



Oil & Gas
Authority

OGA & Industry Collaboration in Delivering MERUK

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14th April 2016



Outline

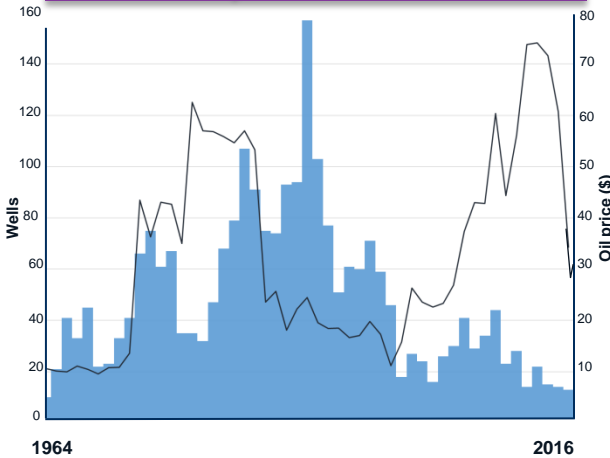
- UKCS Context
- OGA Focus Areas
- Collaboration Examples
- Key Messages



UKCS Context

Exploration

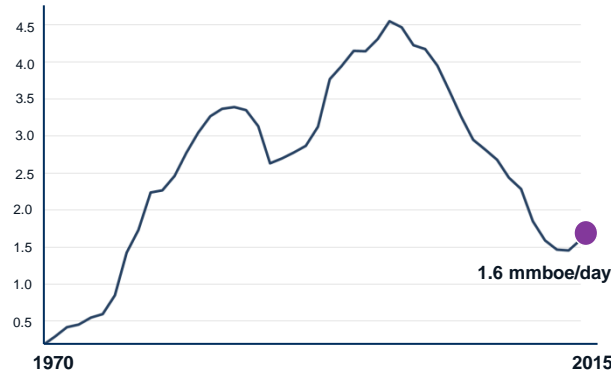
Exploration wells



Notable success 2015
 ➤ 60% success at \$6/boe
 ➤ > 150 mboe discovered

Production

Daily production

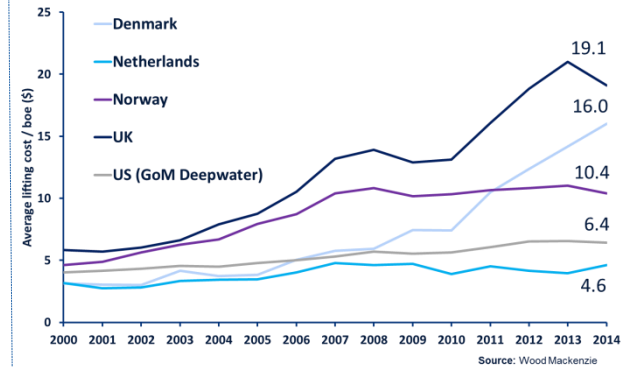


Production up by >9% with new fields & PE increase to nearly 70%

43bn barrels recovered
 Up to 20bn barrels remaining
 70% of UK's total primary energy

Costs

Average lifting cost per barrel (\$)



