



Offshore Petroleum Regulator  
for Environment & Decommissioning

# **Decommissioning Offshore (Oil and Gas) Installations and Pipelines**

**Guidance on charging a fee in respect of offshore (oil and gas) installations and pipelines decommissioning programmes under the Petroleum Act 1998.**



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## Introduction

- 1.1 The purpose of this guidance, in relation to offshore (oil and gas) installations and pipelines, is to provide stakeholders with information regarding the process and fee structure when a person, or persons jointly, submits a decommissioning programme and in respect of any proposal by a person for the revision of an approved programme. In this guidance “offshore (oil and gas) installations and pipelines” refers to installations and pipelines used or intended to be used for carrying on of petroleum exploration and exploitation activities and for gas storage and unloading, but not to carbon storage installations and pipelines.
- 1.2 Offshore (oil and gas) installations and pipelines have an important role in supplying the nation’s current and future energy needs and meeting our objectives for security of supply. Exploitation of the offshore energy resource also brings with it international obligations to decommission installations and pipelines at the end of their life in order to ensure safety of navigation. Whilst taking account of fishing and protection of the marine environment. The offshore oil and gas industry operates under a statutory decommissioning regime: the Petroleum Act 1998 (“the Act”) (as amended by the Energy Act 2008) for offshore (oil and gas) installations and pipelines.
- 1.3 Section 29 of the Act provides that the Secretary of State can require a person(s) to submit an abandonments programme, commonly referred to as a decommissioning programme, setting out the measures proposed to be taken in connection with the abandonment of offshore (oil and gas) installations and pipelines. In addition it allows the Department to charge a fee to a person submitting such a programme in respect of its expenditure on decommissioning functions carried out under Part 4 of the Act. The Secretary for State also has a power to charge a fee in respect of a proposal to revise an abandonment programme (section 34 sub section (4)).
- 1.4 These guidelines apply to all offshore (oil and gas) installations and pipelines in UK territorial waters and the United Kingdom Continental Shelf.



## Existing Law

### United Kingdom Law: Part 4 of the Petroleum Act 1998

- 2.1 The underlying tenet of Part 4 of the Act is to ensure decommissioning is carried out with the approval of the Secretary of State (“SoS”). Section 29 empowers the SoS, by written notice (“s.29 notice”), to require that “a programme setting out the measures proposed to be taken in connection with the abandonment of an offshore installation or submarine pipeline” is submitted by a person, or persons jointly, to him. Section 30 describes the class of persons upon whom s.29 notices may be served.
- 2.2 Section 34 enables the SoS to determine that an approved decommissioning programme shall: (i) be altered, (ii) have any condition attached to it altered, (iii) have removed from it any existing person, and (iv) have added to it a new person (subject to conditions). Either the SoS himself, or any other person who submitted the decommissioning programme to him, may make a proposal that a particular determination is given.
- 2.3 Once a decommissioning programme has been approved by the SoS, section 36 places those persons who submitted it under a statutory duty to carry it out. As each of the persons who submitted the programme is obliged to secure that it is carried out, the obligation is joint and several. This obligation extends to persons on whom a revised notice is served under s.34, as after such service the notice takes effect as if the programme had been approved after being submitted under s.29 by the persons named in the revised notice.
- 2.4 The Key elements of Part 4 of the Act seek to ensure that the persons who establish (oil and gas) installations and pipelines on the UKCS carry out decommissioning of those facilities and that neither the responsibility for, nor the cost of, that work falls to the tax payer. The definition of “offshore installation” and “submarine pipelines” are contained within sections 44 and 45 of the act respectively.
- 2.5 It is a fundamental principle of the decommissioning regime that a person who is responsible for developing or operating an offshore installation or pipeline should also be responsible for decommissioning at the end of its useful life. The Department will therefore charge Industry a fee for approving and revising offshore (oil and gas) decommissioning programmes rather than passing costs onto the taxpayer which is in line with the “polluter pays” principle of environmental law.



2.6 Sections 29 and 39 of the Act allows the Department to charge a fee in respect of its expenditure under Part 4 when a person submits a decommissioning programme. The Secretary of State also has a power to charge a fee in respect of a proposal to revise a decommissioning programme (section 34 subsection (4)).

2.7 The charging mechanism will allow the Department to recover its expenditure for the exercise of its functions under Part 4 of the Act. The Department will not be seeking to make a profit from such a charge but merely recover its costs in carrying out those functions.

### **Section 29: Preparation of programmes;**

2.8 Section 29 subsection (5): A person who submits an abandonment programme to the Secretary of State under this section shall at the same time pay to him such a fee in respect of his expenditure under this Part of this Act as may be determined in accordance with regulations under section 39.

### **Section 34: revision of programmes;**

2.9 Section 34 subsection (4): The Secretary of State also has the power to charge a fee in respect of a proposal to revise a decommissioning programme under section 34 subsection 4. Following a proposal to revise a decommissioning programme under Section 34 subsection 1 a person shall at the same time pay the Secretary of State such a fee in respect of his expenditure under Section 34 subsection 4 as may be determined in accordance with regulations under section 39.

