



UKCS ENVIRONMENTAL STATEMENT 2016



WELCOME TO ENQUEST'S PUBLIC STATEMENT ON ENVIRONMENTAL MANAGEMENT AND ENVIRONMENTAL PERFORMANCE FOR 2016

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EXECUTIVE SUMMARY

THIS STATEMENT HAS BEEN PREPARED TO FULFIL
THE REGULATORY REQUIREMENT UNDER THE OSPAR
RECOMMENDATION 2003/5 TO PRODUCE AN ANNUAL
PUBLIC ENVIRONMENTAL STATEMENT.

It represents an open and transparent representation of our environmental performance across our offshore operations for the year 2016. The statement covers environmental performance, describes the extent to which we are meeting our environmental goals and outlines our future objectives.

All assets achieved yearly average oil in produced water concentrations within the 30 mg/l limit as set by the Regulator. Individually, the assets performed at the following levels:

Kittiwake - 27.06 mg/l

Heather Alpha - 26.71 mg/l

Thistle Alpha - 8.51 mg/l

Northern Producer - 25.73 mg/l

EnQuest Producer - 26.04 mg/l

Identifying ways to minimise the risk of unplanned spills to the marine environment remained a focus throughout 2016, with the number of accidental spills to the marine environment totalling 12, out of which 7 were hydrocarbon releases and 5 were chemical releases.

In early 2017, EnQuest completed a successful external verification of its 2016 Greenhouse Gas Emissions as required under the Companies Act 2006 (Strategic and Directors' Reports) regulations 2013.

Total CO₂e emissions resulting from flaring and power generation totalled 684,356 tonnes in 2016.

As a mature province, the UKCS presents itself as a challenging place to work. Nevertheless, we are committed to improving the environmental performance of our assets.

HSE&A Policy

Health, Safety, Environment & Assurance



EnQuest is the UK's largest independent oil & gas development and production company, operating in the North Sea and internationally. We are committed to operating responsibly and will not compromise our health, safety or environmental standards to meet our business objectives.

Through respect for our people, our contractors, our customers, our stakeholders and the environment, we will operate to achieve our principal aim: *safe results, with no harm to people and respect for the environment.*

To achieve this we will manage our business such that we:

- Demonstrate strong leadership and visible commitment to HSE&A
- Comply with all applicable legislation and industry standards
- Maintain high-quality systems and processes
- Assess and manage risks
- Maintain safe and healthy workplaces
- Manage and mitigate our impact on the environment
- Provide trained and competent resources
- Encourage open and honest communication
- Ensure our contractors and suppliers comply with our policies and procedures
- Maintain the integrity of our assets over their life cycles
- Assess and manage change
- Plan and be prepared for potential emergencies
- Investigate and learn from incidents
- Strive for continual improvement in our performance

Should operational results and safety ever come into conflict, we all have a responsibility to choose safety over operational results. This includes the responsibility to stop a job whenever activities may conflict with this policy.

Handwritten signature of Amjad Bseisu in black ink.

Amjad Bseisu
Chief Executive Officer
EnQuest PLC, February 2017

Handwritten signature of Neil McCulloch in black ink.

Neil McCulloch
Chief Operating Officer
EnQuest PLC, February 2017

ENQ-COR-HS-000-POL-0001 Rev. 8

www.enquest.com

OVERVIEW

ENQUEST IS AN OIL AND GAS PRODUCTION AND DEVELOPMENT COMPANY

PRINCIPAL ASSETS

EnQuest's principal operated UK assets at the end of 2016 were its interests in the producing oil fields Thistle/Deveron, Heather/ Broom, the Dons area, the Greater Kittiwake Area, Scolty/Crathes and Alma/Galia, also in the Kraken development; EnQuest also has an interest in the non-operated Alba producing oil field.

ENQUEST'S PERFORMANCE IN 2016

2016 was another challenging year for EnQuest, with continuing pressure from the oil price environment. Accordingly, EnQuest has delivered further reductions in operating and capital expenditure and continued to streamline operations. EnQuest's low cost operating structure and low cost approach to operatorship are integral to its way of doing business, whilst always retaining safe operations as the number one priority.

Average EnQuest Group net production of 39,751 Boepd (UK North Sea net production was 30,603 Boepd) in 2016 included good performances at Heather/Broom and at PM8/Seligi, and a promising start from Scolty/ Crathes, following early delivery of first oil. A first full year of production from Alma/Galia increased UKCS production over the prior year, despite productivity from Alma/Galia being negatively impacted by well performance. The Kraken development finished 2016 under budget and on course for first oil in Q2 2017, with the drilling programme ahead of schedule.

