



Department for  
Business, Energy  
& Industrial Strategy

# OIL & GAS AUTHORITY REVIEW 2019

January 2020



This page is deliberately blank



# Oil & Gas Authority Review 2019

Presented to Parliament pursuant to Section 16(5) of the Energy Act 2016 by the  
Secretary of State for Business, Energy & Industrial Strategy

January 2020



© Crown copyright 2020

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at: [enquiries@beis.gov.uk](mailto:enquiries@beis.gov.uk)

ISBN 978-1-5286-1722-2  
CCS0120830874

01/20

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

---

# Contents

1	Executive Summary	6
2	List of Recommendations	7
3	Form / Function	8
3.1	Background	8
3.2	Form of OGA	8
3.3	GovCo Status	9
4	Governance	10
4.1	Board	10
4.2	Composition	10
4.3	Board Relationship with BEIS	10
4.4	Relationship with BEIS Ministers and Permanent Secretary	11
4.5	Governance Documents	12
5	Efficiency	13
5.1	Levy	13
5.2	Internal Efficiency	13
5.3	Recruitment and Retention	14
6	Effectiveness in Delivering Functions	15
6.1	Overview	15
6.2	Influencing Operators	16
6.3	Reducing the Cost of Offshore Decommissioning	16
6.4	Onshore Oil and Gas	17
6.5	Carbon Capture and Storage (CCS)	18
6.6	Supply Chain	19
7	Diversity & Gender Pay Gap	21
8	Devolution	22
9	The impact of EU Exit	23
	Appendix A (Acronyms Used in Report)	24
	Appendix B (OGA Review Terms of Reference)	26
	Annex A – Wood Review (Draft Objectives For OGA)	31
	Annex B – Functions of the OGA	33
	Annex C – OGA Priorities (as set out in the ‘Call to Action’ report)	37
	Annex D – Stakeholders to be Approached by Review	38
	Annex E – Corporate Governance Checklist	40

# 1 Executive Summary

1.1 The Oil and Gas Authority (OGA) is an arm's-length body sponsored by the Department for Business, Energy and Industrial Strategy (BEIS), with headquarters in Aberdeen. It is a government company (GovCo), with the Secretary of State as the sole shareholder. It was set up in response to the recommendations of the *Wood Review* of 2014 and aims to regulate, influence and promote the UK oil and gas industry in order to maximise the economic recovery of the UK's oil and gas resources.

1.2 The Energy Act 2016 (the Act) requires the BEIS Secretary of State to review the OGA's performance every three years, beginning on the day on which Section 1 of the Act came into force. As section 1 of this Act came into force over two dates in May and July 2016, this review has chosen to consider the three-year period between May 2016 and May 2019.

1.3 This review is, therefore, the first external review of the OGA, aiming to seek assurance that the OGA is a well governed, effective and efficient organisation. Conducted in accordance with Cabinet Office principles, it has drawn on a wide range of evidence and input from relevant stakeholders (including representatives of industry, governments, arm's-length bodies (ALB) and senior OGA employees and Board members).

1.4 Although the OGA is operationally independent from BEIS, the report noted that it had a strong working relationship with the Department, with one of the most gender-diverse boards amongst the BEIS family of ALBs (with 57% female representation). The Board itself was considered both effective and efficient. The OGA was generally viewed positively by its stakeholders, with the OGA recognising there was a fine balance between regulating and influencing operators.

1.5 The report has made six recommendations, covering its classification, governance, relationships with BEIS and its ministers, and its future role.

## 2 List of Recommendations

2.1 The recommendations from the review can be summarised as follows:

**Recommendation 1:** BEIS and the OGA should consider which administrative classification would be most suitable for the OGA and, if appropriate, BEIS should develop a business case for the OGA to adopt NDPB classification, in consultation with the Cabinet Office.

*Milestone: 30 April 2020*

**Recommendation 2:** BEIS and the OGA to consider how the OGA's performance should be reviewed in the context of the wider governance structure of the OGA, with the goal of avoiding any duplication of governance.

*Milestone: 31 March 2020*

**Recommendation 3:** The OGA and BEIS should facilitate the meeting of a BEIS Minister and the OGA Chair at least annually, in line with the OGA's Framework Document.

*Milestone: 31 May 2020*

**Recommendation 4:** The OGA and BEIS should begin to review the Memorandum of Understanding and Framework Document that set out the relationship between the OGA and BEIS.

*Milestone: 31 July 2020*

**Recommendation 5:** The OGA should continue to contribute to BEIS' review of the CCUS Delivery & Investment Frameworks and input into policy development on the re-use of oil and gas assets for CCUS projects.

*Milestone: OGA to provide ongoing input into CCUS policy development.*

**Recommendation 6:** The OGA and BEIS should jointly consider the appropriate role of the OGA in relation to the supply chain.

*Milestone: 31 March 2020*

## 3 - Form / Function

### 3.1 Background

3.1.1 Created as one of the key recommendations of Sir Ian Wood's 2014 Review of the UK Continental Shelf (UKCS), the OGA became an Executive Agency on 1 April 2015, which created operational independence from DECC (now the Department for Business, Energy and Industrial Strategy) to the fullest extent possible within the established boundaries, and gave direct accountability to the OGA for exploration and development decisions and approvals. The OGA's role is to regulate, influence and promote the UK's oil and gas industry. It also regulates offshore carbon dioxide storage and offshore gas storage and unloading activities.

3.1.2 The OGA has a statutory requirement to act in accordance with the principal objective of maximising the economic recovery of the UK's offshore oil and gas (MER UK). The MER UK objective is understood by the industry and well founded. Oil and gas accounts for approximately 75% of the UK's energy demand. In 2018, UKCS production was equivalent to approximately 75% and 50% of UK oil and gas demand respectively. Maximising economic recovery is important for the UK's long-term economic outlook and energy security. The UK anticipates that oil and gas will continue to play a part in the UK's energy mix for the foreseeable future.

### 3.2 Form of OGA

3.2.1 The OGA was created following the publication of the 2014 *Wood Review* which recognised that the UK's oil and gas industry was facing substantial challenges in a maturing basin as well as poor asset stewardship with unacceptably low production efficiency and high unit operating costs. The Review found that the light-touch regulation model in the basin was no longer appropriate for a mature field. The Review made several recommendations, including that a new tripartite strategy for MER UK should be delivered between government, industry and a new regulator. This new regulator - the OGA - was established in 2015 to deliver MER UK via a set of objectives set out in the *Wood Review* (as listed in in the Terms of Reference (appendix B)). In addition to this, at the point it was established other functions including the regulation of onshore oil and gas, offshore carbon dioxide storage, and offshore gas storage and unloading activities were transferred to the OGA.

3.2.2 Prior to the *Wood Review*, some of the functions of the OGA were delivered by the Energy Development Unit (EDU) in DECC. Whilst a respected unit, the EDU had fewer than 60 staff and was part of a much larger department. The EDU's resourcing and powers were limited and considered insufficient to ensure that private exploration and development would maximise the economic recovery of the UK's oil and gas resources.

3.2.3 The OGA was established with greater powers and a significantly increased headcount to deliver the change that the *Wood Review* sought for the industry. Industry representatives interviewed for this three-year review expressed the belief



that the OGA is a more effective and capable body to regulate, promote and influence the oil and gas industry than the EDU had been. There was also a view that companies preferred the model of an independent regulator focused on the industry.

### 3.3 GovCo Status

3.3.1 The *Wood Review* recommended that the OGA be established as a body as independent from government as possible, so that it might be able to form a constructive and collaborative relationship with the industry and have greater freedom to attract staff. The OGA was set up in 2015 as an Executive Agency within government and, then, in 2016 the OGA became a Government Company (GovCo) limited by shares under the Companies Act 2006, with the Secretary of State for Business, Energy and Industrial Strategy as sole shareholder.

3.3.2 However, a GovCo is not an administrative classification for a government body. GovCo is a descriptor that explains that the entity is a company owned by government - it is not a status in itself. BEIS, in line with Cabinet Office guidance, is committed to administratively classifying central government bodies into one of three categories (Non-Departmental Public Bodies (NDPBs), Executive Agencies, or Non-Ministerial Departments). GovCos in existence for more than three years are automatic candidates for NDPB classification. Given the OGA does not have an official administrative classification and has been in existence for over three years, BEIS and the OGA should consider which status would be most appropriate for the OGA, given its need to maintain independence from BEIS.

***RECOMMENDATION 1: BEIS and the OGA should consider which administrative classification would be most suitable for the OGA and, if appropriate, BEIS should develop a Business Case for the OGA to adopt NDPB classification, in consultation with the Cabinet Office.***

*Milestone: 30 April 2020*

## 4 Governance

### 4.1 Board

4.1.1 The OGA Board is an effective and efficient team. The executive team brings substantial industry experience and the Board is considered united around its key goals. On occasion, though, the Board's time has drifted into approving updates from internal OGA directorates rather than focusing externally. Given the OGA is now an established body, there is less need to focus on operational matters. The Board is now paying more attention to strategy and boundary and horizon scanning which (as the strategic lead for the organisation) should be the main focus for the Board. This is appropriate given the organisation's maturity and a welcome sign that the OGA Board can evolve.

4.1.2 The recalibration of Board time is a positive development as some stakeholders have identified that the OGA's strategy could change in future – for example, due to changes in activity around onshore oil and gas, Carbon Capture and Storage (CCS), decommissioning, the energy transition, and other possible activities. To adapt to these challenges, the OGA will need to be sure of its strategic options and have a clear understanding of government policy. This capacity to see the bigger picture is enhanced by having a senior BEIS representative on the OGA Board and the recent recruitment of a Chair with Ministerial experience.

### 4.2 Composition

4.2.1 The OGA Board currently has seven members, with its Framework Document permitting up to 12 members. Interviewees had little appetite for a substantial increase in the number of members, but some gaps were recognised. Some interviewees thought it would be helpful to have an additional Non-Executive Director (NED) with operator experience to provide more challenge to the executive team. Others considered that a NED with regulatory experience would be helpful for the OGA but, as the Authority is just beginning to be more proactive in using its regulatory powers, it is not clear that regulatory experience is yet needed.

### 4.3 Board Relationship with BEIS

4.3.1 The OGA Board and BEIS both believe there is a strong relationship between the two organisations. One of the key factors behind this is that one seat on the Board is reserved for the BEIS Director for the Energy Development and Resilience Directorate. Having a BEIS representative at OGA Board meetings is perceived to help promote two-way understanding of the needs of both organisations, facilitate creative tension and discussions, and enhance the Board's understanding of the immediate political landscape.

4.3.2 The BEIS sponsor team that manages the departmental relationship with the OGA engages on a regular basis with the OGA executive team. In general, relations between the two are strong, although there is concern about the churn of staff in the BEIS sponsor team and possible duplicated governance. The BEIS Finance team also engages frequently on the day-to-day and longer-term finances of the OGA. The OGA is considered responsive and has significantly improved its reporting speed over the past 18 months.

4.3.3 All parties are aware that the OGA must be reviewed on a regular basis to provide assurance to the Department and the public that the OGA is delivering its purpose. However, multiple interviewees have mentioned that double governance has become an issue through the examination of similar issues at Board meetings (where BEIS is represented) and at performance review meetings held by BEIS. There would appear to be little value revisiting the same discussions. Whilst it is critical that BEIS remains fully informed and able to challenge the OGA on its performance, some interviewees believed that the OGA felt more micro-managed than other established Partner Organisations in BEIS. The current approach is for the two parties to meet twice-yearly for performance review meetings rather than quarterly as previously, expanding the scope of the meeting from a performance review to include wider strategy and other topics. This is in addition to the attendance by BEIS at the Board meetings. These performance review meetings are mandated in the OGA's Framework Document. However, it is apparent that the shape and nature of these meetings needs to be recast to prevent tension and concern that there is duplication in governance.

