



Oil & Gas
Authority

OGA Overview

September 2015



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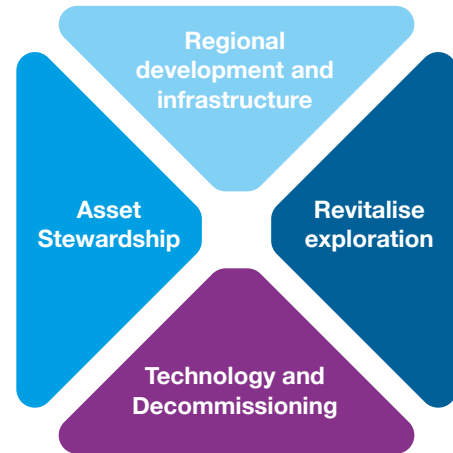


2014 Wood Review

Key recommendations

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

Sector strategies

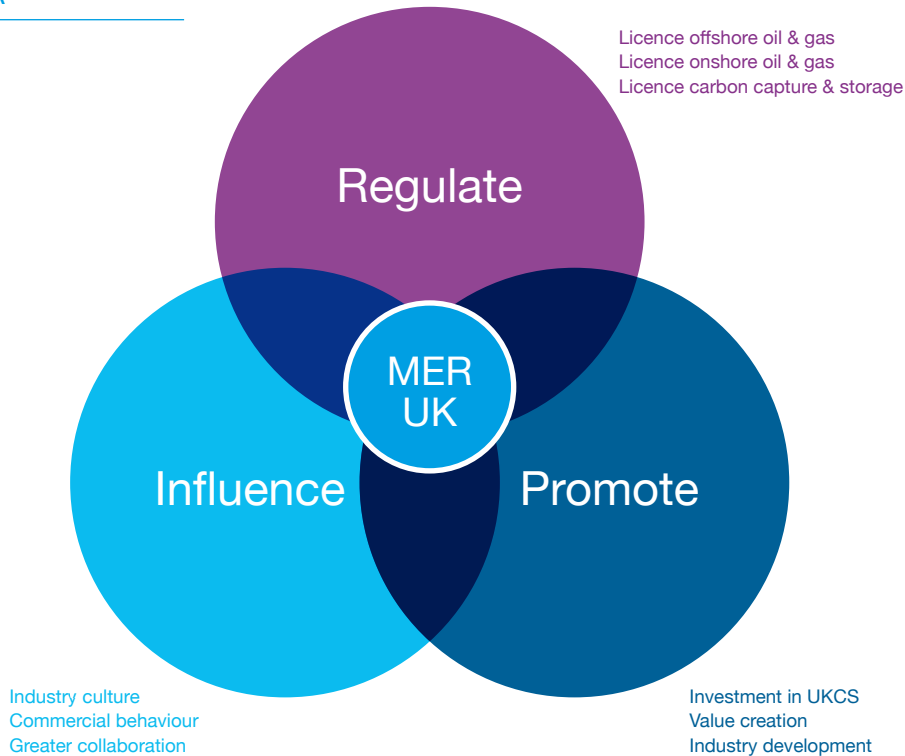


Prize of additional 3-4 billion barrels

Helping to protect industry jobs

About the OGA

Role of the OGA



Creating the OGA

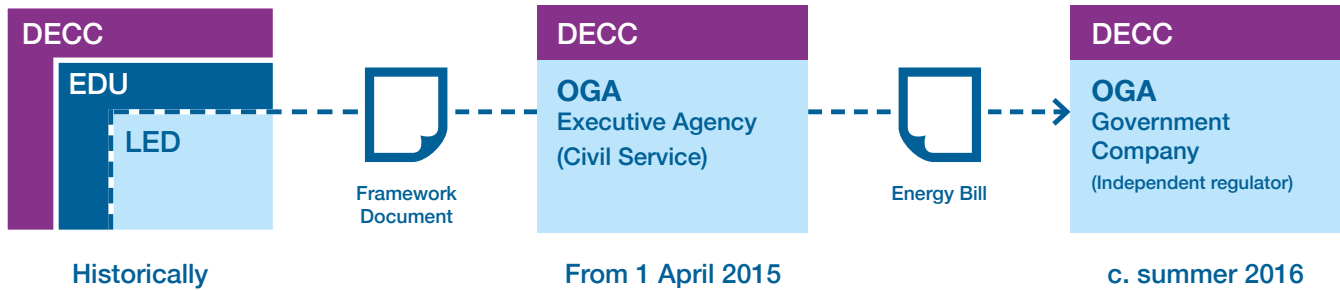
- New independent regulator
- Effective stewardship of resources
- New powers, better resourced and funded
- Catalyst for change and facilitator of action
- Encouraging collaboration