RESPECT FOR THE ENVIRONMENT

As a responsible operator, we manage our operations to prevent incidents and minimise the environmental impact:

- In EnQuest, respect is paramount for our people, our environment and the safety of others.
- Effective management of Health, Safety and Environmental performance is a key objective across the business.

GUIDING ALL OUR ACTIVITIES IS OUR PRINCIPAL AIM:

SAFE RESULTS, NO HARM TO PEOPLE AND RESPECT FOR THE ENVIRONMENT.



OUR ACTIVITIES

AT THE END OF DECEMBER 2016, ENQUEST HAD INTERESTS IN 25 UK PRODUCTION LICENCES, COVERING 35 BLOCKS OR PART BLOCKS AND WAS THE OPERATOR OF 23 OF THESE LICENCES.

FIG.1

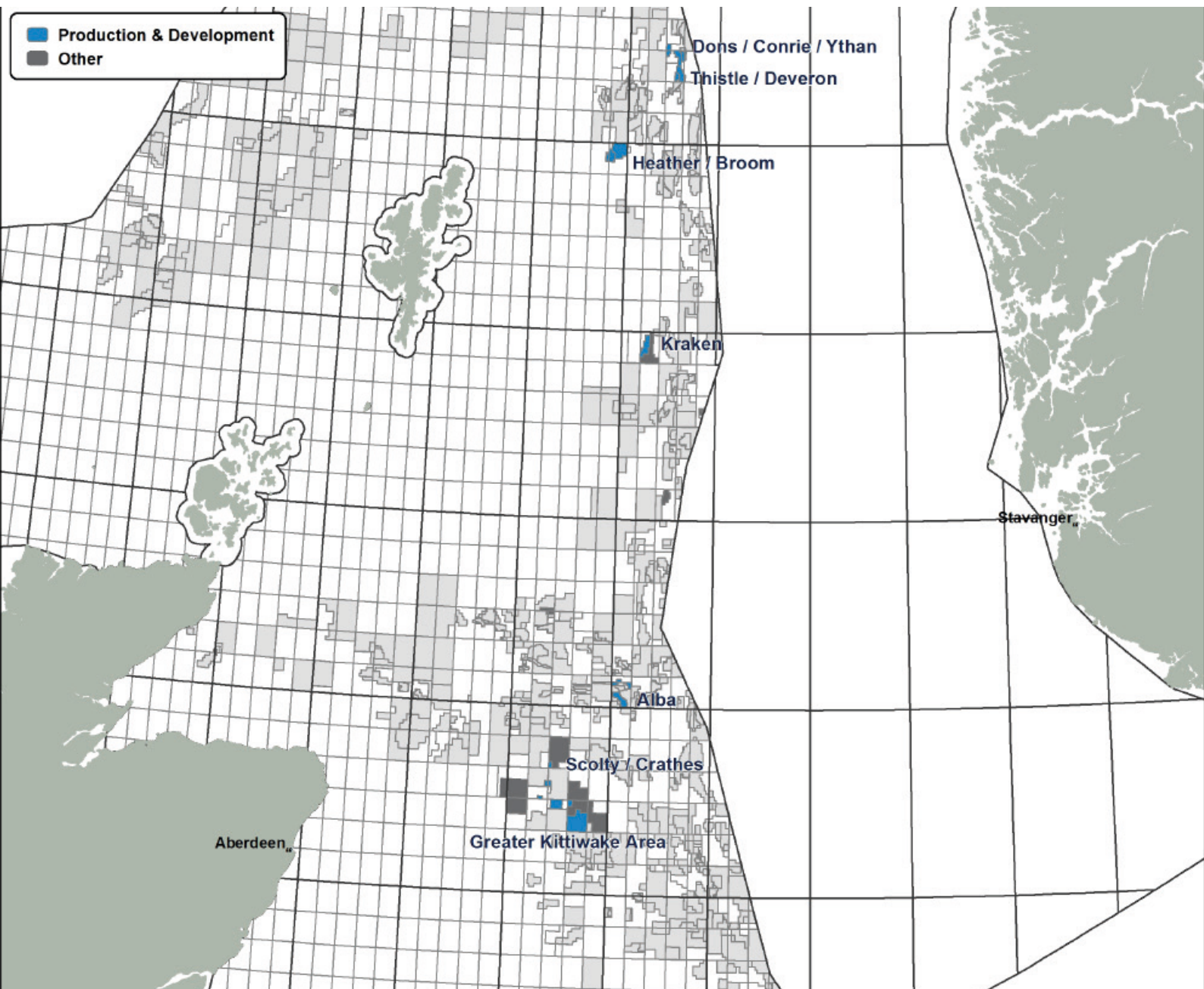


Figure 1 shows our present areas of production and development, along with discoveries and areas in which we hold a licence.