**RECOMMENDATION 2:** *BEIS and the OGA to consider how the OGA's performance should be reviewed in the context of the wider governance structure of the OGA, with the goal of avoiding any duplication of governance.*

*Milestone: 31 March 2020*

## 4.4 Relationship with BEIS Ministers and Permanent Secretary

4.4.1 As an organisation, the OGA is operationally independent from BEIS. The majority of its funding comes from an industry levy, and its day-to-day focus is on influencing, promoting and regulating the oil and gas industry and other key functions. It is important that the OGA and BEIS have clarity about what each expects from the other for the relationship between both to remain productive. This is recognised in the OGA's Framework Document, which sets out that the BEIS Secretary of State should meet the Chief Executive and Chair of the OGA when necessary - and at least annually - to discuss the OGA's performance and management of risks.

4.4.2 These meetings should be structured to maximise benefits to both sides, with a clear focus on the OGA's functions and the opportunities that the OGA can deliver. These meetings should not replicate what is currently covered in shareholder and sponsor team meetings with the OGA, or OGA Board meetings.

**RECOMMENDATION 3:** *The OGA and BEIS should facilitate the meeting of a BEIS Minister and the OGA Chair at least annually, in line with the OGA's Framework Document.*

*Milestone: 31 May 2020*

## 4.5 Governance Documents

4.5.1 The current Memorandum of Understanding (MoU) and Framework Document between BEIS and the OGA were signed in September 2016. These documents should be reviewed every three years to ensure they reflect current activity, and the OGA is now due for a renewal of these documents.

4.5.2 Several concerns about the MoU and Framework Document were raised during interviews. In particular, interviewees thought that the documents were unclear either in language or direction. Some of the activities set out in the Framework Document and MoU are not followed, either due to the maturity of the relationship between the OGA and BEIS or to changes in approach. Framework documents should be kept up-to-date and reviewed every three years as part of BEIS policy. MoUs are not standard between BEIS and its other Partner Organisations. It should, therefore, be considered whether, as the relationship has matured, the existing MoU adds value.

**RECOMMENDATION 4:** *The OGA and BEIS should begin to review the Memorandum of Understanding and Framework Document that set out the relationship between the OGA and BEIS.*

*Milestone: 31 July 2020*

## 5 Efficiency

### 5.1 Levy

5.1.1 The OGA is predominantly funded by an annual levy on offshore oil and gas operators which is intended to enable the OGA to deliver most of its activities. The OGA has calculated that it requires £26.4m of levy funding for 2019-20 in order to exercise its functions during that period. In addition, the OGA raises income through direct fees and charges - this income varies according to workload but is expected to bring in £1.8m in 2019-20. The OGA also receives annual grant-in-aid funding from the BEIS Secretary of State. This income is currently used primarily to cover onshore-related activity and capital costs. The grant-in-aid for 2019-20 is £2m.

5.1.2 The levy on operators received mixed views by interviewees but is generally viewed positively. The levy was perceived by stakeholders from various backgrounds, both levy and non-levy payers, as a reasonable expense as the OGA delivered value for money. In particular, the OGA's use of the levy to fund the National Data Repository to support identification of suitable areas for drilling was mentioned as an example of creative and useful spending to support the industry.

5.1.3 The onshore oil and gas industry does not pay a levy to the OGA. In comparison to offshore, there is much less onshore activity in the UK. The levy paid by offshore operators is not used to support onshore work for the OGA as (under *Managing Public Money* rules) levy money cannot be used to cross-subsidise onshore regulatory functions; that work is funded through annual grant-in-aid funding, and charges. Should the onshore industry's activity increase, the OGA may require greater resource to regulate this industry, and the OGA and BEIS should consider where this resource should come from.

5.1.4 Some interviewees expressed concern that there was a 'one size fits all' approach to the levy, and that this may be inappropriate and unsuitable for smaller operators, who were less likely to support the levy system. It should be recognised, however, that the OGA does charge a range of different levies to different classes of licensees, based on the costs the OGA incurs in relation to each class.

5.1.5 The growing diversification of the basin and the different needs of operators may make an extended fee-based system based around specific services, appropriate for the OGA. However, the review team was not convinced that this would make the industry's funding of the OGA more palatable, and it could make it more complicated than the current system.

### 5.2 Internal Efficiency

5.2.1 Interviewees were divided as to whether the OGA was appropriately resourced. Some interviewees suggested that, whilst the OGA was able to meet all of its functions, it could find itself stretched by any sudden increase in workload. Others warned that the OGA was at risk of becoming a large organisation with the

inevitable consequences of bureaucracy and lack of communication between different parts of the organisation. However, the OGA is very aware of this risk and has a strong record of delivering efficiently as evidenced through the periodic BEIS performance reviews and performance reports presented to the OGA Board. With its self-imposed cap on headcount, the OGA has created a structure that forces regular strategic conversations about what activities it should be involved in and how it can perform better. This is recognised formally in funding submissions to BEIS, in which there is an expectation that the OGA would make efficiencies to ensure minimum resource need.

5.2.2 The OGA has several appropriate structures designed to improve efficiency. The OGA holds its own risk register, has a clear delegation framework, and has a clear management system that has recently consolidated different procedures. The OGA also has monthly progress reports and milestone reviews at senior level. This focus on efficiency can also be seen in the OGA's recent launch of its programmes for RegX (Regulatory Excellence) and DigX (Digital Excellence) to simplify and formalise processes, improve systems and embed knowledge.

## 5.3 Recruitment and Retention

5.3.1 The OGA faces a future risk in accessing skilled labour. The OGA's work requires technical skills for which there is competing demand from private-sector sources. During positive business cycles for the sector, the OGA might struggle to retain or attract qualified staff in certain areas, especially given that the OGA's remuneration is linked to public sector pay. Given the OGA's relatively small size, an increase in the average industry remuneration for a small number of skills may force the OGA to seek additional resources.

## 6 Effectiveness in Delivering Functions

### 6.1 Overview

6.1.1 In considering effectiveness, this report has examined the progress made by the OGA in meeting the objectives outlined in its *2015 Call to Action*<sup>1</sup> Report. The OGA's principal objective is to maximise the economic recovery of resources from the UKCS. To deliver this, the OGA has three distinct roles: to *regulate*, *promote* and *influence* operators in the UKCS. The OGA simultaneously fulfils its role as value creator for the sector, by promoting the goal of maximising economic recovery, and its role as the industry's regulator. However, despite some confusion upon the OGA's immediate creation, all sides now understand the OGA's role and, during the review, operators described how the OGA makes it clear whether it is attending meetings as a *regulator* or as a *facilitator*.

6.1.2 The OGA was granted significant regulatory powers in order to meet its functions, but these powers were intended to be used where it could not influence operators to change their behaviour. The OGA has recognised there is a fine balance between regulating and influencing operators, and approaches issues with a graduated response that aims to use its influence to achieve a resolution before resorting to formally using powers.

6.1.3 In general, the reaction to this approach has been positive, especially as working with the OGA is a much faster and cheaper option for operators than potentially resorting to litigation. Interviewees felt that the OGA used this power reasonably and were clear about whether the OGA was witnessing or facilitating meetings as a regulator or influencer. Overall, this review has shown that the scope and fitness for purpose of the OGA's regulatory powers are currently sufficient and appropriate in enabling it to deliver its statutory remit.

6.1.4 Interviewees welcomed the range of skills and expertise within the OGA. The OGA's skill base comes from a mix of backgrounds, including ex-civil servants and industry members, giving it institutional knowledge of the issues affecting the industry and of the environment in which public sector bodies must operate. In particular, the industry personnel in the OGA appear to bring diverse perspectives to the organisation, due to their backgrounds in the operator and supply chain communities.

6.1.5 The tripartite relationship between government, the OGA and industry has worked effectively. For example, the OGA, Health and Safety Executive (HSE) and Offshore Petroleum Regulator for Environment and Decommissioning (OPRED)

---

<sup>1</sup> OGA Call to Action Report published in February 2015 <https://www.ogauthority.co.uk/news-publications/publications/2015/call-to-action-the-oil-and-gas-commission-2015/>.



have issued an annual joint questionnaire about the regulatory regime for the sector, rationalising three separate questionnaires into one. The distinction between the OGA and OPRED in the decommissioning space had caused some confusion in the industry about the relative responsibilities of the different organisations, but this has since been resolved. It is particularly important for the OGA to work well with industry in this area, given the possibility of reducing the cost of decommissioning through collaboration and learning from other operators. Interviewees recognised that, whilst there is opportunity for collaboration, this has not yet been delivered due to concerns over risk and potential liabilities, and there is further work for the OGA to do in this area.

## 6.2 Influencing Operators

6.2.1 Prior to the OGA's existence, the *Wood Review* found unacceptably poor production efficiency in the UKCS. The OGA has taken action to improve performance in the basin - for example, benchmarking has created a significant cultural change in the industry. Many stakeholders spoke of how the OGA's frequent meetings with companies to discuss relative performance had been an effective challenge to the industry's performance. The OGA has ensured that these conversations are around *good practice* rather than *enforcement*. As a result, relative position within benchmarking has become a point of pride within the industry, and competitive behaviour has been redirected in a positive way. As well as company-specific metrics (such as production efficiency), these conversations cover how collaborative the company has been. The OGA is ensuring that companies are taking a UK PLC approach to the basin, which was one of the key goals of the *Wood Review*.

6.2.2 Despite substantial improvement since 2014, the OGA has recognised that performance in the industry could improve further. The OGA has recently expanded its focus from collaboration to examine leadership and innovation in the basin. This has been delivered through the Technology Leadership Board (TLB), and by expecting operators to have technology plans, and partner with the Oil and Gas Technology Centre (OGTC). Whilst the full impact of this influencing approach may not be completely understood for some time, it is clear that the OGA has delivered real value to the industry without having to rely on its enforcement powers, and that it has demonstrated the capability to adapt and to lead the industry when appropriate.

## 6.3 Reducing the Cost of Offshore Decommissioning

6.3.1 Decommissioning the infrastructure around the UKCS effectively is a critical ecological and economic responsibility of the UK in the 21<sup>st</sup> century. Oil and gas assets must be decommissioned in a safe, efficient and cost-effective manner to meet the UK's responsibilities and protect marine ecology. There may also be long-term economic benefits to the basin if the UK develops decommissioning expertise that can be exported for use on other mature basins. Full responsibility for ensuring that decommissioning is delivered safely rests with OPRED and the HSE. The



OGA's role in decommissioning is to reduce its total cost as set out in its strategy<sup>2</sup> and, in this role, it has proven effective.

6.3.2 In July 2019, the OGA estimated the total cost of decommissioning remaining UK offshore oil and gas production, transportation and processing infrastructure had reduced by 17%, on a like-for-like basis (to £49bn compared with a 2017 baseline estimate of £59.7bn). HMRC estimates that taxpayers will ultimately be liable for £16.8bn of this cost. Given the complexity of the decommissioning programme, with over 250 fixed installations, 10,000km of pipelines and 5,000 oil wells, with much of this infrastructure integrated, there is considerable uncertainty around the total decommissioning cost and the cost that taxpayers may have to bear. This uncertainty has made the cost of decommissioning a "moveable feast" with significant capacity for it to rise as well as fall. The OGA has set an ambitious 35% cost-reduction target for operators by 2022. Over the last two years, the estimated cost of decommissioning has fallen by 17%, half of the OGA's target.

6.3.3 The NAO recognised that it is difficult to identify the impact that the OGA has delivered in this area separate from other organisations (such as the OGTC, and universities setting up decommissioning centres of excellence). As well as this, part of the decommissioning cost reduction has come with the fall in oil price, and the impact this fall has had on the cost of equipment in the sector. This review has concluded that, despite the numerous difficult factors at play in decommissioning cost reduction, the OGA has carried out its role effectively in this area.

## 6.4 Onshore Oil and Gas

6.4.1 The OGA's role concerning the onshore oil and gas industry is primarily as a regulator and administrator of licensing rounds. Unlike its role in respect of the offshore industry, the OGA does not have a clear mandate to promote the onshore industry. Since October 2018, the OGA, the Environment Agency and the HSE have worked together under the banner of the Shale Environmental Regulator Group (SERG). SERG operates as a virtual body, designed to co-ordinate the three onshore oil and gas regulators and enable better communications and information sharing with industry and the public. The OGA is a well-regarded member of SERG - some initial concerns relating to the appropriate scope of responsibility and engagement with industry have been resolved and SERG is now deemed to be operating effectively.