Operating efficiency improvements
 Sustainable transformation next

Difficult environment with low oil price but turnaround evident

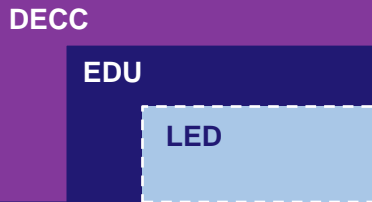


Building the OGA

Evolution of the OGA

Calendar

Historically



Framework Document

Calendar

April 2015



Energy Bill 2015

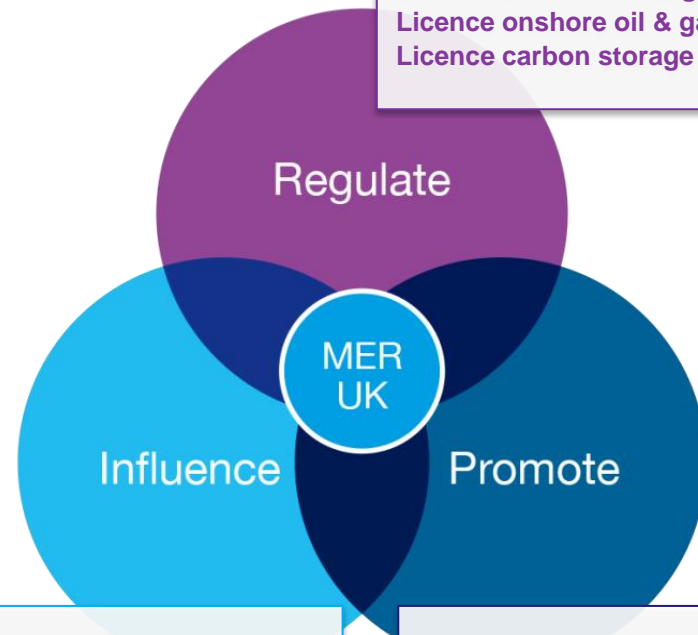
Calendar

Summer 2016



About the OGA

Licence offshore oil & gas
 Licence onshore oil & gas
 Licence carbon storage



Industry culture
 Commercial behaviour
 Greater collaboration

Investment in UKCS
 Value creation
 Industry development

Tripartite approach working with Government & Industry



Energy Bill & MERUK Strategy

Energy Bill

- Bill passing through parliament
- Royal Assent expected in Summer 2016

Sanctions

Licence Revocation

Fines up to £1m

Improvement
Notices

Rewards

Greater value via
cooperation

Transparency and
better data access

Timely, effective
decision making

MER UK
benefits all

MER UK Strategy

- Strategy in force since March 18th 2016
- ‘Plans’ will be developed to assist collaboration - with input from industry
- Comprises - Central & Supporting obligations, Required Actions & Behaviours, Safeguards

Central obligation

*“Relevant persons must, in the exercise of their relevant functions, take the steps necessary to secure that the **maximum value of economically recoverable petroleum is recovered** from the strata beneath relevant UK waters.”*

Striking the right balance



2016 Corporate Plan Priorities



Revitalize Exploration

- Seismic Program
- Exploration Strategy & Plan

Improve Asset Stewardship

- Asset Stewardship Strategy & Plan

Drive Regional Development & Protect Critical Infrastructure

- Develop Regional Plans
- Sullom Voe Terminal
- Theddlethorpe Gas Terminal

Develop People, Processes & Systems

- Governance framework
- Shared Services

Improve Decommissioning Efficiency

- Decommissioning Strategy & Plans

Leverage Technology & Data

- Technology Strategy & Plans
- Data Strategy and Plans
- IT transformation

Create the Right Conditions

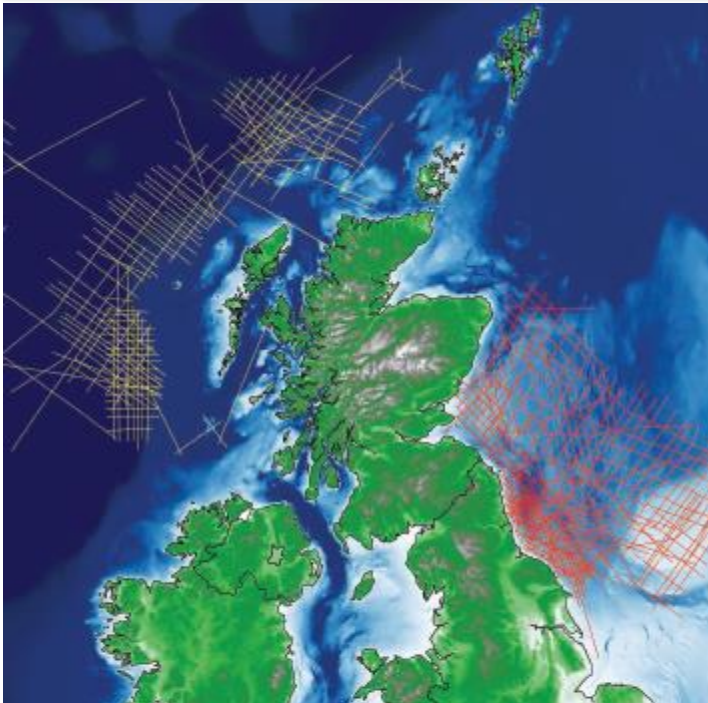
- Policy & guidance
- 29th Licensing Round
- MERUK Forum and Boards
- Contingency team
- Transformation Projects

Clear agenda with focus on delivery



Revitalize Exploration

2015 UK Government £20m funded seismic



- 40,000km new & legacy data
- Rockall Trough & Mid-North Sea High
- Data freely available end Q1 2016
- 29th 'Frontier' Licensing Round in 2016