PRODUCTION AND DEVELOPMENT

OUR OFFSHORE ACTIVITIES



HEATHER

Discovered in 1973, with first oil production in 1978, the Heather field lies in the East Shetland Basin. Oil is exported from the platform to the Ninian pipeline system and hence to the Sullom Voe Terminal. The Heather platform acts as the host for the nearby Broom field subsea development, providing services to the Broom wells and processing the produced fields. The net daily production average for Heather/Broom in 2016 was 5,948 Boepd.



NORTHERN PRODUCER

In the Don field, oil was discovered in the sandstone of the Middle Jurassic Brent Group in 1973. The discovery was subsequently appraised by Shell/ESSO in 1976 and then developed by BP in the 1990s. EnQuest's redevelopment began production in 2009. The development consists of four sub-sea tie-backs: Don South West, West Don, Conrie and Ythan. Across 2016, average production from the Don field was 5,404 Boepd.



THISTLE

The Thistle field was discovered in 1973. A single steel jacket platform was installed in 1976 and production began in February 1978 for BNOC/Britoil/BP. The licence operatorship subsequently changed to DNO in 2003, then to Lundin in 2004 before the demerging of Lundin's UK assets in 2010, when EnQuest became the operator. During 2016, the average production from Thistle/Deveron was 7,533 Boepd.



KITTIWAKE

The Kittiwake field was discovered in 1981 and developed with a fixed steel jack platform. Production began in 1990, and reached a peak of almost 40,000 Boepd in 1994. Further exploration in the Greater Kittiwake Area (GKA) discovered the Grouse, Mallard, Gadwall and Goosander fields. All these additional subsea developed fields were tied back to the Kittiwake platform. In February 2014, EnQuest acquired a 50% stake and operatorship of GKA which consists of the Kittiwake field and surrounding development/acreage. Across 2016, average production from GKA was 2,988 Boepd.



SCOLTY/CRATHES

Production from Scolty/Crathes averaged 6,422 Boepd for the period between first oil on 21 November and the end of 2016.

ALMA/GALIA

Across 2016, net average production from Alma/Galia was 6,740 Boepd, following delivery of first oil in October 2015. After analysis of the initial results, a production performance enhancement work programme was established. Productivity from Alma/Galia was negatively impacted by well performance including ESP reliability. In October 2016, the EnQuest Producer was brought onto permanent power with the boiler and steam turbines online.



KRAKEN DEVELOPMENT

In 2016, the Kraken development progressed well, finishing the year ahead of budget and on schedule for first oil in Q2 2017.

The drilling programme made excellent progress in 2016 and this efficient execution was a key factor in the project capital expenditure reductions announced. The results from the producer and injector wells drilled and completed met pre-drill expectations. At year end, four producers and five water injectors had been completed since drilling commenced on the project.

The Kraken FPSO arrived in the North Sea in early January, having completed its journey from Singapore within the scheduled number of days. The FPSO sailed to the Kraken field once good weather conditions were anticipated for the hook up of the STP buoy mooring system to the FPSO. This was completed and a full rotation test performed so that by mid-February the vessel was on station and securely moored. Handover of FPSO systems from commissioning to operations continues.

At start up 13 wells will be available comprising 7 producers and 6 injectors. As with all developments of this scale, wells will be brought onstream in a phased manner in line with good reservoir management practices. Drilling performance to date has significantly de-risked delivery of the project to and beyond first oil.



OUR ENVIRONMENTAL MANAGEMENT SYSTEM

OUR AIM:
**SAFE RESULTS, WITH NO HARM TO
PEOPLE AND RESPECT FOR THE
ENVIRONMENT**

WE MANAGE OUR ENVIRONMENTAL ACTIVITIES VIA OUR INTEGRATED SAFETY AND ENVIRONMENTAL MANAGEMENT SYSTEM (SEMS).

As an oil and gas operator of offshore oil and gas installations on the UKCS, EnQuest is required by the Environmental Regulator to have in place an Environmental Management System that:

- Achieves the environmental goals of the prevention and elimination of pollution from offshore sources and of the protection and conservation of the maritime area against other adverse effects of offshore activities;
- Maintains continual improvement in environmental performance; and
- Is in accordance with the principles of internationally recognised standards such as ISO 14001.