6.4.2 The UK onshore industry includes the nascent shale gas industry - the first onshore hydraulic fracturing operation since 2011 took place in October 2018. Despite high public interest in shale gas extraction, there is relatively little onshore activity in the UK in comparison with the size and scale of the offshore industry. Within the context of its onshore work, however, shale gas has presented some challenges to the OGA.<sup>3</sup>

---

<sup>2</sup> <https://www.ogauthority.co.uk/decommissioning/strategy/>

<sup>3</sup> Following hydraulic fracturing operations in October 2018, the OGA commissioned research to determine the causes of and possibility of mitigating the risks from induced seismicity from hydraulic

6.4.3 During interviews, it became clear that several stakeholders believe that there is a need to expand MER UK to include all indigenous sources of hydrocarbons, onshore and offshore, in order to meet the UK's net zero climate emissions target. This is because under all current energy transition scenarios, the outcome of a more rapid decline in UK oil and gas production is increased imports, which would not help the UK meet its climate change commitments. However, the statutorily defined principal objective of maximising the economic recovery of hydrocarbons currently only applies offshore. Policy decisions concerning the wider onshore industry remain reserved to the government.

## 6.5 Carbon Capture and Storage (CCS)

6.5.1 Carbon capture, usage and storage (CCUS) is likely to be essential for meeting the government's target to reach net zero greenhouse gas emissions by 2050 and supporting BEIS's Industrial Strategy. CCUS can add value to the economy and help tackle hard to decarbonise sectors of the economy, potentially creating new high value jobs and export opportunities whilst reducing emissions.

6.5.2 The OGA has a natural role in encouraging the industry to consider Carbon Capture and Storage (CCS)<sup>4</sup>, following from the OGA's mandate of maximising the economic recovery of UK oil and gas from the UKCS. The OGA already possesses powers to manage and licence operators to conduct offshore CCS projects in the UKCS. While these powers are currently sufficient and fit for the purpose they were provided for, general policy in this area is set by BEIS. To support this, between July and September 2019, BEIS consulted on the wider re-use of oil and gas assets for CCUS projects, seeking views on critical infrastructure and on a policy framework to facilitate the transfer of assets. BEIS is also undertaking a review of the CCUS Delivery & Investment Frameworks, involving detailed engagement with industry and other stakeholders (including the OGA). Part of this process involved consulting, at the same time as the reuse consultation, on potential business models for CCUS, to address the commercial barriers to deployment.

6.5.3 Interviewees thought the OGA's likely future role in CCS would be to facilitate and support companies re-using existing infrastructure in the North Sea. Re-using existing oil and gas infrastructure is expected to reduce the cost of CCUS projects - experience in Australia was cited, where carbon capture had been designed using existing pipelines with a carbon capture system added. This approach can be seen in the OGA's first award of a licence for CCS to the Acorn project in December 2018, which is designed to take advantage of existing infrastructure.

6.5.4 The UK's commitment to a net zero carbon emissions target ensures that the long-term future of the UK's energy system will need to involve an energy transition that minimises the production of carbon dioxide. The OGA has significant exposure to this long-term transition. In the short term, the use of domestic hydrocarbons is less damaging than relying on imported hydrocarbons, and greater efficiency in the

---

fracturing. Based on this evidence, and following a magnitude 2.9 event in August 2019, the Government announced a moratorium on hydraulic fracturing on 4 November 2019.

<sup>4</sup> BEIS is responsible for Carbon Capture, Usage and Storage (CCUS) policy. The OGA's remit is limited to Carbon Capture and Storage (CCS).

oil and gas sector could reduce the carbon footprint of oil and gas extraction. In the longer term, decommissioning strategies that promote the re-use of infrastructure for CCUS projects could further help deal with the UK's goal of a net zero strategy. To meet this long-term goal, the OGA should continue to feed into BEIS' development of CCUS policy.

**RECOMMENDATION 5:** *The OGA should continue to contribute to BEIS' review of the CCUS Delivery & Investment Frameworks and input into policy development on the re-use of oil and gas assets for CCUS projects.*

*Milestone: OGA to provide ongoing input into CCUS policy development.*

## 6.6 Supply Chain

6.6.1 Roadmap 2035, the industry's vision for how to extend the life of the North Sea for a least a generation, has among its key objectives a strong focus on the opportunities available through maximising value in the oil and gas supply chain. The goal is to double exports to £20bn by 2035.

6.6.2 The OGA recognises that having a strong domestic supply chain capability is key to delivering MER UK. As a result, although the OGA does not directly regulate the oil and gas service industry, it does, wherever appropriate, take steps to encourage, influence and promote the wider supply chain sector in support of that key objective.

6.6.3 For instance, the OGA co-chairs the Supply Chain and Exports Task Force, which is currently the most active and vocal governance body for the supply chain. Through the task force, industry, government, and the OGA work collaboratively to strengthen the skills and technical capability of the oil and gas supply chain sector, ensuring that it is best able to support the wider MER UK objective. For that same reason the OGA also works with relevant UK government departments to support the sector in identifying and making the most of potential export opportunities which may be available to them.

6.6.4 The OGA also stewards the relationship between individual operators and the supply chain through Supply Chain Action Plans (SCAPs), which are mandatory in respect of all decommissioning and field development programmes. SCAPs require operators to demonstrate how they are maximising project value through their supply chain engagement and have encouraged innovation in relation to the strategies used by operators when contracting with suppliers. The OGA is continuing to encourage operators to work in partnership with suppliers in order to develop more effective contracting strategies, but this process is expected to take time. Interviewees generally acknowledged that the introduction of SCAPs has been broadly beneficial, but some respondents reported that operators would not wish to see their levy payment spent on the supply chain.

6.6.5 Operators in the basin, and their supply chain, function in very different markets. Operators compete directly with each other at the licensing stage. After that is completed, there is clear value to operators in collaborating with each other to

maximise economic recovery. This creates a clear role for the OGA in facilitating and encouraging this collaboration through area plans and other activities. In contrast, the supply chain sector is diverse, competitive and fiercely commercial. There are no clear gains from collaboration between direct competitors in the supply chain, with interviewees noting that OGA engagement risked the market perception that the supply chain was becoming overregulated, or that the OGA might be trying to lead the market by endorsing particular companies.

6.6.6 As the OGA does not directly regulate the industry's supply chain, there needs to be more clarity over what further role the OGA should play here to avoid duplicating effort. Currently, the OGA has only limited capacity to engage further in this area, and more active engagement with the supply chain may be better suited to enhanced collaboration with trade associations, government and its agencies, and other relevant organisations.

**RECOMMENDATION 6:** *The OGA and BEIS should jointly consider the appropriate role of the OGA in relation to the supply chain.*

*Milestone: 31 March 2020*

## 7 Diversity & Gender Pay Gap

7.1 The OGA falls below the 250-employee threshold for reporting its gender pay breakdown, which makes it difficult to calculate the OGA's gender pay gap. However, the OGA does not have salary scales for staff; the OGA operates with fixed salary points, which positions the OGA into a gender-blind pay approach. The OGA has clear internal plans to prioritise inclusion and diversity, including approaches that it can take for the entire sector, such as outreach work to schools to improve the number of female Science, Technology, Engineering and Mathematics (STEM) or engineering students in the UK.

7.2 At Board level, given the gender gap across the wider industry, it is impressive that the OGA Board has achieved 57% female representation. This is one of the most gender-diverse boards in the BEIS family and it is hoped that the Board will be able to maintain this level of diversity in the future.

## 8 Devolution

8.1 The OGA does not have a direct relationship with the Scottish Government as the OGA's direct mandate falls under powers reserved to the UK Government. However, given the oil and gas industry's importance in Scotland and with the OGA's headquarters being in Aberdeen, the OGA has established a strong and open relationship with the Scottish Government with regular engagement at official and Chief Executive level. The relationship is strong enough that both sides feel comfortable contacting the other about issues, concerns or questions.

## 9 The impact of EU Exit

9.1 The impact on the OGA of the UK leaving the EU would vary depending on whether there was a deal or no-deal scenario. However, there was consensus that the overall impact was likely to be minimal as the underlying regulatory regime is not reliant upon EU regulation. Given the global nature of the oil and gas industry, it is likely to be less impacted on by EU exit than other sectors. The OGA has conducted analysis on the impact on the organisation of the UK leaving the EU and has not identified any major risks.

# Appendix A (Acronyms Used in Report)

ALB	Arms-Length Body
BEIS	Department for Business, Energy & Industrial Strategy ( <i>incorporated the Department for Energy and Climate Change (DECC) from July 2016</i> )
CCS	Carbon Capture and Storage
CCUS	Carbon Capture, Usage and Storage
DECC	Department for Energy and Climate Change ( <i>became part of BEIS in July 2016</i> )
DigX	Digital Excellence
DIT	Department for International Trade
EA	Environment Agency
EDU	Energy Development Unit
EU	European Union
GovCo	Government-owned Company ( <i>where the only - or majority of - shares are in Government hands</i> )
HSE	Health and Safety Executive
MER UK	Maximising Economic Recovery UK
MoU	Memorandum of Understanding
NAO	National Audit Office
NED	Non-Executive Director
NDPB	Non-departmental Public Body ( <i>a body which has a role in the processes of national government, but is not a government department (or part of one), and which accordingly operates to a greater-or-lesser extent at arm's length from ministers</i> )
NDR	National Data Repository ( <i>for petroleum-related information and samples</i> )
OGA	Oil and Gas Authority
OGTC	Oil and Gas Technology Centre
OPRED	Offshore Petroleum Regulator for Environment and Decommissioning
RegX	Regulatory Excellence
SCAPs	Supply Chain Action Plans
SERG	Shale Environmental Regulator Group ( <i>bringing together the onshore oil and gas regulators (Environment Agency, Health &amp; Safety Executive and</i>



STEM	<i>the Oil &amp; Gas Authority) as a virtual regulatory group for the environmental aspects of shale gas exploration and production)</i> Science, Technology, Engineering and Mathematics
UKCS	The UK Continental Shelf ( <i>comprising those areas of the seabed and subsoil beyond the territorial sea over which the UK exercises sovereign rights of exploration and exploitation of natural resources. The exact limits of the UKCS are set out in orders made under section 1(7) of the Continental Shelf Act 1964</i> )

## Appendix B (OGA Review Terms of Reference)

The role of the OGA is to regulate, influence and promote the UK oil and gas industry in order to maximise the economic recovery (MER) of the UK's oil and gas resources. The OGA's ambition is to be the world-leading authority setting the framework for a sustainable and competitive UK oil and gas industry.

The OGA regulates the licensing of exploration and development of the UK's offshore and onshore oil and gas resources and gas storage and unloading activities in accordance with the MER UK Strategy.

The OGA was created as one of the key recommendations of Sir Ian Wood's 2014 Review of the UK Continental Shelf (UKCS). At the time, the existing regulatory resourcing and powers were considered inadequate to ensure that private exploration and development would maximise the economic recovery of the UK's oil and gas resources. The *Wood Review* recommended the creation of an independent regulator with responsibility for effective stewardship of hydrocarbon recovery and the powers required to ensure industry operates in a manner consistent with maximising the recovery of oil and gas.

The OGA became an Executive Agency on 1 April 2015, which created operational independence from its sponsor department (now the Department for Business, Energy and Industrial Strategy) to the fullest extent possible within the established boundaries and gave the Authority direct accountability for exploration and development decisions and approvals.

### Accountability Relationship with BEIS

On 1 October 2016 the OGA became a government company (GovCo), limited by shares under the Companies Act 2006, with the Secretary of State for Business, Energy and Industrial Strategy as the sole shareholder.

The relationship and dependencies between the Secretary of State for BEIS and the OGA are explained in the OGA Framework Document and a Memorandum of Understanding. These documents set out working arrangements and the broad framework within which the OGA operates.

### Source of Funding

The OGA is largely funded by a levy on the offshore oil and gas industry which was introduced on 1 October 2015. The OGA has calculated that it requires an estimated £26.4m of levy funding in 2019/20 in order to exercise its functions during that period. This represents the vast majority of the OGA's income, and is intended to enable it to deliver the work set out in its Corporate Plan and associated Activity

Plans as well as cover the estimated costs incurred by the Lord Chancellor in connection with the provision of tribunals to consider appeals against decisions of the OGA.