Priorities

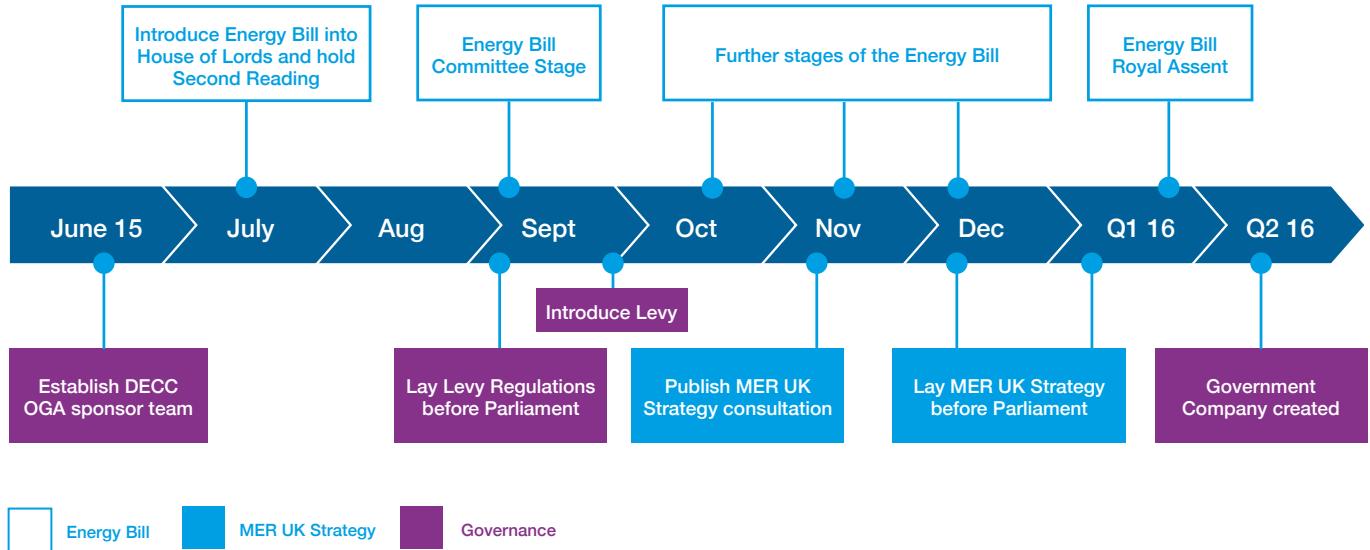


The OGA has a key role to play in driving action

Building the OGA



Provisional legislative and governance timetable



Rapid progress on all fronts

Draft MER UK Strategy

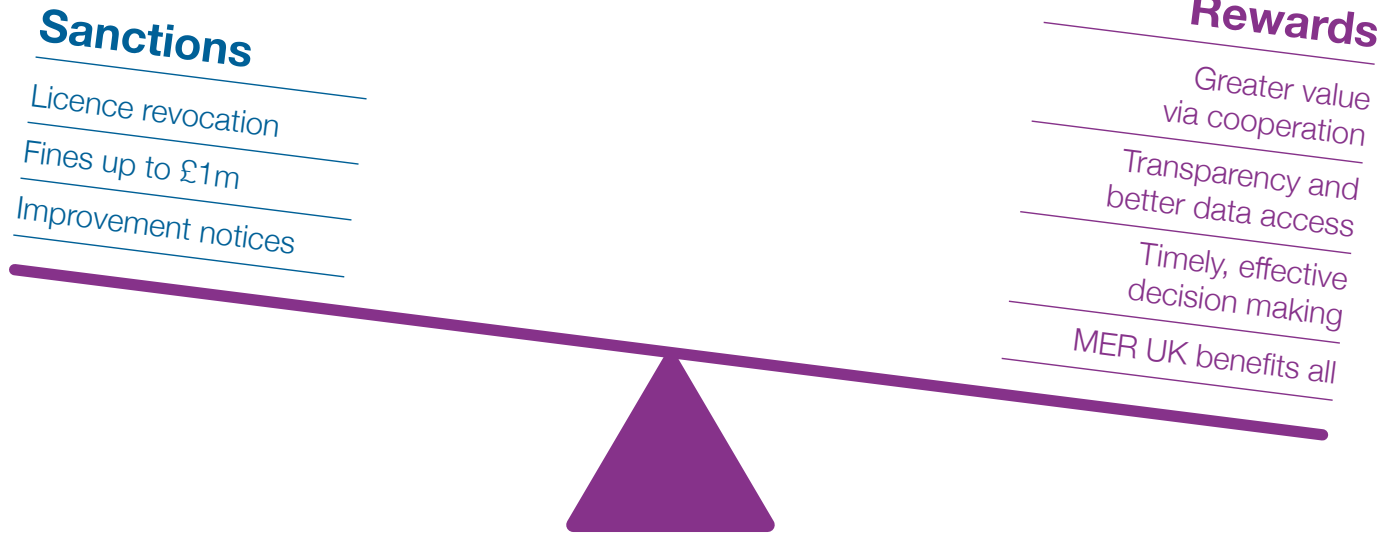
MER UK Definition

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

MER UK Principles

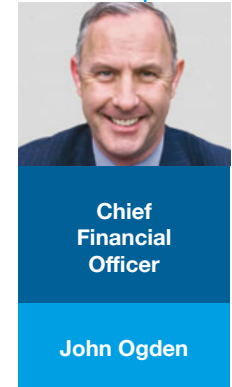
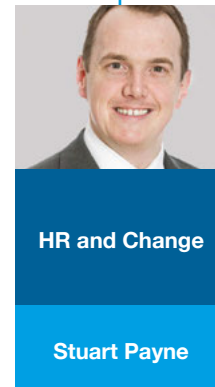
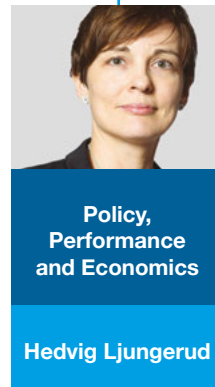
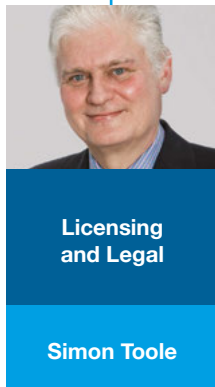
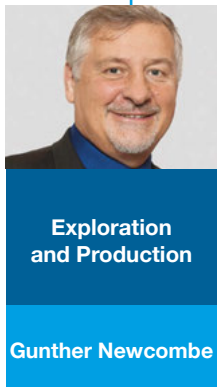
- Maximise net value, not just volume
- Investment will add overall net value to UK
- May oblige companies to redistribute value
- Companies to see satisfactory expected commercial return on investment
- Balance extracting all economic reserves and achieving MER across the UK

Striking the right balance



Combining new regulatory powers with a more proactive approach

Experienced leadership



Developing the organisation

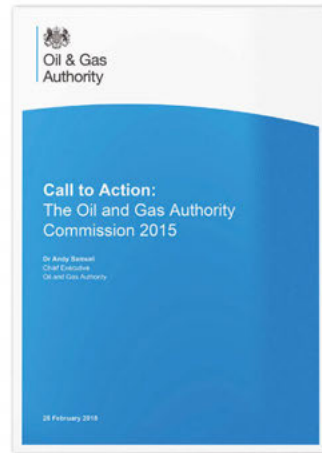
- Building on existing strengths
- Rapidly increasing capability
- Remaining cost-conscious
- Headcount limit to avoid mission creep