### **Section 39: regulations;**

2.10 Section 39 subsection (5): Before making regulations under this section the Secretary of State consulted organisations in the United Kingdom appearing to him to be representative of those persons who will be affected by the regulations and also received consent from Treasury on its policy proposals

2.11 The Department will therefore use its powers under Sections 29 and 34 of the Act to charge a one-off fee payable on submission of a decommissioning programme or on receipt of a request for the revision of a programme.



## Charging Method and Calculation of Fee

- 3.1 Following a consultation of OPRED's proposals (published 30 March 2011 – URN 10D/797) the majority of stakeholders indicated that; should such a charging scheme be adopted; their preferred charging method was one based on the type of facility. This was also OPRED's preferred charging method as it would be equitable, costs to the companies will reflect the use of Departmental resource, it minimises administrative costs, and would also be relatively simple to adopt. You may wish to note that the Department has published a "Consultation Response" (published November 2011 – URN 11D/855).
- 3.2 Fee payable on submission of decommissioning programme (section 29). OPRED will adopt charging bands based on the type of facility. (See Section 4 table for further details on the fee structure). If an Operator is submitting both an installation and pipeline decommissioning programme the total fee would therefore be; for example; Band A) plus Band B) – these are the most common scenarios received by OPRED. The Department will however apply a higher fee for a large scale installation, multiple (two or more) large or small scale installations or a combination of installations within an installation decommissioning programme. OPRED costs have been calculated in line with Treasury guidance for Managing Public Money paying particular attention to Annex 6.2 "How to calculate fees".
- 3.3 The Secretary of State will be responsible for setting the fee. In calculating the fee the Secretary of State will take to following factors into account;
- The number of days which the Offshore Decommissioning Unit estimates will be required to consider a decommissioning programme from initial discussions, through development of the programme to final programme approval (Section 29)
- 3.4 Fee payable on receipt of proposal to revise a decommissioning programme (Section 34).

This Process will be similar to that described in 3.3 above. However, there will only be one charging band. The Secretary of State will take the following factors into account;



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- The number of days which the Offshore Decommissioning Unit estimates will be required to consider a proposal to revise a decommissioning programme (Section 34).
- The Number of officers which the Offshore Decommissioning Unit estimates will be required to consider a proposal to revise a decommissioning programme (Section 34).

3.5 The decommissioning Section 29 approval and Section 34 revision processes are consistent and the services fairly standardised. Charges for these services will be made on a daily full cost rate which will ensure that the customer pays a fee to cover the cost of dealing with the specific approval or revision of a decommissioning programme i.e. charged a bespoke cost on a case by case basis on the Unit's best estimate of the full cost incurred.



## Fee Structure and Payment of Fee

Charge per approval / revision of a decommissioning programme

(1) Category of offshore installation or submarine pipeline	(2) indicative fee
A) Small scale offshore installation (any concrete or steel offshore platform or other installation including subsea with a weight of less than 10,000 tonnes)	£100,000
B) Submarine pipeline	£100,000
C) Multiple small scale offshore installation (two or more concrete or steel offshore platforms or other installations including subsea with a weight of less than 10,000 tonnes)	£125,000
D) Large scale offshore installation (any concrete gravity based structure or steel offshore platform or installation with a weight of 10,000 tonnes or more)	£200,000
E) Combination of large and small scale offshore installation (two or more concrete gravity based structures or steel offshore platforms or installations including subsea at least one of which (but not all) has a weight of 10,000 tonnes or more)	£225,000
F) Multiple large scale offshore installation (two or more concrete gravity based structures or steel offshore platforms or installations each with a weight of 10,000 tonnes or more)	£250,000
G) Revision (Section 34)	£50,000

### 4. PAYMENT OF A FEE

#### Section 29 Fee

4.1 Timing of fee: Section 29(5) of the Act indicates a fee will be payable on submission of a decommissioning programme (i.e. the final “Stage 3” version).





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4.2 Before submission of the final version of the decommissioning programme (stage 3) OPRED will advise the operator to submit a final draft of the programme. When submitting the final draft the operator should at the time request that OPRED determines a fee. On receipt of the final draft programme and the request to determine a fee OPRED will then make a written demand for payment (via electronic invoice).

### Section 34 fee

4.3 Following current practice OPRED will whenever possible deal with any minor changes to a decommissioning programme via an exchange of correspondence. However, if there is a material change to a decommissioning programme (i.e. a change to the parties to the programme or a significant change to the schedule of activities) a formal revision to the programme under section 34 of the Act would be required.

4.4 Timing of fee: Section 34(4) of the Act indicates that a fee will be payable on receipt of a written notice to the Secretary of State to revise a decommissioning programme.

4.5 Before submission of the final version of the written notice OPRED will advise the operator to submit a final draft of the notice to revise the decommissioning programme. When submitting the final draft notice the operator should at the same time request that OPRED determines a fee. On receipt of the final draft notice and request to determine a fee OPRED will then make a written demand for payment (via electronic invoice)

4.6 A person liable to a fee under wither Section 29 or Section 34 of the Act must pay it within 30 days of the date that the Secretary of State makes a written demand to that person for payment.

4.7 To facilitate the above process; including payment of the fees; OPRED will appoint a named contact who will liaise closely with the operator during this period

4.8 Contact. Please contact Kevin Munro, OPRED (Kevin.Munro@beis.gov.uk) if you wish to discuss any aspects of the above guidance further.