The OGA currently has two further sources of funding in addition to the offshore levy:

- **Annual Grant in Aid funding** from the Secretary of State. This is generally used to cover on-shore regulation, capital costs and set up costs. The 2019/20 grant in aid payment is £2m; and
- **Direct fees and charges.** This varies according to workload, but is expected to bring in about £1.8m in 2019/20. These fees and charges can apply to both offshore and onshore licensees.

## Legislative Basis of the OGA Review

The Energy Act 2016 (the Act) mandates that the Secretary of State must review the OGA's performance every three years, beginning on the day on which Section 1 of the Act comes into force. Section 1 of the Act came into force over two dates in May and July 2016. This review has decided to consider the three-year period of May 2016 to May 2019.

This review will, therefore, be the first external review of the OGA and will seek assurance that the OGA is a well governed, effective and efficient organisation. This review will draw on a wide range of evidence and input from relevant stakeholders including representatives of industry, government, arm's length bodies and senior OGA employees and Board members.

The Act is clear that this review must assess how effective the OGA has been in exercising its functions, and consider the OGA's functions in relation to offshore petroleum, and the storage of carbon dioxide with regard to their fitness for purpose and scope. Should there be cause during the course of the review to consider OGA functions and legislative base in new or expanding areas, the review will look at those.

As the OGA is currently a GovCo and not a Non-Departmental Public Body (NDPB), it does not fall under the Cabinet Office's Public Bodies Team's purview for a Tailored Review. As substantial Cabinet Office guidance on Tailored Reviews is available, this review will be based on the [principles of a Tailored Review](#).

## Background and Scoping

The OGA review will consider:

- **GOVERNANCE.** Good corporate governance is central to the effective operation of organisations.

What will be assessed	Relevant information
Internal governance of controls, processes and safeguards in the OGA.	This will be assessed against the relevant principles and policies set out in the “ <i>Code of good corporate governance</i> ”.
Lines of accountability within the OGA, performance of governance structures, and external controls, oversight and associated links between the OGA and BEIS.	This will be assessed against the Cabinet Office document “ <i>Partnerships between departments and arm’s length bodies: Code of Good Practice</i> ”.
The appropriate form of the OGA, including whether a GovCo is still the appropriate form.	The OGA was transformed from an EA into a GovCo. The necessary governance changes that occurred will be examined.

- **EFFECTIVENESS.** This is likely to be the main focus of the review. The review should consider issues of effectiveness and recommend opportunities for improvement as appropriate.

What will be assessed	Relevant information
How effective the OGA is in meeting its objectives, including: <ul style="list-style-type: none"> <li>• if the OGA has sufficient capability, capacity and powers;</li> <li>• how well the OGA approaches delivering objectives within its budget;</li> <li>• how well the OGA engages with key stakeholders, including BEIS.</li> </ul>	The review should use the OGA's two corporate plans, and the targets set out by the <i>Wood Review</i> , listed in <b>Annex A</b> , to understand how well the OGA meets its objectives.
How well the OGA discharges its functions.	The OGA's functions are listed in <b>Annex B</b> . Two of the functions, offshore petroleum and the storage of carbon dioxide are explicitly cited in the <i>Energy Act 2016</i> as needing to be reviewed to ensure that they are fit for purpose and scope.

What will be assessed	Relevant information
How well the OGA has met the goals it set out in its 2015 "Call to Action"	The priorities set out in the "Call to Action" are set out in <b>Annex C</b> .

- **EFFICIENCY.** The review should consider issues of resourcing and efficiency and recommend opportunities for efficiencies as appropriate for the OGA. Given the relatively small budget of the OGA, the review does not necessarily expect major cost savings to emerge, but would seek assurance that the OGA is run in as efficient a manner as possible, and that its levy is not placing a burden on industry that could be mitigated through greater efficiencies.

To ensure a holistic approach, the review team will also consider the remaining principles of the tailored review principles. These are:

- **DEVOLUTION.** Powers relating to onshore oil and gas licensing, aside from those relating to royalties, have been devolved to Scotland and Wales. The powers of licensing of offshore oil and gas extraction remains reserved. Given the importance of the oil and gas sector to Scotland, this review will invite the Scottish Government to set out its view on the OGA's performance over the last three years.
- **THE UK LEAVING THE EU.** It is appropriate to consider the extent to which the OGA's functions are delivered in an environment currently directly affected by EU regulations or processes. Understanding how the OGA intends to respond to the UK leaving the EU should then be considered as part of the review where possible. Parallel work delivered to BEIS as part of the EU exit programme will be taken into account to avoid duplication.
- **STATUS.** Assessing the continuing requirement for the functions performed and the current form of OGA, and determining appropriate status, form and function.
- **DIVERSITY AND GENDER PAY GAP.** Understanding the OGA's commitment to diversity across its staff, senior leadership team and Board, and its commitment to closing any gender pay gap among its staff.
- **TRANSPARENCY.** The OGA receives public funding, and the oil & gas industry has been subject to public concern. Part of the scope of the review will involve understanding and potentially improving the ways in which the OGA explains its activities to the public and key stakeholders.

This review will address the core questions that Cabinet Office guidance suggests, including:

1. Why does the function need to continue?
2. Why does the OGA need to deliver the function?
3. How does the function contribute to the core business of the sponsor department?
  - a. How does the function contribute to wider Government policy objectives?
4. Is this a technical function (which needs external expertise to deliver)?
5. Is this a function which needs to be, and be seen to be, delivered with absolute political impartiality (such as certain regulatory or funding functions)?
6. Is this a function which needs to be delivered independently of Ministers to establish facts and/or figures with integrity?

7. Is the current form of the body/delivery model suitable?
  - a. Have alternatives been explored?
  - b. Why (if applicable) should the body stay in its current form?

The review will conclude by producing a report that will describe the areas probed by the review, the evidence referred to during the course of the review, and also any recommendations or outcomes. This approach is likely to generate:

- A clear articulation of the OGA's purpose, and clarity on how its structures deliver this purpose.
- Recommendations for areas of further improvements.
- An understanding of the value added to the industry by the OGA.
- Possible future strategic or organisational changes, if needed.

A final report will be laid before Parliament following the completion of the report.

## Approach and Methodology

A small, dedicated review team will produce the final report. The approach will be participative, inclusive and proportionate. The review team will be led by an individual independent of the body and policy sponsor function.

### Process

1. The review team will agree Terms of Reference with the sponsor team.
2. The review team will agree approach and timings with the OGA and sponsor team.
3. Following this, the review team will draw on pre-existing resources for desk-based research in advance of interviews with the OGA and key stakeholders.
4. The review team will consider the oversight role of the OGA's sponsor department.
5. The review team will take account of the ongoing 2019 Spending Review preparations and how this is likely to affect the OGA.
6. The approach will be iterative and the review team will share emerging findings and recommendations with the OGA and its sponsors throughout.
7. Interim and final reports will be produced in draft and then finalised following discussion with the OGA and sponsors.
8. The report will be cleared with the BEIS Permanent Secretary and relevant Minister.
9. The report will be laid before Parliament following completion of the review.
10. The report will be published on GOV.UK.

## Annex A – Wood Review (Draft Objectives For OGA)

Objectives	Success Criteria
Develop and deliver, in partnership with DECC [now BEIS], HMT and Industry, a coherent tripartite strategy for delivering MER UK over the next 30 years.	<p>Government, working with Industry, has a robust maturation plan in place for MER UK.</p> <p>Increased production, production efficiency and exploration, leading to an increased tax yield for government and improved returns for industry.</p> <p>Demonstrable increase in collaboration.</p>
Encouraging investment in the UKCS by creating a stable, competitive and predictable regulatory environment, and providing advice to HMT to inform fiscal decisions.	<p>Achieving MER UK.</p> <p>The UK is recognised internationally as having an attractive and competitive tax regime.</p> <p>Increased investment and new entrants attracted.</p>
Promote active exploration for new oil and gas resources around the UKCS and facilitate timely and effective data sharing.	<p>Successful licence rounds.</p> <p>Increase in number of exploration wells drilled and discoveries.</p> <p>Increased investment and new entrants attracted.</p>
Require licence holders to demonstrate sound stewardship of existing assets and infrastructure to achieve the maximum economic recovery of resources, and encourage timely development of discoveries taking account of the broader needs to maximise recovery across the UKCS.	<p>Increase in production.</p> <p>Increase in production efficiency.</p> <p>Decrease in unplanned shutdowns continued.</p>
Encourage Industry to deploy existing technologies to their full effect and to develop new technologies to maximise recovery from the UKCS, and encourage the UK to become a global centre of expertise for mature hydrocarbon basin exploitation.	<p>Increase in technology development and deployment.</p> <p>Companies have effective technology plans for their fields.</p> <p>Increased recovery factors.</p> <p>Reduced decommissioning costs through technology.</p>

<b>Objectives</b>	<b>Success Criteria</b>
<p>Encourage and facilitate greater industry collaboration, ensuring disputes are resolved in line with MER UK and in a timely manner.</p>	<p>An increase in the amount of collaboration (e.g. clusters developed, infrastructure shared).</p> <p>A reduction in the time taken to reach commercial agreements, and a reduction in the complexity of these agreements.</p>
<p>Maximise the development and retention of key infrastructure to support the regional development of the UKCS, ensuring appropriate access to third parties and facilitating the development of new strategic infrastructure.</p>	<p>No economic fields stranded nor unable to be developed due to infrastructure issues, nor developed using a suboptimal infrastructure or processing route</p> <p>Key new infrastructure developed by consortia or third parties.</p> <p>The Infrastructure Code of Practice (ICOP) process is used in a timely fashion to resolve infrastructure access disputes.</p> <p>Exploration is promoted around existing infrastructure to ensure resources are not stranded by premature decommissioning.</p>
<p>Oversee planning for future decommissioning of the UKCS, ensuring it proceeds in a logical, sound and cost-effective manner.</p>	<p>Reduce the costs associated with decommissioning.</p> <p>Increase in collaboration on the challenges of decommissioning.</p> <p>Industry technology development programme focused on decommissioning.</p>



## Annex B – Functions of the OGA

### Relevance to the Review

Section 16 (4) of the *Energy Act 2016* states that a review of the OGA must consider how effective the OGA has been in exercising its functions and, in particular, whether the OGA's functions relating to offshore petroleum and storage of carbon dioxide remain appropriate for the OGA.

The list below summarises the legislative functions of the OGA. As well as these legislative functions, the review will take account of matters that might require a change to the OGA's functions (such as onshore, supply chain, the global energy transition and others).