Robust governance

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

New organisation effective from 1 July 2015

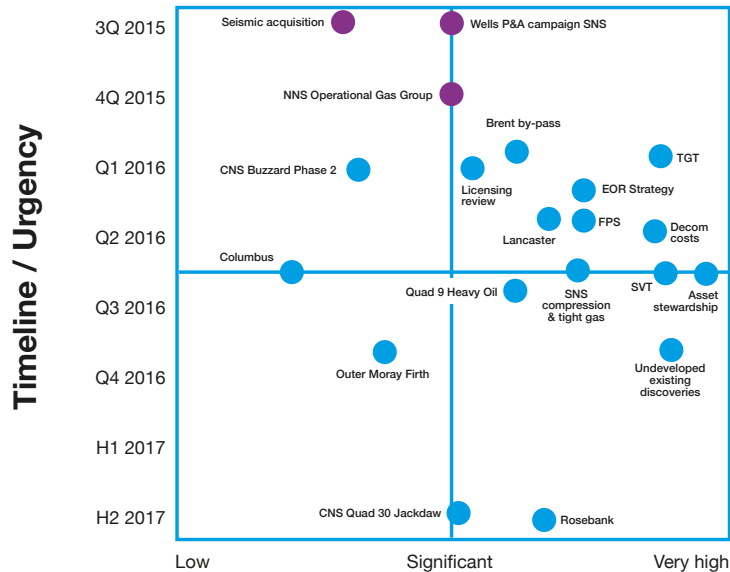
Aligned action



We all need to focus our efforts on the things that matter

Focus on priorities

OGA Opportunity Matrix



Opportunity Area

- Complete
- In Progress

Key

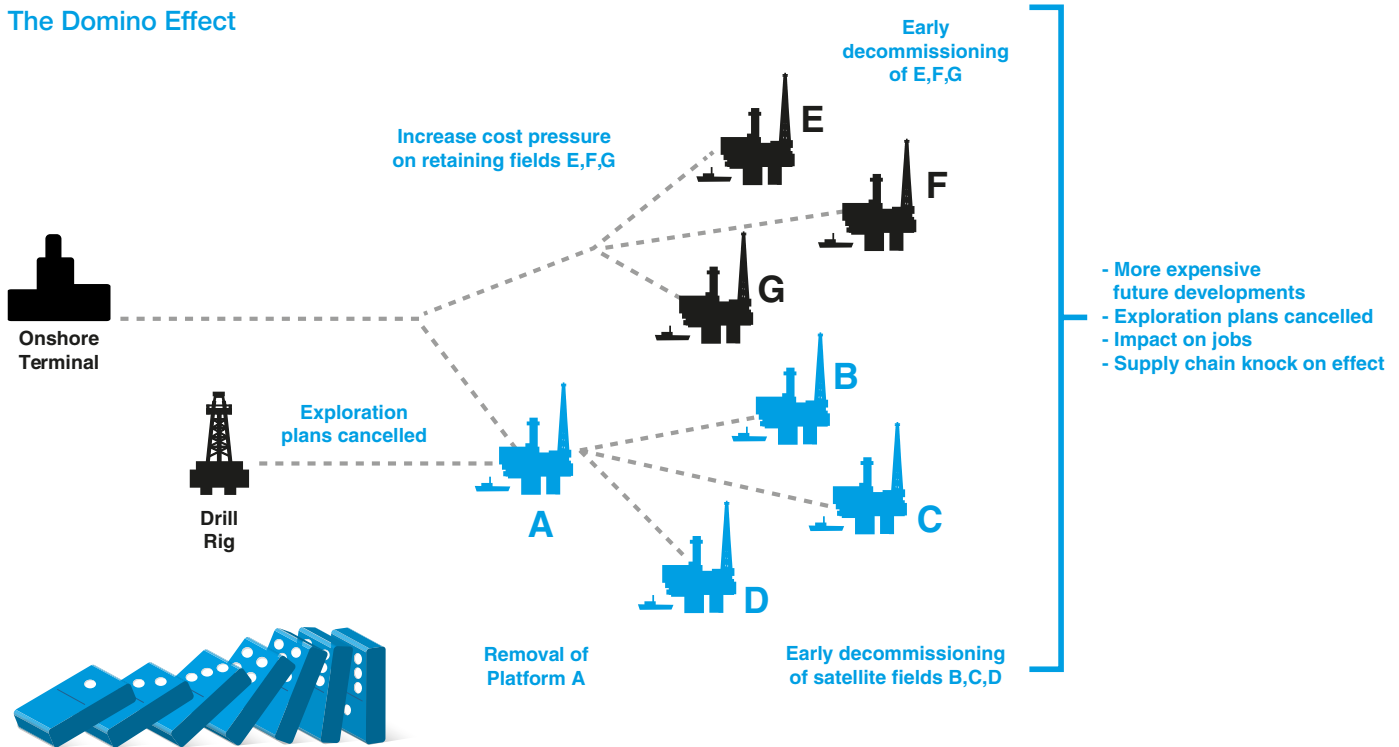
- NNS - Northern North Sea
- CNS - Central North Sea
- SNS - Southern North Sea
- P&A - Plugging and abandonment
- FPS - Forties Pipeline System
- TGT - Theddlethorpe Gas Terminal
- SVT - Sullom Voe Terminal
- EOR - Enhanced Oil Recovery