2015 & 2016 Seismic Acquisition Programs

- 2015 Data package released over 200 applicants
- 2016 tender process to commence by mid April

OGA Competition to Define Potential

- £1m prize money shared between 2015 & 2016
- 2016 seed money awarded to 9 companies

New World-Class Visualization Facility

- £700,000 funding Lyell Centre in Edinburgh which is a JV between BGS and Herriot Watt University

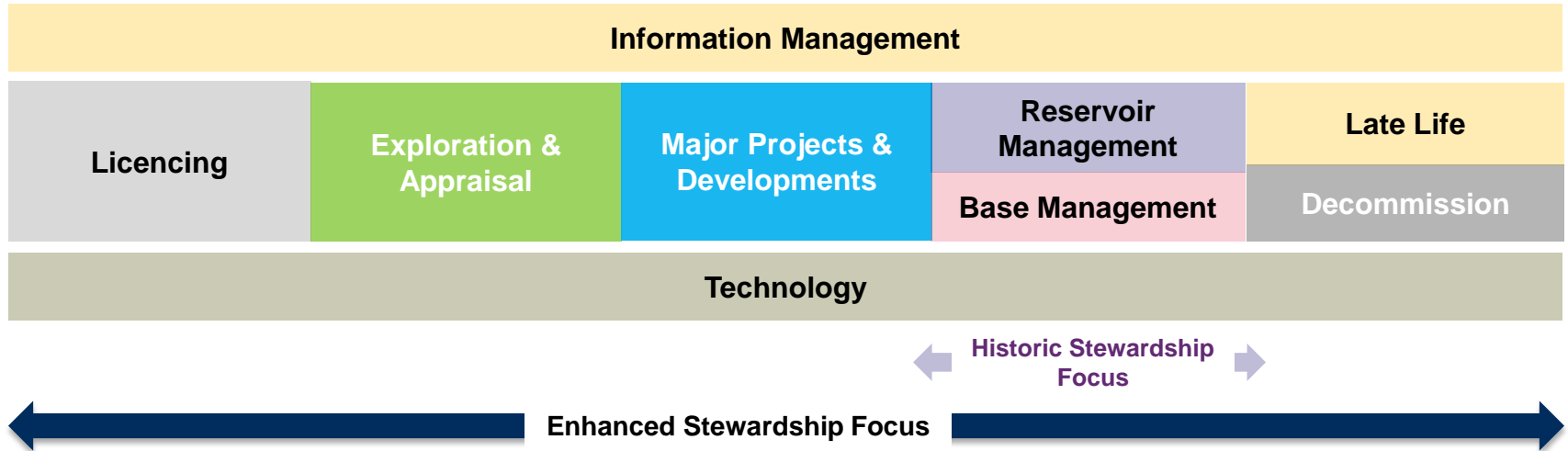
Post-Doctoral Appointments

- £500,000 for two post-doctoral appointments in geoscience and reservoir engineering

Over £40m government funding in last 2 years plus support to academia



Improve Asset Stewardship

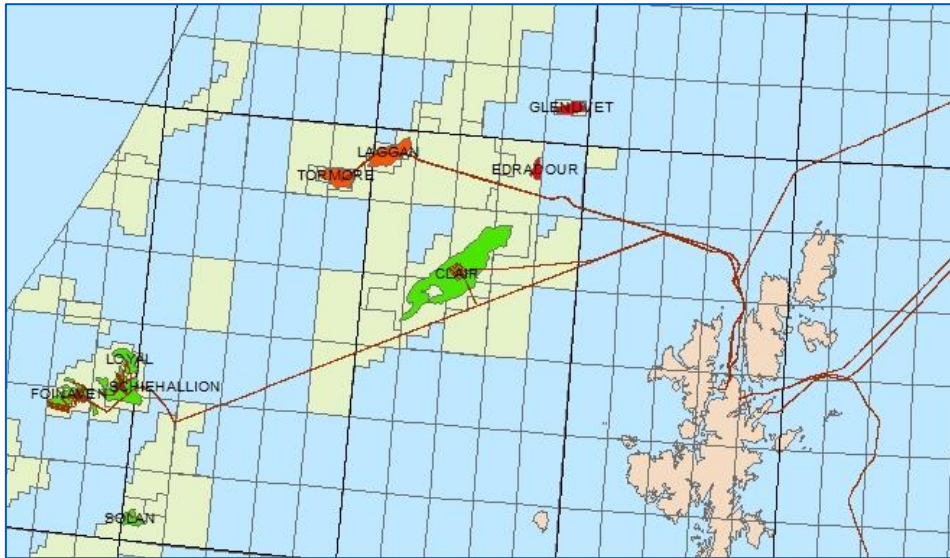


- Asset Stewardship Reviews in progress
- Stewardship Plan Expectations interviews underway
- Rationalisation of OGA industry surveys underway
- Benchmarking tender being developed