### High-level Summary of the OGA's Legislative Functions

<b>1.</b>	<p><b>Develop MER UK strategy</b></p> <ul style="list-style-type: none"> <li>• Produce one or more strategies to enable the principal objective of maximising the economic recovery petroleum under UK waters to be met, including as a result of increased collaboration between relevant persons (the 'Principal Objective').</li> <li>• The current MER UK Strategy (the 'Strategy') came into force on 18 March 2016 and requires both the OGA and relevant persons (including petroleum licence holders, operators appointed pursuant to petroleum licences and owners of upstream petroleum infrastructure) to take the necessary steps to secure that the Principal Objective is met.</li> <li>• The Strategy includes further detail regarding the actions and behaviours which relevant persons must adopt when carrying out activities in the UK Continental Shelf in order to support the delivery of the Principal Objective including in respect of: <ul style="list-style-type: none"> <li>○ exploration (including seismic and drilling activity);</li> <li>○ development (including the commissioning and constructing of infrastructure);</li> <li>○ ongoing asset stewardship and maintenance;</li> <li>○ the deployment and development of appropriate technologies; and</li> <li>○ decommissioning of oil and gas infrastructure.</li> </ul> </li> </ul>
<b>2.</b>	<p><b>Regulation and licensing of petroleum exploration and production (onshore and offshore)</b></p> <ul style="list-style-type: none"> <li>• Issuing exploration and production licences conferring rights to "search for" and/or "bore for and get petroleum" (pursuant to terms and conditions provided for in Model Clauses as provided for in secondary legislation made under the Petroleum Act 1998, subject to any conditions which the OGA considers appropriate).</li> <li>• Exercise of related functions including: <ul style="list-style-type: none"> <li>○ inviting applications in respect of competitive licensing rounds;</li> <li>○ authorising out of round petroleum licence applications; and</li> <li>○ assessing the financial and technical capability of applicants (amongst other licence criteria).</li> </ul> </li> <li>• Oversight and enforcement of licence terms including in relation to: <ul style="list-style-type: none"> <li>○ the drilling, completion, suspension or abandonment of wells;</li> <li>○ the approval of work programmes and development and production programmes;</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ the flaring or venting of hydrocarbons during the course of production;</li> <li>○ a proposed assignment of licence interests or a change of control event;</li> <li>○ collection of consideration due; and</li> <li>○ the revocation, determination or extension of a licence.</li> <li>● Compliance with licensing requirements provided for in the Offshore Petroleum Activities (Conservation of Habitats) Regulations 2001, the Offshore Petroleum Production and Pipe-lines (Assessment of Environmental Effects) Regulations 1999 and the Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015 (as appropriate).</li> </ul>
<p><b>3.</b></p>	<p><b>Regulation and licensing of carbon dioxide storage</b></p> <ul style="list-style-type: none"> <li>● Licensing and regulation of carbon dioxide storage (pursuant to terms and conditions provided for in Model Clauses as provided for in secondary legislation made under the Energy Act 2008, subject to any conditions which the OGA consider appropriate).</li> <li>● Oversight and enforcement of licence and storage permit terms including in relation to, amongst other things:             <ul style="list-style-type: none"> <li>○ the approval of monitoring and post-closure plans;</li> <li>○ the provision of financial security in respect of the obligations of the licence holder;</li> <li>○ inspections and the appointment of inspectors; and</li> <li>○ the review, modification or revocation of a licence or storage permits.</li> </ul> </li> <li>● Provision of information to the Secretary of State to enable a public register of carbon dioxide storage licences and permits as well as closed storage sites and surrounding storage complexes to be maintained.</li> <li>● Having continued regard to the development and use of facilities for the storage of carbon dioxide when exercising relevant functions and continuing to work with government, industry and other relevant stakeholders to identify promote the development of carbon dioxide storage in order to contribute to the Principal Objective.</li> </ul>
<p><b>4.</b></p>	<p><b>Regulation and licensing of gas storage and unloading</b></p> <ul style="list-style-type: none"> <li>● Licensing and regulation of gas storage and unloading (pursuant to terms and conditions provided for in Model Clauses as provided for in secondary legislation made under the Energy Act 2008, subject to any conditions which the OGA consider appropriate).</li> <li>● Oversight and enforcement of licence terms including in relation to, amongst other things:             <ul style="list-style-type: none"> <li>○ the commencement of drilling, completion, suspension or abandonment in respect of a well;</li> <li>○ the approval of work programmes and development plans;</li> <li>○ the appointment of an operator; and</li> <li>○ the transfer, revocation, determination or extension of a licence.</li> </ul> </li> </ul>
<p><b>5.</b></p>	<p><b>Pipeline works authorisations (PWAs)</b></p> <ul style="list-style-type: none"> <li>● Considering and, where appropriate, consenting:             <ul style="list-style-type: none"> <li>○ the construction and use of pipelines in, under or over controlled waters;</li> <li>○ the right of an applicant to make use of a pipeline in respect of which it is not the owner; and</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ the compulsory modification of a pipeline.</li> <li>● Determination of issues arising in respect of the Framework Agreement concerning cross-boundary petroleum cooperation between the UK and Norway.</li> </ul>
<p><b>6.</b></p>	<p><b>Third-party access to upstream petroleum infrastructure</b></p> <ul style="list-style-type: none"> <li>● Considering and, where appropriate, consenting: <ul style="list-style-type: none"> <li>○ the right of an applicant to make use of upstream petroleum infrastructure in respect of which it is not the owner; and</li> <li>○ the compulsory modification of upstream petroleum infrastructure.</li> </ul> </li> </ul>
<p><b>7.</b></p>	<p><b>Decommissioning</b></p> <ul style="list-style-type: none"> <li>● Serving cessation of production and plugging and abandonment notices pursuant to petroleum licences.</li> <li>● Issuing directions in connection with the plugging and abandonment of wells pursuant to section 45A of the Petroleum Act 1998.</li> <li>● Acting as consultee in connection with ‘abandonment programmes’ to be submitted to the Secretary of State under the Petroleum Act 1998, in which capacity the OGA is required to have regard to: <ul style="list-style-type: none"> <li>○ alternatives to abandoning or decommissioning (including re-use); and</li> <li>○ the means by which the cost of carrying out the programme may be kept to the minimum reasonably practicable.</li> </ul> </li> </ul>
<p><b>8.</b></p>	<p><b>Exercise of further regulatory powers</b></p> <p><i>Data and information samples</i></p> <ul style="list-style-type: none"> <li>● Exercise of the power to, where appropriate: <ul style="list-style-type: none"> <li>○ require information or samples for the purpose of carrying out functions of the OGA relevant to the fulfilment of the Principal Objective or which relate to activities carried out under a carbon dioxide storage licence;</li> <li>○ consider and approve information and samples plans required in connection with the occurrence of an offshore petroleum licence event (including the transfer, revocation, expiration or surrender of a licence in whole or in part).</li> </ul> </li> <li>● Data and information management in accordance with relevant data management obligations, including in connection with the Oil and Gas Authority (Offshore Petroleum) (Disclosure of Protected Material after Specified Period) Regulations 2018 and the information disclosure provisions provided for in the Energy Act 2016.</li> <li>● Acting in its capacity as representative for the government of the United Kingdom, disclosure of information for the purpose of giving effect to a relevant treaty or international agreement.</li> </ul> <p><i>Consideration of disputes</i></p>

	<ul style="list-style-type: none"> <li>• Discretionary power to attend meetings between relevant persons relating to the fulfilment of the Principal Objective or activities carried out in connection with an offshore petroleum licence (or require a written summary of the meeting and decisions taken as appropriate).</li> <li>• Discretionary power to accept, reject or adjourn a reference made by a relevant person in respect of a dispute relating to the fulfilment of the Principal Objective or activities carried out pursuant to an offshore petroleum licence. Consider and issue recommendations in relation to qualifying disputes as appropriate.</li> </ul> <p><i>Fees and funding</i></p> <ul style="list-style-type: none"> <li>• Charge fees in relation to certain services provided by the OGA to the oil and gas industry and administer a levy on petroleum licence holders, in accordance with the terms of Energy Act 2016 and relevant legislation made pursuant to it.</li> </ul>
<p><b>9.</b></p>	<p><b>Enforcement of penalties and sanctions and other functions</b></p> <ul style="list-style-type: none"> <li>• Issue sanctions notices as appropriate, including in circumstances in which a relevant person has failed to comply with:             <ul style="list-style-type: none"> <li>○ a duty to act in accordance with the Strategy for the purposes of enabling the Principal Objective to be met;</li> <li>○ a term or condition of an offshore petroleum licence; or</li> <li>○ a requirement imposed by the OGA under the Energy Act 2016, including in relation to the provision of information and samples and / or disputes and meetings between relevant persons.</li> </ul> </li> <li>• Sanctions notices may direct the relevant person to comply with the obligation which has been breached; impose a financial penalty in consequence of a breach (of up to £1m); revoke a licence; or require the removal of an operator appointed pursuant to a licence.</li> <li>• Issue guidance as to the matters which the OGA will have regard to when determining the amount of financial penalty to be imposed in connection with a sanctions notice.</li> <li>• Comply with directions of the Secretary of State made pursuant to section 9 of the Energy Act 2016.</li> </ul>

## Annex C – OGA Priorities (as set out in the ‘Call to Action’ report)

1. **Leadership behaviour & cultures:** A cultural shift in the industry is required for companies to swiftly adapt their behaviour to the challenges ahead.
2. **Wood actions:** The UKCS MER Review contained 29 actions to achieve the six sector strategies included in the report for the OGA to implement with industry.
3. **Fiscal reform:** The government has recognised the need for fiscal reform and the OGA is working closely with HM Treasury.
4. **Cost and Efficiency:** Industry urgently needs to take action to create a more competitive and efficient cost base to ensure the UKCS attracts the necessary investment now and in the future.

## Annex D – Stakeholders to be Approached by Review

Stakeholder	Type	Suggested Interview or feedback format
Scottish Government representative	Devolved government	One to One
Environment Agency	Executive Non-Departmental Public Body	Written, or group with HSE
BEIS CCUS Team	Government	Group
BEIS Finance	Government	One to One
BEIS Shareholder policy team	Government	Workshop
BEIS Shareholder representative	Government	One to One
HMT	Government	One to One
Health and Safety Executive	Government Agency	Written, or group with EA
BEIS OPRED	Government/Regulator	One to One
OGA Board member Non-Executive Directors/ Former Interim Chair	OGA	Group
OGA CEO	OGA	One to One
OGA Chair	OGA	One to One
OGA Executive Board Member and Company Secretary	OGA	Group
Previous OGA Chair	OGA	One to One
Author of <i>Wood Review</i> (which led to the creation of the OGA)	Industry representative	One to One
UK Onshore Oil & Gas	Trade Association	Written
Total	Co-Chair MER UK Forum	One to one

<b>Stakeholder</b>	<b>Type</b>	<b>Suggested Interview or feedback format</b>
Oil and Gas Technology Centre	Technology Centre	Written
Oil and Gas UK	Trade Association	One to one
The East of England Energy Group	Trade Body	Written
Scottish Trade Union Council	Trade Union Centre	Written
Spirit Energy	Independent	Written
EnQuest	Independent	Written
Serica Energy	Independent	Written
CNOOC International	National Oil Company	Written
Chrysaor	PE backed	Written
Siccar Point Energy	PE backed	Written
BP	Supermajor	Written
Shell	Supermajor	Written

## Annex E – Corporate Governance Checklist

Principles of corporate governance	Assessment	Explain
<b>Accountability</b>		
<p>Statutory Accountability: The public body complies with all statutory and administrative requirements on the use of public funds (including HMT Managing Public Money, and CO/HMT spending controls)</p>	Compliant	<p>The OGA's statutory and administrative requirements on the use of public funds including HMT Managing Public Money and CO/HMT spending controls are set out within annual delegation letters issued to the OGA Chief Executive by BEIS. The Annual delegation letters specify the delegated authorities relating to budget. BEIS Finance regularly review the OGA's requirements on the use of public funds.</p> <p>The OGA complies with the statutory and administrative requirements which are reiterated in the OGA Code of Conduct, the OGA Finance Handbook and the OGA Strategic Financial Framework, all of which are available on the OGA management system and intranet.</p>
<p>The public body operates within the limits of its statutory authority and in accordance with delegated authorities agreed with BEIS</p>	Compliant	<p>The OGA operates within the limits of its statutory authority as set out in legislation. In order to maximise the economic recovery of the UK's oil and gas resources, the OGA has been given a range of powers under the Petroleum Act 1998, Infrastructure Act 2015, and Energy Acts 2011 and 2016.</p> <p>Additionally, the OGA operates in accordance with delegated authorities agreed with BEIS. The Chief Executive receives annual delegation letters issued by the Department specifying their delegated authorities relating to budget. The 2019/2020 delegation letter was issued on 17 June 2019.</p> <p>Delegations are seen as 'evergreen' in that they have immediate effect and remain in force until further notice or such time that the recipient personally cease to be the post holder.</p>
<p>The public body operates in line with statutory requirements for the Freedom of Information Act (Fol)</p>	Compliant	<p>The OGA operates in line with the statutory requirements of the FOI Act. There is a FOI section on the OGA website through which Freedom of Information and Environmental Information Regulation requests may be made. In 2018, the OGA received 78 FOI requests. 76 were answered on time and two were answered later than the statutory time limit.</p>



Principles of corporate governance	Assessment	Explain
The public body has a comprehensive publication scheme	Compliant	The OGA has a comprehensive publication scheduler and forward plan for all guidance, analysis reports and other corporate brochures, along with a clear process for authoring, review, and clearance.
The public body proactively releases information that is of legitimate public interest	Compliant	<p>The OGA publishes reports and data in the public interest on its website. The OGA website also includes a written statement outlining its commitment to being open and transparent.</p> <p>The OGA's Open Data site at <a href="https://data-ogauthority.opendata.arcgis.com/">https://data-ogauthority.opendata.arcgis.com/</a> is freely available for members of the public to access and republish as they see fit under the terms and conditions as set out in the Open Government Licence. In addition, the OGA has an online data centre <a href="https://www.ogauthority.co.uk/data-centre/">https://www.ogauthority.co.uk/data-centre/</a></p> <p>In March 2019, the OGA launched the United Kingdom's first offshore National Data Repository (NDR) for petroleum-related information and samples. Registered users of the NDR may search, view and download disclosed information free of charge or order data for delivery on media, on a cost reflective basis.</p>
The public body produces Annual Reports and Accounts which are laid before Parliament	Compliant	The OGA's Annual Report and Accounts are laid before Parliament every year and published on the OGA website.
The public body complies with data protection legislation	Compliant	The OGA complies with data protection legislation. The OGA has a data breach policy and procedure which is available to all staff through its intranet. The OGA's Data Protection officer monitors the OGA's compliance with data protection law. Data breaches are recorded in a data breach register. The OGA reported one personal data breach to the Information Commissioner's Office during 2018-19.
The public body complies with Public Records Acts 1958 and 1967	Compliant	The OGA complies with the Public Records Acts 1958 and 1967. The OGA has a Documents and Records Manager. The OGA's records management policy, retention procedure and information security classification are all available on the management system and intranet. In addition to this, the authority submits records to the National Archive.