EnQuest has implemented an integrated Safety and Environmental Management System (SEMS) which is accessed via the Business Management System (BMS) on our intranet. The EMS element of the SEMS has been established and implemented to ensure company activities are conducted in such a way that minimises risks to the environment throughout company operations. It provides a framework for the achievement of objectives in order for EnQuest to manage risk in accordance with the requirements of company policies, applicable legislation, national/international standards and contractual or partnership commitments.

EnQuest has established an HSE&A Policy, which is a statement of intent from the Chief Executive Officer and is intended to communicate to personnel and stakeholders (including contractors, clients and shareholders) EnQuest's aims and expectations regarding environmental management.

The Corporate Major Accident Prevention Policy (CMAPP) complements the HSE&A Policy and outlines the approach for managing major accident hazards.

The EnQuest HSE&A Principles are developed to support the achievement of the HSE&A Policy commitments across all company operations and form the basis for the development and application of HSE&A management systems, processes and procedures at all levels within EnQuest.

As the EMS is subject to auditing and review, our goal of complying with statutory requirements is repeatedly tested. Furthermore, as we apply our EMS across all our operations, we are able to share and learn from best practice and to achieve our goal of minimising risk of impact to the environment.

Our EMS is structured in line with the requirements of the international standard ISO 14001 for environmental management and has been externally verified to meet the requirements of OSPAR Recommendation 2003/5.

HSE&A is EnQuest's top priority and it is deeply embedded in our culture and values. It is integral to how we manage our business with regard to people, installations and the environment in which we operate.

Our HSE&A Policy underpins how our environmental goals are progressed throughout our business operations. We are fully committed to operating responsibly so that environmental risks are minimised.

OUR ENVIRONMENTAL PERFORMANCE

EFFECTIVE MANAGEMENT OF HSE PERFORMANCE IS A KEY OBJECTIVE.

The EnQuest Board receives regular information on the HSE&A performance of the Company, and specifically monitors health and safety and environmental reporting at each Board meeting. In 2016, EnQuest maintained its commitment to the delivery of continual improvement in HSE&A performance, with excellent results in many areas.

We completed a comprehensive UK HSE&A audit programme, with outcomes fed into our 2017 Continual Improvement Programme. This underlines our focus upon improvement through the detection and resolution of issues before they potentially materialise as incidents.

Across all of our assets, the volume of liquid waste produced (including the oil content of produced water, produced water volumes and chemicals discharged to sea) remain within all permitted allowance levels as agreed by the Regulator.

At EnQuest we strive to minimise the overall volume of chemicals we use. Throughout the year we have worked with our contractors to replace, where possible, chemicals with more environmentally acceptable alternatives.

EnQuest introduced a Greening Plan on Production Assets to set targets for seeking alternative chemicals for products carrying a Substitution warning label and replace with suitable alternatives where possible.

EnQuest works closely with chemicals suppliers to undertake research and development of new, more environmentally friendly chemicals. We also aim to reduce usage application rates and the volumes discharged where possible.

As a producer of waste, EnQuest has a duty of care to ensure that all waste is transferred and disposed of in accordance with the relevant legislation.

CO₂e emissions resulting from the burning of fuel gas and diesel for the purpose of generating power totalled 300,539 tonnes, with the flaring of gas accounting for an additional 383,817 tonnes of CO₂.

Minimising and preventing spills to the marine environment remained a focus during 2016. Throughout the year, there were 12 unplanned spills of hydrocarbons or chemicals from EnQuest production and drilling operations.

Although there was no significant reduction in the number of oil and chemical releases to sea across the full year 2016, we witnessed a significant improvement in the mass of oil released, recording a 56% reduction on 2015 levels. This provides robust evidence that our focus on reducing this type of release has been effective.

ENQUEST REGULARLY MONITORS AND REPORTS ITS ENVIRONMENTAL PERFORMANCE IN RELATION TO ASPECTS SUCH AS BELOW DESCRIBED IN LINE WITH THE REQUIREMENTS OF EU & UK LAW.

LIQUID WASTE

Oil and gas extraction has associated produced water. On EnQuest's offshore installations, hydrocarbons are separated from produced water as part of the production process. However as traces of oil inevitably remain, the discharge of produced water is strictly controlled by the Offshore Petroleum Activities (Oil Pollution Prevention & Control) Regulations 2005 (as amended). These Regulations set a limit on the average oil content of the water discharged. Liquid waste also consists of production chemicals discharged to water in the extraction process. Production chemicals have a number of functions. Any chemical used offshore during oil and gas production must be approved by the Centre for Environment, Fisheries and Aquaculture Science (Cefas). The use and discharge of production chemicals is controlled under the Offshore Chemical Regulations 2002 (as amended). In collaboration with our chemical suppliers, EnQuest strives to use environmentally acceptable alternatives where possible in our operations through the chemical management process.