Close coordination with MERUK Asset Stewardship Board & issue strategy



Develop Regional Plans



West of Shetland Task Force



TOTAL

DONG
energy



ConocoPhillips



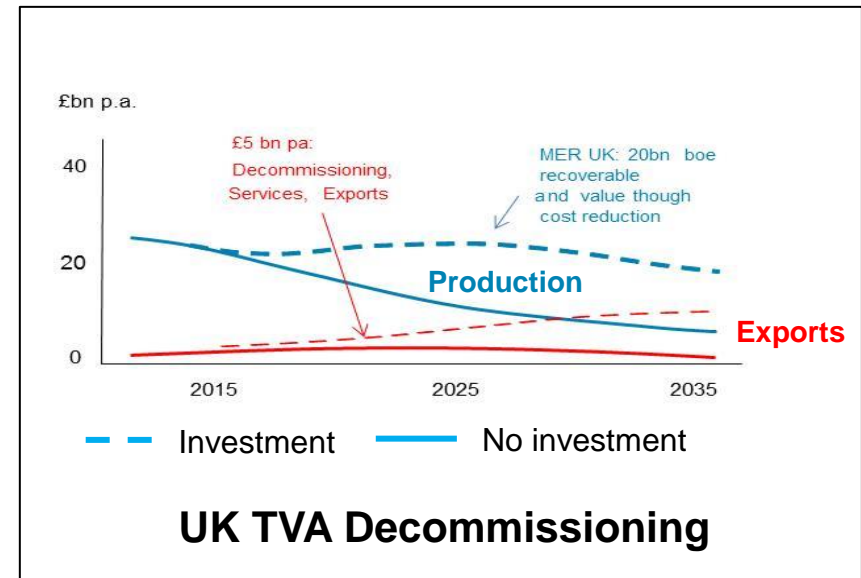
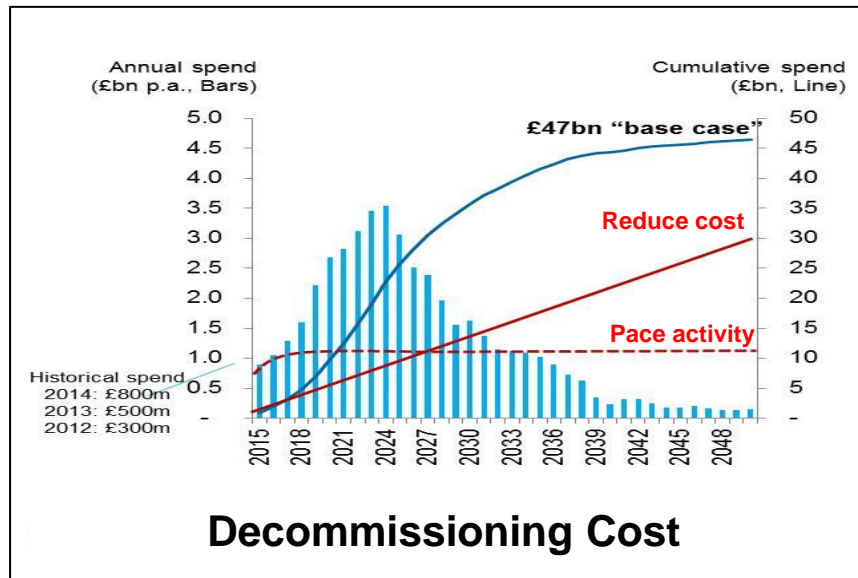
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- Develop gas evacuation strategy to support region
- Consider best use of existing infrastructure
- Potential additional infrastructure needs
- Good technical progress resolving CA data sharing process

