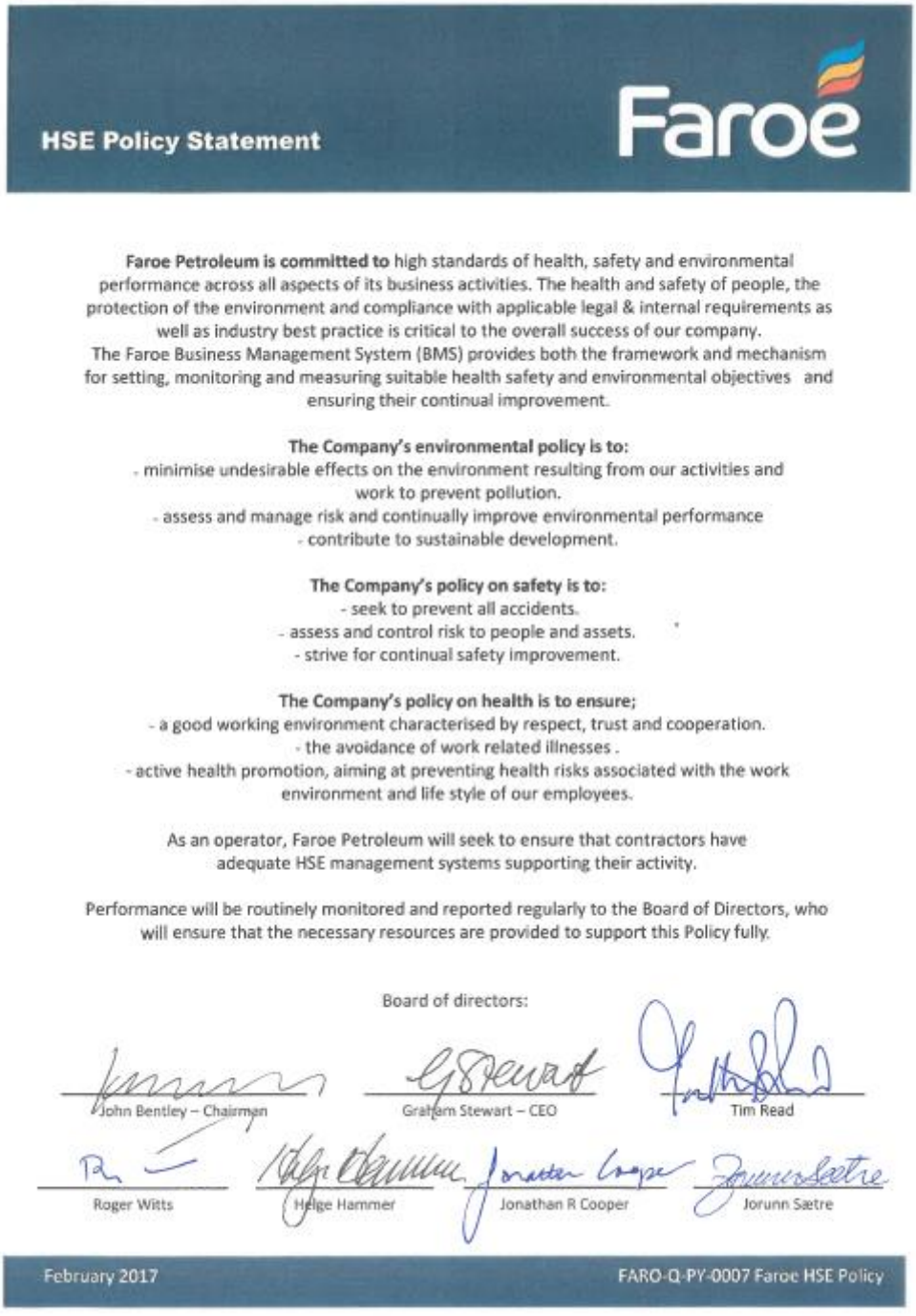
- achieve full compliance with the OSPAR Recommendation 2003/5 to promote the use and implementation of Environmental Management Systems by the offshore industry;
- achieve the general objectives of the OSPAR offshore strategy;
- achieve the environmental goals of the prevention and elimination of pollution from offshore sources and of the protection and conservation of the maritime area against other adverse effects of offshore activities; and

- maintain continual improvement in environmental performance.

The EMS elements:

- have been implemented at a strategic level and integrated into corporate plans and policies;
- identify the organisation's impacts on the environment and set clear objectives and targets to improve its management of these aspects and the organisation's overall environmental performance;
- ensure preventative actions are incorporated to avoid negative impact to the environment;
- are designed to deliver and manage compliance with environmental laws and regulations on an ongoing basis, and to quickly initiate corrective action where potential cases of legal non-compliance are identified;
- identify Faroe's significant resource use and aim to deliver good resource management; and
- incorporate assured requirements and performance metrics that demonstrate the above and can be communicated in a transparent manner.

Figure 3.1. Faroe's Health Safety and Environment (HSE) Policy



HSE Policy Statement

Faroe

Faroe Petroleum is committed to high standards of health, safety and environmental performance across all aspects of its business activities. The health and safety of people, the protection of the environment and compliance with applicable legal & internal requirements as well as industry best practice is critical to the overall success of our company.
The Faroe Business Management System (BMS) provides both the framework and mechanism for setting, monitoring and measuring suitable health safety and environmental objectives and ensuring their continual improvement.

The Company's environmental policy is to:
- minimise undesirable effects on the environment resulting from our activities and work to prevent pollution.
- assess and manage risk and continually improve environmental performance
- contribute to sustainable development.

The Company's policy on safety is to:
- seek to prevent all accidents.
- assess and control risk to people and assets.
- strive for continual safety improvement.

