

Energy Bill – Oil and Gas Authority (OGA) measures

Department of Energy and Climate Change

RPC rating: - Fit for purpose

Description of proposal

The proposal introduces the primary powers to establish an independent regulator, the Oil and Gas Authority (OGA), and provide it with the powers to ensure all parties within the oil and gas industry act in way consistent with the Maximising Economic Recovery for the UK Continental Shelf (MER UK) strategy.

Impacts of proposal

As the IA relates to primary legislation creating regulation-making powers, there are no immediate monetised costs to business associated with this stage of the legislation. Nonetheless, the Department has provided an indication of the total expected impact of the measure, including indicative estimates of the potential full costs and benefits. The Department intends to provide the RPC with subsequent IAs to accompany secondary legislation. This appears reasonable.

The Department explains that this proposal is in scope but with no costs to business at this time. Based on the evidence presented so far, the IA appears to provide a reasonable assessment of the likely impacts of the secondary legislation. The Department will need to provide figures for scoring at secondary legislation stage.

Quality of submission

The Department has provided a clear indication of the impact of the seven categories of powers to establish and facilitate the implementation of the MER UK. The categories, along with RPC comments for the Department to consider for future IAs, are:

- i. Establishment of the OGA as a Government Company.
The IA explains that as a Government Company, the OGA will be expected to report to Companies House. The Department expects any additional costs to be minimal (paragraphs 59 to 60).

The Department should seek to provide further evidence to support this assumption, including assessing both set-up and ongoing costs.

- ii. Transfer of relevant powers from DECC to the OGA.
- iii. Controls on the OGA's exercise of functions.

- iv. A non-binding dispute-resolution function.

The Department assumes that around ten disputes are likely to be accepted by or called in by the OGA (paragraph 63). The Department should provide more evidence to support this assumption.

- v. A power to require industry to retain and provide the OGA with data and samples.

The Department explains that there is currently considerable uncertainty on the costs and benefits associated with the retention of information by businesses to meet the OGA data requirements (paragraph 77). The Department should seek to strengthen the assumptions within this category.

- vi. An obligation upon industry to invite the OGA to relevant meetings.

- vii. A new regime of civil sanctions and a provision for appeals (provision is expected to be made through the First-tier Tribunal).

The Department explains that under the sanctions process, the OGA might issue 15 information requests to companies on average each year (paragraph 102). The Department should explore whether this will impose costs on compliant companies.

The Department should also consider whether familiarisation, by business, will be required to meet the requirements of the OGA under the seven categories, in particular, those covering enforcement, retention and reporting.

Other comments

The SaMBA is sufficient for this stage of the proposal. The exact number of small and micro businesses involved in the exploration and production of oil and gas on the UK Continental Shelf is unknown. However, it is expected that such businesses would benefit, more than is the case at present, from access to infrastructure and joint working within the industry. They would, therefore, not be excluded from the policy and there is no expectation that the proposal will impose a disproportionate burden upon them. The Department should provide detail of how many of the small and micro business will be affected. Any IA, therefore, accompanying secondary legislation, should aim to estimate the number of small and micro business involved in the industry.

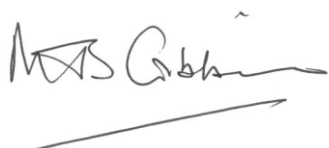
Initial departmental assessment

Classification	IN (Zero net cost)
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Equivalent annual net cost to business (EANCB)	n/a
Business net present value	n/a
Societal net present value	n/a

RPC assessment

Classification	IN (Zero net cost)
Small and micro business assessment	Sufficient



Michael Gibbons CBE, Chairman