SPILLS

Given the nature of our activities, there is always a risk that accidental spills may occur. All spills to sea, regardless of volume, must be reported to the Environmental Regulator via a Petroleum Operations Notice (PON1).

At EnQuest we take our responsibilities to prevent spills to sea very seriously. We have processes in

place to minimise the risk of spills to sea. In addition to statutory reporting requirements, we internally record and investigate any releases of unpermitted chemical or oil. This helps improve our understanding of the root causes and identify actions to prevent similar incidents occurring in the future.

MATERIAL WASTE

Our operations consume natural resources and other material which generate a range of wastes. EnQuest must ensure that the segregation, transportation and eventual disposal of waste are managed in accordance with legislative requirements. EnQuest works closely with its onshore waste management contractors to identify recycling routes for as much of its waste as possible and conducts regular audits to evaluate waste management practices.

ATMOSPHERIC EMISSIONS

EnQuest uses energy in extracting, processing and exporting oil and gas. Atmospheric emissions generated by these activities are regulated by the Greenhouse Gases Emission Trading Scheme (ETS) and the Offshore Combustion Installation (Prevention and Control of Pollution) Regulations 2013. EnQuest seeks to use energy efficiently within our facilities, and continually looks to identify opportunities that may reduce emissions from its operations. In addition, EnQuest report their annual greenhouse gas (GHG) emissions in their Directors' Report as per the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013.

LIQUID WASTE

ENQUEST AIMS TO MINIMISE THE ENVIRONMENTAL IMPACT OF THE DISCHARGE OF PRODUCED WATER. TREATMENT PLANTS AT OUR ASSETS REMOVE THE MAJORITY OF HYDROCARBONS AND SOLIDS PRESENT IN THE PRODUCED WATER STREAM. ALL OUR WASTE WATER IS TREATED AND MONITORED PRIOR TO DISCHARGE.

OIL IN WATER

As produced water contains traces of hydrocarbon, the Offshore Petroleum Activities (Oil Pollution, Prevention & Control) Regulations 2005 (as amended) sets the daily permitted average oil content of produced water at 30 mg/l.

AVERAGE OIL CONCENTRATION OF PRODUCED WATER BY ASSET

FIG.2

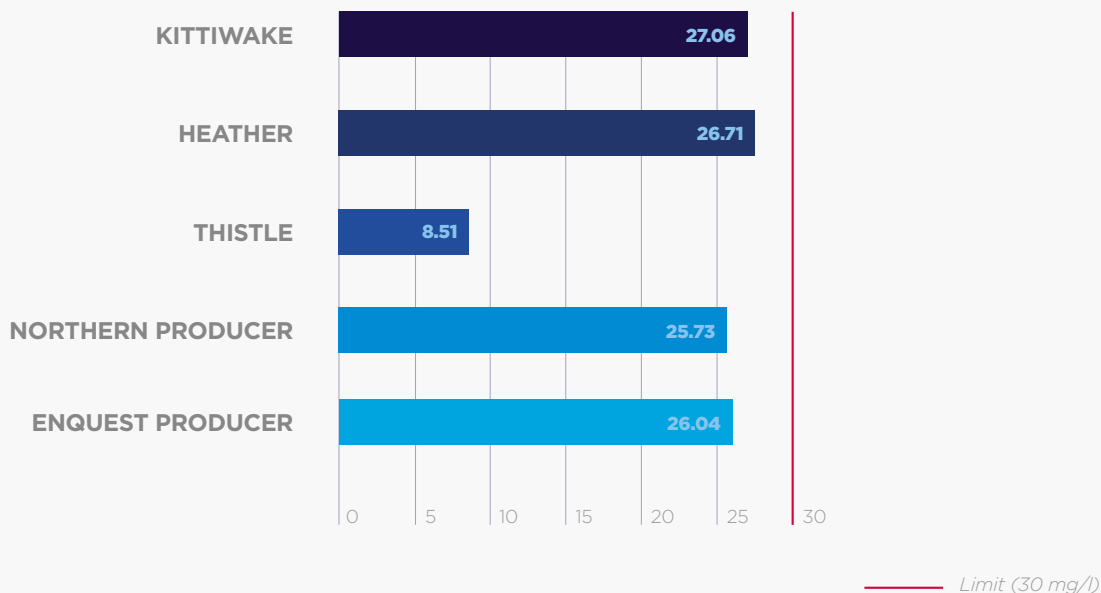


Figure 2 above shows average oil concentration of produced water across our assets for 2016. All assets have demonstrated yearly average oil concentrations that sit within the 30 mg/l legal limit.