The Company's policy on health is to ensure;
- a good working environment characterised by respect, trust and cooperation.
- the avoidance of work related illnesses .
- active health promotion, aiming at preventing health risks associated with the work environment and life style of our employees.

As an operator, Faroe Petroleum will seek to ensure that contractors have adequate HSE management systems supporting their activity.

Performance will be routinely monitored and reported regularly to the Board of Directors, who will ensure that the necessary resources are provided to support this Policy fully.

Board of directors:

John Bentley – Chairman | Graham Stewart – CEO | Tim Read

Roger Witts | Helge Hammer | Jonathan R Cooper | Jorunn Sætre

February 2017 FARO-Q-PY-0007 Faroe HSE Policy

4 2016 Environmental Reporting

4.1 2016 UKCS Offshore Operations

Both the Schooner A and Ketch A platforms were producing throughout 2016. A well intervention was conducted on the Schooner A-11 well in May 2016 to plug a perforated water bearing zone in the reservoir section of the A-11 well. Faroe successfully installed a cement plug, on top of an existing bridge plug, above the water bearing zone at approximately 15,750 feet (4,800 metres) measured depth which isolated the water bearing zone. To ensure long-term isolation and in accordance with common industry practice, approximately 10 feet (3 metres) of cement was dumped on top of the bridge plug using a wireline. The installation of the cement plug was undertaken as one operation from the Schooner NUI.

No other offshore operations were conducted by Faroe on the UKCS during 2016.

4.2 2016 Summary of Reportable Emissions

Reportable emissions for the Schooner A and Ketch A Platform for 2016 are as presented in Table 4.1. The emissions presented in Table 4.1 include the emissions produced as a result of the Schooner A-11 well intervention operations. Further details regarding environmental incidents are presented in

Table 4.1. Faroe's 2016 UKCS Reportable Emissions

Environmental Indicator	Unit	Schooner A Platform	Ketch A Platform
Gas Production			
Producing assets	-	1	1
Drilling and Well Activities			
Wells drilled	No. of wells	0	0
Well intervention operations	No. of operations	1	0
Environmental Incidents			
Chemical release	No. of incidents	0	0
Hydrocarbon releases		2	1
Chemical Non-compliance			1
Atmospheric Emissions*			
Fuel consumption (diesel)	Tonnes	88.26	82.15
Flaring (oil/gas)		0	0

Environmental Indicator	Unit	Schooner A Platform	Ketch A Platform
Vent (natural gas)		2.56	0.83
CO_2		282.43	262.88
CO		1.39	1.29
NOx		5.24	4.88
N_2O		0.02	0.02
SO_2		0.35	0.33
CH_4		2.32	0.25
VOC		0.43	0.55
Chemical Usage and Discharges			
Gold (use / discharge)	Kilograms	204.00 / 50.00	40.00/40.00
SUB (use / discharge)		0 / 0	0 / 0
A (use / discharge)		0 / 0	0 / 0
B (use / discharge)		0 / 0	0 / 0
C (use / discharge)		0 / 0	0 / 0
D (use / discharge)		0 / 0	0 / 0
E (use / discharge)		1026.31/0	0 / 0
Waste			
Special (Group I) Hazardous	Tonnes	4.80	10.21
General (Group II) Non-hazardous)		10.76	10.38
Other (Group III)		0	0
Back Loaded Drill Cuttings		0	0

**Atmospheric emissions have been calculated using the Oil and Gas UK emissions factors for diesel consumption by engine and the emissions factors for gas venting (natural gas). Data as reported in the Environmental Emissions Monitoring System (EEMS).*

4.3 Oil or Chemical Spills

During 2016 there were two reportable hydrocarbon spills reported via the PON1 system and one non-reportable;

- 22nd April (Schooner A): 300 litres of diesel leaked from diesel generator G8000 but was contained within the generator bund and no diesel was lost to sea (not reportable via PON1 system);
- 7th September (Ketch A): 0.5 litres of hydraulic fluid were lost to sea from the hydraulic hose on the installation crane which was being replaced and
- 7th December (Schooner A): 250 litres of diesel lost to sea from the failure of a switch on diesel generator G8002.

Non-Compliances

An OCR Non Compliance occurred on 12th July 2016 on the Ketch A Platform, when a cleaning chemical not included on the installation's chemical permit was used and discharged. A review of awareness and management processes was undertaken to prevent re-occurrence.

5 2016 Objectives and Targets

Faroe set corporate HSE objectives and targets for the business to meet during 2016. These objectives and targets are presented in Table 5.1.

Table 5.1. Faroe's HSE Objectives and Targets

Goal	Activity
1. Corporate HSE Activities	
1.1	Ensure the BMS is suited for Faroe activities in UK and is compliant and implemented.
1.2	Promote a good and healthy working environment.
1.3	Ensure necessary HSE competence across Faroe business.
1.4	Ensure internal HSE reporting is completed.
1.5	Promote a good relationship with relevant HSE stakeholders (including authorities).
1.6	Establish and execute the Faroe annual HSE program and Audit Verification Plan.
1.7	Maintain risk registers – including compliance with the UK Corporate Governance Code.
2. HSE Follow up of Non-op / Partner Activities	
2.1	Follow up and support the non-operated activity (producing assets, exploration drilling, seismic, site-surveys, etc)
2.2	Ensure training and implementation of BMS "see to" requirement to ensure compliance with Faroe procedures.
3. Follow up of Faroe Operational activity	
3.1	Ensure HSE commitments, submission of reports, applications and statements to Authorities within time limits.
3.2	Ensure follow up of an effective environmental aspects register for Schooner and Ketch.
3.3	Ensure maintenance of emergency response organisation in the UK.
3.4	Zero serious injuries, high potential incidents or discharges to the environment.