Principles of corporate governance	Assessment	Explain
<p><b>Accountability for public money:</b> there is a formally designated Accounting Officer (AO) who in particular has a responsibility to provide evidence-based assurances required by the Principal Accounting Officer (PAO)</p>	Compliant	<p>The OGA Chief Executive acts as Accounting Officer (AO) and is responsible for the resources required by and committed to the OGA. As AO, they are responsible for the OGA's use of resources in carrying out its functions as set out in the Framework Document between the OGA and BEIS.</p> <p>Evidence based assurance is provided to the Department in a timely manner.</p>
<p>The role, responsibilities and accountability of the AO should be clearly defined and understood and the AO should have received appropriate training.</p>	Compliant	<p>The Framework Document between the OGA and BEIS sets out the roles, responsibilities and accountability of the AO in a clearly defined and understood way. The Framework Document stipulates that the AO is also personally responsible for: safeguarding the public funds for which they have charge, ensuring propriety and regularity in the handling of public funds; and, day-to-day operations and management of the OGA.</p> <p>The OGA Chief Executive receives annual delegation letters issued by the Department specifying their delegated authorities relating to budget. The 2019/2020 delegation letter was issued on 17 June 2019.</p> <p>The “Dear Accounting Officer” letters dated 20 March 2015 and 22 September 2016 from the BEIS Permanent Secretary to the OGA Chief Executive reiterate the AO responsibilities as set out in Chapter 3 of Managing Public Money.</p> <p>The AO undertook appropriate training soon after taking up their role including the ‘Introduction to Accounting Officer Responsibilities’ Civil Service Learning Course and also had a relevant discussion with the Department of Energy and Climate Change (DECC) Finance Director.</p>
<p>The public body should be compliant with requirements set out in Managing Public Money, relevant Dear Accounting Officer letters and other directions.</p>	Compliant	<p>The OGA complies with the requirements as listed. The Framework Document further lays out the responsibilities of the organisation, Board and Chief Executive in complying with Managing Public Money, relevant Dear Accounting Officer letters and other requirements.</p>

Principles of corporate governance	Assessment	Explain
<p>The public body should establish appropriate arrangements to ensure that public funds:</p> <ul style="list-style-type: none"> <li>• are properly safeguarded;</li> <li>• are used economically, efficiently and effectively;</li> <li>• are used in accordance with the statutory or other authorities that govern their use;</li> <li>• deliver value for money for the assurance Exchequer as a whole;</li> <li>• are subject to Treasury approval, either directly or through established delegated authority</li> </ul>	Compliant	<p>The OGA meets the requirements listed regarding public funds. The relevant policies and procedures are set out in the OGA Code of Conduct, OGA Finance Handbook and OGA Strategic Financial Framework, all of which are available on the OGA management system or intranet.</p> <p>The OGA is responsible for determining the most effective means of delivery of its core business functions; its statutory duties; compliance with public sector management and administration duties, compliance with sector management and administration policies and the best use of resources to achieve this.</p> <p>The OGA provides regular updates on its expenditure to BEIS Finance, BEIS sponsorship teams, and the Shareholder Representative Director at Board meetings.</p>
<p>The annual accounts are laid before Parliament after certification by the Comptroller and Auditor General.</p>	Compliant	<p>The OGA's annual report and accounts set out its expenditure and performance. The annual accounts are laid before Parliament after the necessary certification and are also made available on the GOV.UK site.</p>
<p>The annual accounts are laid before Parliament after certification by the Comptroller and Auditor General.</p>	Compliant	<p>The OGA's annual report and accounts set out its expenditure and performance. The annual accounts are laid before Parliament after the necessary certification and are also made available on the GOV.UK site.</p>
<p><b>Ministerial Accountability:</b> The Secretary of State (SoS) and Sponsor should exercise appropriate scrutiny and oversight of the public body.</p>	Compliant	<p>The relevant legislation and Framework Document set out the necessary scrutiny and oversight of the OGA. Day-to-day oversight of the OGA is delegated by the SoS to the BEIS shareholder team as outlined in the Framework Document. The shareholder team has good visibility of the OGA's activities and risks.</p> <p>The OGA is also accountable to BEIS Ministers and Parliament for the work that it does.</p>

Principles of corporate governance	Assessment	Explain
<p>Appointments to the OGA board should be made in line with any statutory requirements and, where appropriate, with the <i>Code of Practice</i> issued by OCPA.</p>	<p>Compliant</p>	<p>As set out under the Framework Document, when making Board appointments the OGA shall comply with the provisions of 'The UK Corporate Governance Code', published by the Financial Reporting Council (the "Corporate Governance Code"), or explain any non-compliance in its annual report.</p> <p>The OGA also, so far as it is applicable, complies with the 'Corporate Governance in Central Government Departments Code of Good Practice' as jointly-authored by HM Treasury and Cabinet Office.</p>
<p>The Secretary of State will normally directly appoint the Chair and endorses all Non-executive OGA Board members of the public body</p>	<p>Compliant</p>	<p>The OGA Chair is the lead Non-Executive Board member and is directly appointed by the SoS. The most recent Chair appointment took place in March 2019. The SoS lays out the terms of appointment for the Chair in their appointment letter and would normally be able to remove individuals whose performance or conduct was unsatisfactory.</p> <p>The SoS is also responsible for appointing a representative director (the SoS Representative Director) to sit on the OGA Board.</p> <p>The Board appoints the other Non-Executive Directors to the Board in line with the recommendations of the Nominations Committee. As set out under the Articles of Association 'the Board may appoint any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing Board'. The SoS or relevant minister is asked to endorse the Committee's recommended candidate, consistent with the SoS' position as sole OGA shareholder.</p> <p>The initial intention when the OGA Board was established was that the Non-Executive Director Audit and Risk Committee Chair would be a ministerial appointment. Ministers decided, however, not to make this appointment when the Board was established in 2015 and endorsed the OGA's appointment of an independent Non-Executive Director and Chair of the Audit and Risk Committee.</p>

Principles of corporate governance	Assessment	Explain
<p>The Secretary of State should be consulted on the appointment of the Chief Executive and will normally approve the terms and conditions of employment.</p>	<p>Compliant</p>	<p>The current Chief Executive appointment occurred whilst the OGA was an Executive Agency of DECC and not yet an arm's length body.</p> <p>Future Chief Executive appointments will be made by the OGA Board, on the recommendation of the Nominations Committee. BEIS are to be consulted and approve the terms and conditions of appointment. As set out in the Memorandum of Understanding (MoU) between the OGA and BEIS, when an appointable candidate has been identified through the selection process, their name will be forwarded to the SoS for endorsement. If the SoS is unhappy with the chosen candidate, they may ask the Nominations Committee to reconsider its decision. They may not veto the appointment.</p>
<p>The Secretary of State should meet the Chair and/or Chief Executive on a regular basis.</p>	<p>Compliant</p>	<p>The Minister of State for Energy and Clean Growth is responsible for the OGA and meets the OGA Chair and/or Chief Executive on a regular basis. These meetings include discussions about the oil and gas industry.</p> <p>The former Minister of State for Energy and Clean Growth met the OGA Chief Executive on 21 May 2018. The Minister later met the Chief Executive and interim Chair on 7 November 2018.</p> <p>Meetings between the new BEIS Secretary of State and OGA Chief Executive and the new Minister of State for Energy and Clean Growth and the OGA Chair and Chief Executive took place in the summer of 2019.</p>
<p>Parliament should be informed of the activities of the public body through publication of an annual report.</p>	<p>Compliant</p>	<p>The OGA prepares annual accounts in accordance with statutory requirements. The OGA's annual report and accounts are laid before Parliament each year and are also made available on the OGA website.</p>

Principles of corporate governance	Assessment	Explain
<p>A range of appropriate controls and safeguards should be in place to ensure that the Secretary of State is consulted on key issues and can be properly held to account (e.g. Business Plan, power to require information, a general or specific power of Ministerial direction over the public body, a power for the Secretary of State to be consulted on key financial decisions.)</p>	<p>Compliant</p>	<p>The Framework Document specifies Ministerial responsibilities accordingly, and there are a range of appropriate controls and safeguards set out under the Framework Document and Memorandum of Understanding to ensure that the SoS is consulted on key issues. The policy sponsor team advises the SoS on the strategic direction of the OGA in the context of wider government policy.</p> <p>The SoS receives the OGA five-year Corporate Plan prior to publication for endorsement. The latest Corporate Plan (2019-2024) was published by the OGA in April 2019.</p>

Principles of corporate governance	Assessment	Explain
<b>Roles and Responsibilities</b>		
<p><b>Role of the Sponsoring Group:</b> The Group should scrutinise the performance of the public body. There should be appropriate systems and processes to ensure effective governance, risk management and internal control in the public body.</p>	Compliant	<p>The policy sponsor team regularly scrutinises and assesses the performance of the OGA. The OGA shares Board papers and risk reports with the policy sponsors. The policy sponsor completes and agrees a quarterly partner organisation assessment risk reporting template with the OGA which is submitted centrally within the Department. The Shareholder Representative Director sits on the OGA Board. The policy sponsor team is represented on the OGA Audit and Risk Committee. In addition to this, regular performance review meetings are held between the OGA Chair, Chief Executive and sponsoring group where the performance of the organisation is monitored.</p> <p>The Framework Document currently specifies the role of the policy sponsor team as follows:</p> <ol style="list-style-type: none"> <li>a. monitor the performance of the OGA;</li> <li>b. assess and assure the SoS / [Public Accounting Officer] PAO that the OGA is delivering its objectives effectively, including by providing advice on OGA progress and performance;</li> <li>c. advise the SoS in relation to the SoS Rights and Consent Matters and the exercise of any other rights held by the SoS;</li> <li>d. ensure that the OGA has the delegated authorities necessary for effective delivery and to continuously evolve and respond to changing dynamics;</li> <li>e. advise the SoS / PAO on the strategic direction of the OGA in the context of wider departmental or cross-governmental policy objectives;</li> <li>f. advise the Chief Executive and the OGA Board of central policy developments that might impact upon the OGA;</li> <li>g. assist the Chief Executive and the OGA Board in the handling of complex relationships across government including co-ordinating requests by HMG for OGA services outside of agreed MoUs, and in implementing the recommendations emerging from formal reviews that cover the OGA;</li> <li>h. provide Ministers with any support, briefing or information ancillary to the effective delivery of BEIS policy by the OGA;</li> <li>i. advise the SoS / PAO on how to respond to performance information concerning the OGA; and</li> <li>j. assess risks to BEIS's objectives.</li> </ol>