LIQUID WASTE CONTINUED

PRODUCED WATER DISCHARGED TO SEA (m³)

FIG.3a

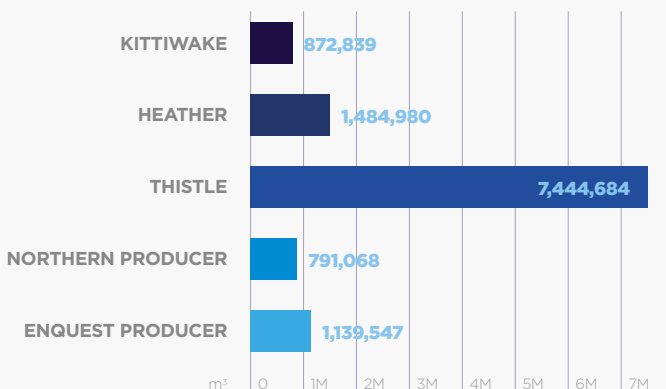


Figure 3a. above shows total volume of produced water discharged to sea during 2016.

OIL IN PRODUCED WATER DISCHARGED TO SEA (TONNES)

FIG.3b

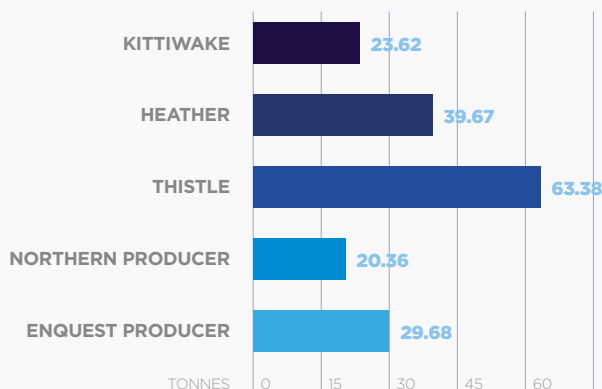


Figure 3b. above shows oil discharged to sea via the produced water stream during 2016.

TOTAL CHEMICAL USE (KG)

FIG.4a

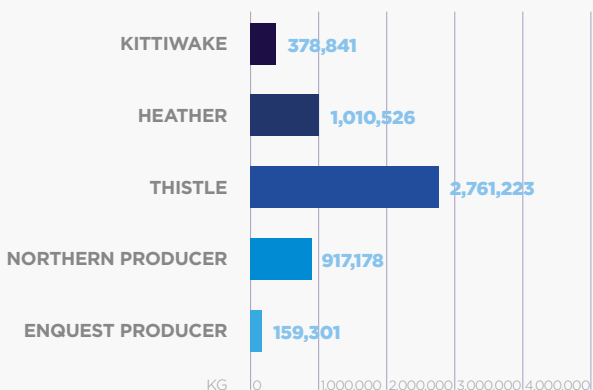


Figure 4a. above shows total chemical used during 2016.

TOTAL CHEMICAL DISCHARGE (KG)

FIG.4b

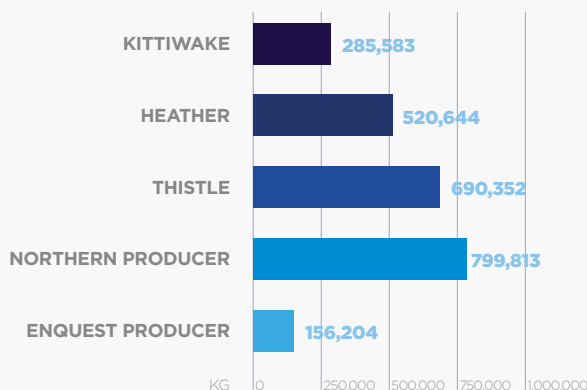


Figure 4b. above shows total mass of chemicals discharged to sea via the produced water stream during 2016.

SPILLS

AS SPILLS AT SEA CAN HAVE CONSEQUENCES FOR THE MARINE ENVIRONMENT, WE WORK TO MINIMISE THE RISK WITH A FOCUS ON PREVENTION. WE HAVE APPROVED OIL EMERGENCY POLLUTION PLANS IN PLACE ACROSS ALL OUR ASSETS AND ARE A MEMBER OF OIL SPILL RESPONSE, THE WORLD'S LARGEST SPILL RESPONSE ORGANISATION.

NUMBER OF SPILLS

All spills to the marine environment, regardless of volume, must be reported to BEIS via a Petroleum Operations Notice (PON1). Figure 5 (below) details the number of PON1s submitted to BEIS during 2016 that have been submitted, investigated and subsequently closed by the Regulator.