Relative value at stake

Tackling immediate risks and seizing opportunities

Protect critical infrastructure

The Domino Effect



Immediate action

- Commercial facilitation
- Sullom Voe Terminal
- Theddlethorpe Gas Terminal

Economic assessments

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

Regional plans

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

Urgent action underway to avoid premature decommissioning

Improve production efficiency

Nexen drives 40% improvement in water injection rates and 30% improvement in productivity

Enhanced stewardship strategy

- Senior leadership commitment from MDs
- Increased transparency on data and plans
- Stewardship across each lifecycle stage

Data-driven approach

- Track and review 'company scorecards'
- Leading and lagging performance indicators
- Increase efficiency, value and accountability

Managing late-life assets

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

Some good examples but need for significant improvement

Create a competitive cost base

BP generates \$32 million by reviewing inventory management and disposing of surplus materials

BP's Clair platform West of Shetland

Rising operating costs

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

Cross-sector efficiency study

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

OGUK Efficiency Task Force

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

Essential that good intentions quickly translate into tangible results

Revitalise exploration

UK Government-funded seismic

40,000km of new and legacy data

Rockall Trough, Outer Hebrides

Mid-North Sea High

Total area 220,000km²

Data freely available early 2016

WesternGeco Vespucci

Well reviews and analysis

- Rigorous analysis of failed wells
- Fundamental technical work must improve
- Introduce OGA quality assurance process

Improve data quality

- OGA will coordinate data quality and sharing
- In-depth evaluation of regional prospectivity
- Provide high-quality digital geological maps

Future licensing rounds

- 29th Round 2016 – under-explored frontier blocks
- 30th Round 2017 – mature parts of the basin
- Time to evaluate existing work commitments and relinquishments

We will work with operators to 'high-grade' prospect inventories

Drive investment

£1.3 billion package of measures introduced in March Budget



Supplementary Charge
reduced from 30% to 20%



£20 million for new
geographical surveys



Confirmation of new basin-wide
investment allowance



Petroleum revenue tax
reduced from 50% to 35%

Driving Investment Plan

1

Overall tax burden will need to fall as the basin matures in line with MER UK

2

HMG will consider wider economic benefits of oil and gas production

3

HMG will take account of the global competitiveness of the UKCS

Future fiscal priorities

Barriers to exploration, infrastructure access and new entrants for late-life assets

HM Treasury and the OGA will take an holistic approach to delivering these priorities

We will work with industry to gain full access to information and focus on the right issues

We will continue to provide expertise and evidence to HM Treasury

Decommissioning collaboration

SNS well plugging and
abandonment initiative

Collaboration on 500 wells
with up to 40% cost savings

Efficiency opportunities

Right assets; right hands:

alleviate obstacles to mergers and acquisitions

Industry cooperation:

economies of scale; joint campaigns

Standardisation:

equipment sharing, efficiencies and reduce risks

Technology:

P&A, topsides removal, pipeline inspections

Supply chain:

capacity planning, incentives, global exports

Who does what

OGA

Area Teams

- Cessation of production
- Regional approach
- MER UK compliant

Decom Teams

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

DECC

DECC Team

- Funding and security
- Programme approval
- Regulatory compliance
- Environment risk/mitigation

A huge prize: cost and efficiency is key

Support the supply chain

Export growth

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

Increasing efficiency

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

OGA approach

- Alliances and campaigns
- Improve project execution
- Encourage standardisation

Delivering a focused technology strategy

Technology Leadership Board priorities



Small Pool Development



Integrity and Inspection



Well Construction

Promote a strong supply chain that competes globally

OGA approach

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

Develop people, retain skills

Values and behaviours
workshop with cross-
industry dialogue

Energy Jobs Task Force

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

Continued training and development

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



Industry must consider all alternatives to redundancy

Culture and behaviours

Creating the right behaviours

- Overzealous behaviour still an issue
- Create culture necessary to deliver MER UK
- Cross-industry engagement
- Identifying behavioural barriers
- Industry Behaviours Charter

OGA values and behaviours

Values	Accountable	Fair	Robust	Considerate
Behaviours	One Team - proactive, efficient, delivery-focused, respected and trusted - a catalyst for change			

Now is the time for everyone to demonstrate leadership

Oil & Gas Day

Oil & Gas Tripartite Dinner

OGA lead

Purpose

- Direct, open and transparent dialogue between Ministers, industry and the OGA
- Reflect on current operating environment – the risks and opportunities