Principles of corporate governance	Assessment	Explain
<p>There should be a Framework Document in place which sets out clearly the aims, objectives and functions of the public body and the respective roles and responsibilities of the Secretary of State, the Sponsoring Group and the public body. It should be regularly reviewed and updated and follow relevant CO and HMT guidance. The Framework document should include a Financial Memorandum as an appendix.</p>	Compliant	<p>There exists a Framework Document between the OGA and BEIS published in 2016. The Framework Document is supplemented by an MoU between the OGA and BEIS published in September 2016. Both the Framework Document and MoU will be reviewed and updated following the first three-year review of the OGA to reflect the current position. The OGA Financial Memorandum takes the form of an Annual Delegations Letter.</p>
<p>A Sponsor should be identified and there should be regular and on-going dialogue between the Sponsoring Group and the public body. Senior officials from the Sponsoring Group may as appropriate attend the OGA's meetings.</p>	Compliant	<p>The BEIS policy and governance sponsor teams are well-known to the OGA and have a good working relationship with it. The Framework Document also specifies the role of the sponsor teams.</p> <p>The OGA also works closely with BEIS Finance.</p>
<p><b>Role of the Board:</b> The board of the public body should meet regularly, retain effective control over the body, and monitor the SMT, holding the CEO accountable for the performance and management of the public body.</p>	Compliant	<p>The OGA Board is responsible for providing clear strategic direction to the OGA. The Framework Document specifies the role of the Board and links to Terms of Reference (ToR) for the Board and the accountability of the Chief Executive. The Board meets regularly and conducts its business in line with the ToR. The Board scrutinises the performance of the OGA Senior Management Team and holds the Chief Executive accountable for the performance and management of the OGA. The OGA Board has Audit and Risk, Remuneration, and Nominations Committees.</p>



Principles of corporate governance	Assessment	Explain
<p>The board of the public body should be appropriate in size with membership from a diverse background.</p>	<p>Compliant</p>	<p>In line with the Framework Document and Cabinet Office guidelines, the OGA Board is appropriate in size and membership. The Framework Document specifies that the OGA Board will consist of at least six and no more than 12 Directors, including at least two executive members (the Chief Executive and the Chief Financial Officer). The OGA Board currently has seven members. Independent Non-Executive Directors (“NEDs”) constitute the majority of the OGA Board. The OGA Board is diverse in regard to gender with a 4:3 ratio of female to male members.</p>
<p>The board of the public body should establish a framework of strategic control specifying what matters are reserved for the board and establish arrangements to ensure it has access to relevant information, advice and resources to carry out its role effectively.</p>	<p>Compliant</p>	<p>The ToR of the Board, together with the Framework Document agreed with BEIS lay out the matters reserved for the Board and establish arrangements to ensure it has access to relevant information, advice and resources to carry out its role effectively. The agenda for Board meetings includes an update from the Chief Executive plus a financial report, together with other items as required.</p> <p>The OGA’s 2018-2019 Annual Report outlines the matters reserved to the Board which are:</p> <ul style="list-style-type: none"> <li>• Approving the OGA’s annual budget and overall financial policy.</li> <li>• Approving the OGA’s annual reports and accounts.</li> <li>• Approving the OGA’s annual corporate plan, long-term objectives and strategic policy framework.</li> <li>• Undertaking a formal review of the Board’s own performance and that of Board Committees. Approving the terms of reference of Board Committees.</li> </ul> <p>Making Sanction and Third-Party Access Decisions.</p>

Principles of corporate governance	Assessment	Explain
<p>The board of the public body should establish formal procedural and financial regulations to govern the conduct of its business.</p>	<p>Compliant</p>	<p>The company's internal management is governed by its Articles of Association. The regulations in the Articles govern the appointment, conduct and removal of Directors, and the conduct of Board meetings and general meetings. Directors are collectively responsible for the management of the company and are bound by the general duties of Directors, as set out in the Companies Act 2006.</p> <p>Directors delegate their powers to management through the Chief Executive, and as set out on the management system. A delegation framework sets out these powers and how they are delegated. The Board has agreed a strategic financial framework, which sets out the financial principles by which the company is run. As a public body, Directors are also bound by Managing Public Money, and the Code of Conduct of Board Members of Public Bodies.</p>
<p>The board of the public body should make a senior executive responsible for ensuring appropriate advice is given on financial matters, procedures are followed, and that all applicable statutes and regulations and other relevant statements of best practice are complied with.</p>	<p>Compliant</p>	<p>The Chief Financial Officer presents a monthly finance report to the Board and provides advice on financial matters as appropriate, and in accordance with accounting best practice.</p> <p>Additionally, as set out under the Framework Document, the Chief Executive is responsible for ensuring that the OGA's financial management is effective; timely forecasts and monitoring information on performance and finance are provided to BEIS; the Department is notified promptly if over or under spends are likely; and that any necessary corrective action is taken.</p>
<p>The board of the public body should establish a remuneration committee to make recommendations on the remuneration of top executives. Information on senior salaries should be published. The committee should ensure that rules for recruitment and management of staff provide for appointment and advancement on merit.</p>	<p>Compliant</p>	<p>The OGA Board has an established Remuneration Committee which approves and oversees the OGA's policies governing terms and conditions of service, including the performance, remuneration, pensions, allowances, early retirement and redundancy of all Directors and employees of the OGA.</p> <p>The Remuneration Committee also agrees bonuses and ensures that the rules for recruitment of staff provide for appointment and advancement on merit. Information on senior salaries is available in the OGA's annual report and accounts.</p>

Principles of corporate governance	Assessment	Explain
<p>The board of the public body should evaluate annually, including an evaluation of the chair and board members.</p>	<p>Compliant</p>	<p>The OGA conducts a performance evaluation of the Board every year: internal evaluations for two years, and an external evaluation every third year. In November 2017, the Board commissioned Fidelio Partners to conduct an evaluation of its effectiveness. All Directors and the company secretary completed a bespoke questionnaire and attended an interview with Fidelio Partners. In December 2017, Fidelio Partners observed a Board meeting in Aberdeen. Fidelio Partners presented a report to the Board in February 2018, commending the Board as a very strong one, with Directors demonstrating good knowledge of their duties, strong commitment to their roles and a real appetite for learning.</p> <p>The 2018-19 Board evaluation was an internal evaluation and is reported as follows in the corporate governance statement:</p> <p><b>Board evaluation</b>  In January 2019, Directors completed a Board evaluation questionnaire. The Board discussed the anonymised responses at the February 2019 Board meeting. The responses indicated that Directors were content with the current cycle of eight Board meetings a year. Directors were content with the evolution of the agenda to focus increasingly on testing strategy, supporting the executive with prioritisation when needed, and allowing time for informal lunches with staff.</p> <p><b>Evaluation of directors</b>  BEIS conducts the evaluation of the Chair, in accordance with the recent guidance developed by the BEIS Partnership Organisations team. The OGA Chair assesses the performance of the Non-Executive Directors. The Remuneration Committee evaluates the performance of the Chief Executive and the Chief Financial Officer.</p>

Principles of corporate governance	Assessment	Explain
<p><b>Role of the Chair:</b> The board should be led by a non-executive Chair, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement.</p>	Compliant	<p>The Chair is the lead Non-Executive Director of the OGA Board. The Chair's duties, roles and responsibilities, terms of office and remuneration are clearly set out in the appointment letter and associated terms and conditions, and are in line with Cabinet Office guidance and any statutory requirements.</p> <p>The Framework Document further specifies the role of the Chair and their associated responsibilities.</p>
<p>There should be a formal, rigorous and transparent process for the appointment of the Chair, which is compliant with the Code of Practice issued by OCPA. The Chair should have a role in the appointment of non-executives.</p>	Compliant	<p>The appointment of Chair is made by the SoS and complies with the code of practice issued by OCPA. The current Chair was appointed in March 2019. The Chair will have a role in the future appointment of Non-Executives to the Board. Such decisions are made collectively by the Board.</p>

Principles of corporate governance	Assessment	Explain
<p>The responsibilities of the Chair can include:</p> <ul style="list-style-type: none"> <li>• representing the public body in discussions with the Secretary of State.</li> <li>• advising the Sponsor Group/the Secretary of State about board appointments and performance of non-executive members.</li> <li>• ensuring non-executives understand their responsibilities; are trained appropriately and undergo annual assessments.</li> <li>• ensure the OGA takes account of guidance provided by the Secretary of State; carries out its business efficiently and effectively, has its views represented to the public.</li> <li>• develops effective working relationships with the CEO (role of Chair and CEO must be held by different individuals.)</li> <li>• subject to an annual appraisal by the Permanent Secretary or relevant Director General.</li> <li>• appraises other board members ensuring they are performing to standard, following disciplinary procedures if necessary and ensuring they are committing the appropriate time to the work.</li> </ul>	Compliant	<p>The roles and responsibilities of the Chair are set out in the Chair appointment letter issued by the Department, and Framework Document. The responsibilities of the Chair in section 10 of the Framework Document are aligned to those listed here. For example, the Chair leads on the appointment, induction, succession and assessment of NEDs to ensure that the OGA Board has an appropriate and relevant balance of skills.</p>

Principles of corporate governance	Assessment	Explain
<p><b>Role of the Chief Executive Officer (CEO):</b> the public body should be led by a CEO, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement.</p>	Compliant	<p>The OGA is led by the Chief Executive. The terms and conditions of the Chief Executive role, provided on appointment, are in line with CO guidance and statutory requirements and include remuneration details. The Framework Document lays out the responsibilities and terms of the appointment.</p> <p>The “Dear Accounting Officer” letters from the BEIS Permanent Secretary to the Chief Executive dated 20 March 2015 and 22 September 2016 set out the roles and responsibilities of the Chief Executive in their capacity as AO for the OGA.</p>
<p>There should be a formal, rigorous and transparent process for the appointment of the CEO.</p>	Compliant	<p>The Chief Executive was appointed in January 2015 following an open recruitment process. This process occurred when the OGA was part of DECC. The appointment was a decision for the Permanent Secretary of DECC and obtained ministerial ratification.</p> <p>Future Chief Executive appointments will be made by the OGA Board following consultation with the Department.</p>

Principles of corporate governance	Assessment	Explain
<p>The responsibilities of the CEO can include the responsibilities of the Accounting Officer, which involve:</p> <ul style="list-style-type: none"> <li>• overall responsibility for the public body's performance, accounting for any disbursements of grant to the public body.</li> <li>• establish the public body's corporate and business plans and departmental targets.</li> <li>• management of senior staff within the public body ensuring they are meeting objectives and following disciplinary procedures if necessary</li> <li>• maintains accounting records that provide the necessary information for the consolidation if applicable.</li> </ul>	Compliant	<p>The role of the Chief Executive carries with it the responsibilities of AO. This is reiterated in the "Dear Accounting Officer" letters dated 20 March 2015 and 22 September 2016 which sets out the what is expected of the AO role.</p> <p>The Chief Executive's responsibilities are aligned to those listed here. In their capacity as AO, the Chief Executive is responsible for the OGA's use of resources in carrying out its functions as set out in the Framework Document between the OGA and BEIS.</p> <p>The AO responsibilities are further set out in Chapter 3 of Managing Public Money. The AO is personally responsible for: safeguarding the public funds for which they have charge; ensuring propriety and regularity in the handling of public funds; and, day-to-day operations and management of the OGA. The Chief Executive ensures that the OGA as a whole is run in accordance with the standards set out in Box 3.1 of Managing Public Money.</p>
<p><b>Role of the Non-Executive Board Members:</b> Non-executive members should form the majority of the board.</p>	Compliant	<p>The Board membership currently comprises two executive members, four Non-Executive members, and the Shareholder Representative Director.</p>