NUMBER OF SPILLS DURING 2016

FIG.5

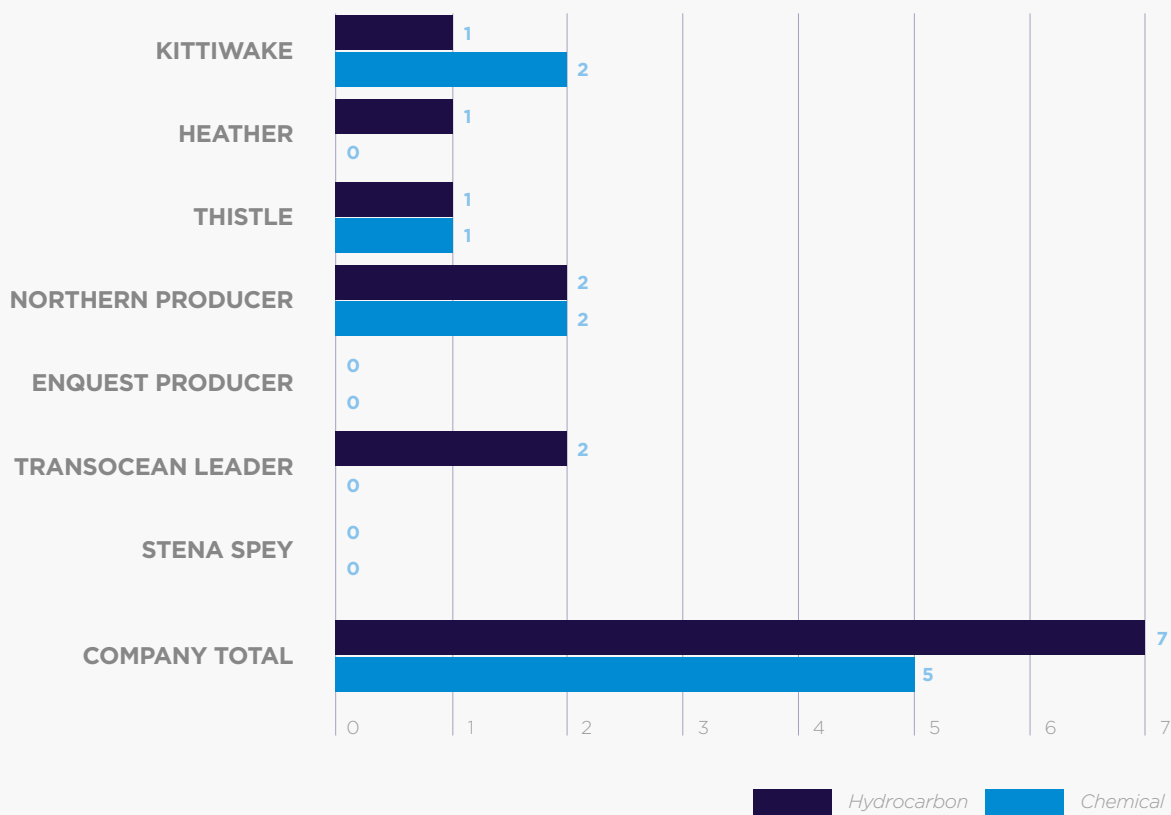


Figure 5 details the number of spills to sea originating in 2016 from across our operations that have been closed by the regulator.