MERUK focus to maximize value not individual owner position



Improve Decommissioning Efficiency

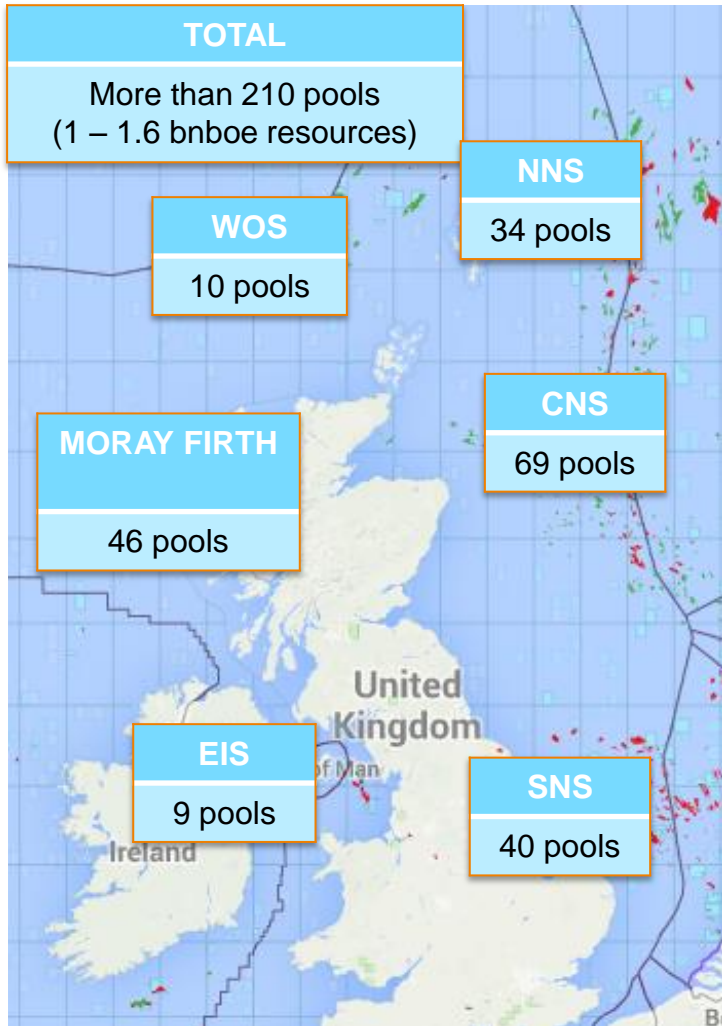


- Update cost estimates & share plan and demand profile
- Demand-led profile to develop low cost capability & capacity
- Develop new business and contracting models for decommissioning
- Scope programme & secure technology funding
- Identify optimal policy and regulatory conditions

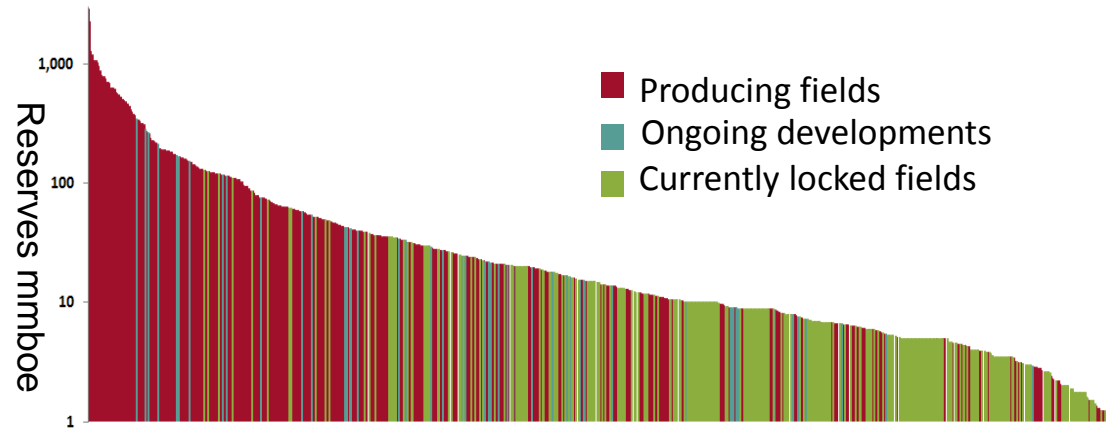
Continue working with HMT & issue decommissioning strategy



Leverage Technology



Small Pools Initiative



- Technology deployment & cost reduction
- Unlock potential for \$20bn investment and 1bn barrels of reserves in the UKCS

2016 focus on matching technology supply with pool demand



Key Messages

- OGA is working closely with Industry & Government to deliver MER UK through collaboration
- Government well briefed and listening and industry is keen to collaborate
- Ingrained commercial behaviours & inability to embrace change are blockers
- Significant potential & value still exists in the UKCS

Need for transformational change to ensure sustainability