Outcomes

- Building and maintaining strong tripartite relationships – no surprises
- High levels of awareness and understanding between all parties

Oil & Gas Fiscal Forum

HM Treasury lead

- Collective action on fiscal priorities in Driving Investment Plan: Exploration, infrastructure access and barriers to new entrants for late-life assets

- Evidence-based approach embraced by HMT, OGA and industry
- Strong engagement on proposed fiscal measures

Oil & Gas MER UK Forum

OGA/BIS lead

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

- Alignment, accountability and action on key priorities
- Tangible results

Continued participation from government Ministers throughout

Oil & Gas MER UK Forum



Formerly PILOT

Purpose	Drive tripartite action in support of MER UK and maximise UK value from the oil and gas industry as a whole			
Objectives	<ol style="list-style-type: none"> 1. Promote dialogue between government, industry and OGA 2. Provide strategic direction, oversight and support 3. Drive alignment, accountability, action and delivery on key priorities 			
Core work areas	<p>Exploration 1</p>	<p>Asset Stewardship 2</p>	<p>Regional development and infrastructure 3</p>	<p>Cost and efficiency 4</p>
	<p>Technology 5</p>	<p>Decommissioning 6</p>	<p>Supply chain and exports 7</p>	<p>Skills 8</p>
Strategy and Plans	<p>Principles</p> <ol style="list-style-type: none"> 1. Each core work area has executive-level leadership from industry and OGA 2. Each core work area has a five-year plan 3. Each core work area has three key priorities each year 4. The Oil & Gas MER UK Forum will therefore drive no more than 24 key priorities each year 5. Each key priority completed before moving to next 			
Reporting	The Oil & Gas MER UK Forum will produce an annual progress report			
Frequency	3 x 2-hour meetings pa	Secretariat	OGA external affairs team	

Integration of PILOT and Oil and Gas Industry Council

Core work area boards

Boards' Purpose	Deliver tangible benefits in support of MER UK and maximise UK value from the oil and gas industry as a whole							
Objectives	<ol style="list-style-type: none"> 1. Develop a clear strategy, priorities and plans 2. Create leadership alignment and leverage tripartite action – forum for consultation 3. Deliver tangible and quantifiable results – communicate to the MER UK Forum and whole industry 							
MER UK Boards	Exploration 1	Asset stewardship 2	Regional development and infrastructure 3	Cost and efficiency 4	Technology 5	Decommissioning 6	Supply chain and exports 7	Skills 8
	Phil Kirk Chrysaor	Ray Riddoch Nexen	Paul Goodfellow Shell	John Pearson AMEC FW	Paul White GE	Colette Cohen Centrica	Neil Sims Expro Group	Mike Horgan AMEC FW
	Gunther Newcombe	Gunther Newcombe	Gunther Newcombe	Stephen Marcos-Jones	Angela Seeney	Angela Seeney	Angela Seeney	John McDonald
	Previously Exploration Task Force	Building on Production Efficiency Task Force	Newly created to build on rejuvenated groups	OGUK Efficiency Task Force	Technology Leadership Board	Previously Decom Task Force	Previously Oil & Gas Industry Council	OPITO Board
Frequency	Quarterly		Support		OGA / OGUK / OPITO			

 Industry lead  Support Lead

Who does what in UK Government

Exploration and production including:	
Onshore, offshore and CCS licensing	OGA
Field development plan consents	OGA
Cessation of production approvals	OGA
Pipeline works authorisation	OGA
Infrastructure	OGA
Commercial matters and changes of control	OGA
Flaring and venting consents	OGA
Metering and allocation	OGA
Production outages	OGA
Decom efficiency, costs, technology	OGA
Decom programme approval, execution and monitoring	DECC - OGED
Environmental management and inspection	DECC - OGED
Health & Safety management	HSE

Oil and gas policy including:	
Overall oil and gas policy	DECC
Legislation including the Energy Bill	DECC – WRIT
Oil & gas parliamentary processes	DECC – OGA sponsor team
Decommissioning	DECC - OGED, OGA, HMT
Fiscal and taxation	HMT & OGA trusted advisor
Supply chain and business impact	BIS & OGA
Environment	DECC - OGED
International relations	DECC, OGA, FCO

Key

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

Looking ahead

Building the OGA

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

OGA in action

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

Industry in action

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

Turning commitment into the right action



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