Principles of corporate governance	Assessment	Explain
<p>Non-executive members should be appointed under a formal, rigorous and transparent process compliant with the code of practice issued by OCPA.</p>	<p>Compliant</p>	<p>All OGA Board Non-Executive members are appointed under a formal, rigorous and transparent process compliant with the code of practice issued by the OCPA and the guidelines set out in the OGA Framework Document.</p> <p>The OGA Chair is appointed by the SoS, and the other Non-Executive members have been appointed according to the recommendations of the Board's Nominations Committee.</p> <p>The OGA Board is expected to have due regard to the OCPA code of practice and principles that the search for Board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the OGA Board.</p>
<p>Non-executive members should have their duties, roles and responsibilities, terms of office and remuneration set out clearly and formally defined in writing. Their terms and conditions must be in line with CO guidance and any statutory requirement.</p>	<p>Compliant</p>	<p>The appointment letters for Non-Executive members, together with the ToR of the Board, and Framework Document lay out their responsibilities and duties.</p>
<p>Non-executive members should be independent of management.</p>	<p>Compliant</p>	<p>Non-Executive Board members are independent of OGA management. Their terms and conditions clearly state that they are not employees of the OGA.</p>
<p>Non-executive members should allocate sufficient time to the board with details of their attendance published.</p>	<p>Compliant</p>	<p>Non-Executive members are expected to allocate sufficient time to the Board as set out in their terms and conditions of appointment. Details of their attendance are published with the Board minutes on the OGA website.</p>
<p>Non-executive members should undergo proper induction, and appraisals.</p>	<p>Compliant</p>	<p>Non-Executive members receive a structured induction to the OGA and its broader context, including a programme of meetings with key stakeholders, to enhance and support their understanding of issues brought to the Board.</p>



Principles of corporate governance	Assessment	Explain
<p>Non-executive members' responsibilities include:</p> <ul style="list-style-type: none"> <li>• establishing strategic direction of the public body and oversee development and implementation of strategies, plans, priorities and performance/financial targets.</li> <li>• ensuring the public body complies with statutory and administrative requirements on the use of public funds and operates within its statutory and delegated authority.</li> <li>• that high standards of corporate governance are observed.</li> </ul>	<p>Compliant</p>	<p>The duties of Non-Executive Board members are outlined in the Framework Document between BEIS and the OGA, their terms and conditions together with the ToR of the Committees they attend and include the responsibilities as listed.</p>

<b>Effective Financial Management</b>		
Publish on time an objective, balanced and annual report which complies with Treasury guidance, and includes an Annual Governance Statement.	Compliant	The Annual Reports and Accounts are published on time each year and laid before Parliament prior to the summer recess. The most recent report was published on 4 July 2019.
Comply with NAO requirements relating to the production and certification of their annual accounts.	Compliant	NAO are responsible for the auditing and approval of the Annual Report and Accounts of the OGA.
Have effective systems of risk management as part of their systems of internal control.	Compliant	<p>Directors have delegated regular review of management's assessment of the strategic risks facing the OGA to its Audit and Risk Committee. The OGA maintains a strategic risk register which identifies the top risks it faces, including those identified and escalated from within the organisation and those identified by the leadership team or by a Board committee.</p> <p>All risks in the strategic risk register have a named leadership team risk owner. All risks have mitigation measures in place to reduce the potential impact to an acceptable level wherever possible. Material changes to the risks, including any new or escalated risks, are reviewed in accordance with the OGA's risk management review cycle: quarterly by the leadership team and three times a year by the Audit and Risk Committee. The full Board reviews risk, taking a clean sheet perspective, once a year.</p> <p>The OGA Chief Executive and Leadership Team continue to reinforce a strong culture of risk awareness and risk management in the organisation. The principal risks identified by the OGA are detailed each year in the company's Annual Report and Accounts.</p> <p>In addition to this, the Audit and Risk Committee provides assurance to the Board and, when it is not satisfied with any aspect of the OGA's internal controls and reporting, it reports its views to the Board.</p> <p>The BEIS policy sponsor team also works with the OGA to complete and agree a quarterly partner organisation risk assessment reporting template, which is submitted centrally within the Department.</p>

<b>Effective Financial Management</b>		
Ensure an effective internal audit function is established which operates to Government Internal Audit Standards in accordance with CO guidance.	Compliant	The Government Internal Audit Agency works collaboratively with the OGA to plan, agree and implement the annual internal audit plan. The Head of Internal Audit attends the Audit and Risk Committee, providing progress reports on the internal audit plan. In 2018, two audits (data protection and financial controls) received substantial assurance.
Have appropriate financial delegations in place understood by all relevant staff and stakeholders. Effective systems must be in place to ensure compliance with these delegations and the systems are regularly reviewed.	Compliant	<p>Directors delegate their powers to management through the Chief Executive. A delegation framework sets out these powers and how they are delegated. The Board has agreed a strategic financial framework, which sets out the financial principles by which the OGA is run.</p> <p>The OGA has put in place policies and procedures to ensure that staff operate in accordance with the strategic financial framework. Both the finance and information security teams issue regular alerts and updates for staff.</p>
Have anti-fraud and anti-corruption measures in place, and clear published rules governing claiming of expenses, with systems in place to ensure compliance. Information on expenses claimed by board members and senior staff should be published.	Compliant	<p>The OGA has procedures in place to ensure relevant anti-fraud and anti-corruption checks are made. The OGA also has clear published rules in place to ensure compliance regarding expense claims.</p> <p>Monthly checks are made on expenditure and expenses claims. Information on OGA expenditure is included in the OGA Annual Report. The OGA publishes details of all spending over £500 using a Government Procurement Card (debit card) and details of all spending over £25,000 on a monthly basis. Details of Directors' expenses are published on the OGA website. A log is kept of all prospective gifts and hospitality accepted by Directors.</p>
Establish an audit (or audit and risk) board with responsibility for independent review of the systems of internal control and external audit process.	Compliant	The OGA has an established Audit and Risk Committee which supports the AO in providing oversight of the company's financial reporting process, the audit process, the system of internal controls, identification and management of significant risks, and compliance with laws and regulations. The Committee provides assurance to the Board and, when it is not satisfied with any aspect of the OGA's internal controls and reporting, it reports its views to the Board.

<b>Effective Financial Management</b>		
Take steps to ensure objective and professional relationship is maintained with external auditors.	Compliant	The OGA works closely with the NAO to ensure the annual audit and any other business is carried out transparently and effectively.
Comply with BEIS guidance with regard to any department restrictions on spending.	Compliant	The OGA complies with BEIS guidance on spending restrictions. This guidance is managed via the BEIS finance team.
Report to Corporate Finance with management accounts and Grant in Aid authorities.	Compliant	The OGA's finance team regularly reports to the BEIS finance team on all such matters.

<b>Communication and Engagement</b>		
The public body should establish clear and effective channels of communication with stakeholders.	Compliant	The OGA's Head of Communications and External Affairs uses a series of medium and long-term planning tools to map external events and ensure that the OGA is appropriately represented at key events. The priority engagement plan is reviewed regularly by the Leadership Team.
The public body should make an explicit commitment to openness in all activities. Engage and consult with public on issues of public interest or concern and publish details of senior staff and board members with contact details.	Compliant	The OGA publishes reports and data in the public interest on its website. The OGA website also includes a written statement outlining their commitment to being open and transparent. The details of senior staff and Board members are also publicly available. The contact details of senior staff and Board members are not publicly available but general enquiries may be made via <a href="https://www.ogauthority.co.uk/about-us/contacts/">https://www.ogauthority.co.uk/about-us/contacts/</a>
The public body should hold open board meetings or an annual open meeting.	Not Applicable	The OGA has not adopted this practice, due to the sensitive nature of the matters the Board discusses. However, to ensure that the OGA is an open body, the OGA publishes minutes on its website after they have been approved by the Board.
The public body should proactively publish agendas, minutes of board meetings and performance data.	Compliant	The OGA proactively publishes minutes of Board meetings and performance data on its website.

<b>Communication and Engagement</b>		
<p>The public body should establish and publish effective correspondence handling and complaint procedures, and make it simple for members of the public to contact them/make complaints. Complaints should be investigated thoroughly and be subject to investigation by the Parliamentary Ombudsman. Performance in handling correspondence should be monitored and reported on.</p>	<p>Compliant</p>	<p>The OGA website has a published Feedback and Complaints procedure with contact details. The OGA has a dedicated correspondence inbox and point of contact within the communications team. The OGA policy is to handle all correspondence cases within ten days. Additionally, performance in handling correspondence is monitored and reported at Leadership Team meetings.</p>
<p>The public body should comply with any government restrictions on publicity and advertising, with appropriate rules in place to limit use of marketing and PR consultants. Have robust and effective systems in place to ensure the public body is not engaged in political lobbying, includes restriction on board members attending Party Conferences in a professional capacity.</p>	<p>Compliant</p>	<p>The OGA has an in-house communications and external affairs team which handles all public relations activity. In line with the principles of Managing Public Money, the team outsources very short-term project work (for example, design, event management) only when absolutely necessary and in accordance with the OGA's procurement policy. The OGA code of conduct requires all staff to be politically impartial. The dedicated political activities page on the OGA intranet outlines the extent to which OGA staff may take part in political activities.</p>

<b>Communication and Engagement</b>		
<p>The public body should engage the Sponsor Group appropriately especially in instances where events may have reputational implications on the department.</p>	<p><b>Compliant</b></p>	<p>There exists continuous regular engagement between the OGA and the BEIS sponsorship teams and between relevant members of the senior management teams of both organisations. The regular OGA governance meetings with the sponsor team are used to discuss current workstreams and raise issues including those that may lead to reputational impact for the organisation or BEIS. In addition to this, the BEIS Director of Energy Development and Resilience sits as Shareholder Representative Director on the OGA Board.</p>

<b>Conduct and Propriety</b>		
A Code of Conduct must be in place setting out the standards of personal and professional behaviour and propriety expected of all board members which follows the CO Code and form part of the terms and conditions of appointment.	Compliant	The OGA has a Code of Conduct in place setting out the standards of personal and professional behaviour and propriety required of all members. The OGA Code of Conduct was developed from the Civil Service Management Code and tailored to the OGA, as a non-Civil Service Organisation.
The public body has adopted a Code of Conduct for staff based on the CO model Code and form part of the terms and conditions of employment.	Compliant	The Code of Conduct sets out the required standards of personal and professional behaviour, and key responsibilities of all OGA employees. The Code of Conduct is based on the CO model code and forms part of the terms and conditions of appointment. The Code also incorporates the OGA values and behaviours.
There are clear rules and procedures in place for managing conflicts of interest. There is a publicly available Register of Interests for board members and senior staff which is regularly updated.	Compliant	All staff are required to disclose any shareholding or other interests held by them or their immediate family. Conflict of Interest is covered in the terms and conditions of Employment. Board members' interests are published in the annual report and accounts.
There are clear rules and guidelines in place on political activity for board members and staff with effective systems in place to ensure compliance with any restrictions.	Compliant	The OGA Code of Conduct states that all staff 'must not allow [their] personal political views to inhibit, or appear to inhibit, loyal and effective service to the OGA.' The extent to which they can take participate in political activities is further set out in the Political Activities part of the OGA intranet.



Conduct and Propriety		
<p>There are rules in place for board members and senior staff on the acceptance of appointments or employment after resignation or retirement which are effectively enforced.</p>	<p>Compliant</p>	<p>The OGA Code of Conduct clearly and concisely sets out expectation for all Board members and senior staff on the acceptance of appointments or employment after resignation or retirement which are effectively enforced.</p>
<p>Board members and senior staff should show leadership by conducting themselves in accordance with the highest standards of personal and professional behaviour and in line with the principles set out in respective Codes of Conduct.</p>	<p>Compliant</p>	<p>OGA Board Directors set the tone from the top and engage with staff through informal Board lunches, offsite meetings and the staff mentoring scheme. The Remuneration Committee regularly reviews the OGA's <i>great place to work</i> programme which outlines the OGA's commitment to ensuring it continues to be a fulfilling place to work and is able to attract and retain a diverse range of talent.</p>

---

This publication is available from: [www.gov.uk/government/publications/oil-and-gas-authority-review-2019](http://www.gov.uk/government/publications/oil-and-gas-authority-review-2019)

If you need a version of this document in a more accessible format, please email [enquiries@beis.gov.uk](mailto:enquiries@beis.gov.uk). Please tell us what format you need. It will help us if you say what assistive technology you use.