SPILL QUANTITIES

MASS OF SPILLS DURING 2016

FIG.6

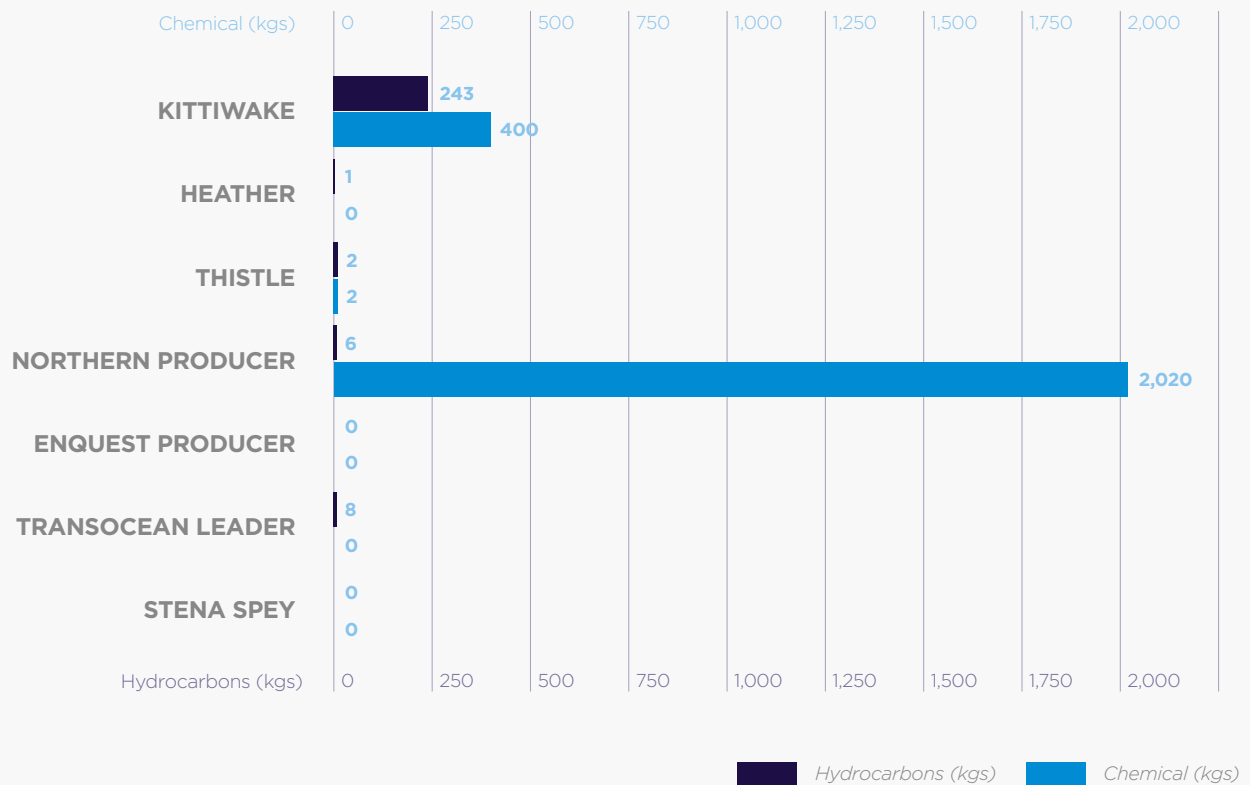


Figure 6 details the total volume of hydrocarbon or chemical spills originating in 2016 from across our operations that have been closed by the regulator.

ATMOSPHERICS

**ALL OUR OPERATIONS USE ENERGY
IN EXTRACTING, PROCESSING
AND EXPORTING OIL AND GAS.
WE MANAGE OUR ENERGY
CONSUMPTION EFFICIENTLY TO
REDUCE EMISSIONS FROM OUR
OPERATIONS**



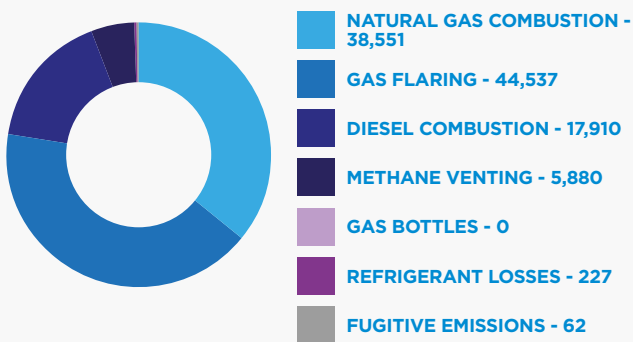
MANDATORY CARBON REPORTING

Under the Companies Act 2006 (Strategic and Director’s Reports) Regulations 2013, EnQuest were required to report its annual greenhouse gas (GHG) emissions in its Directors’ report. EnQuest’s 2016 GHG emissions were externally verified in January 2017. The charts below provide detail of all our assets GHG emissions expressed as a CO₂ equivalent.

GHG EMISSIONS BY ASSET

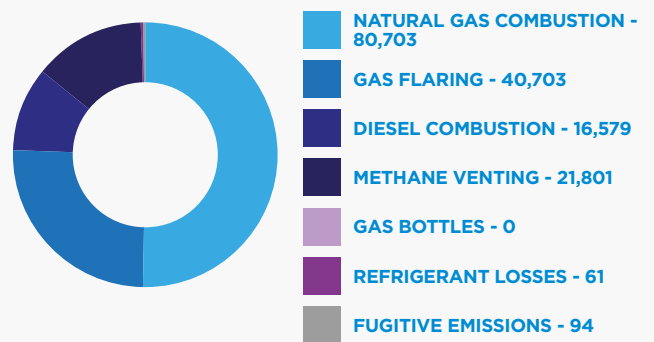
KITTIWAKE (T)

FIG.7a



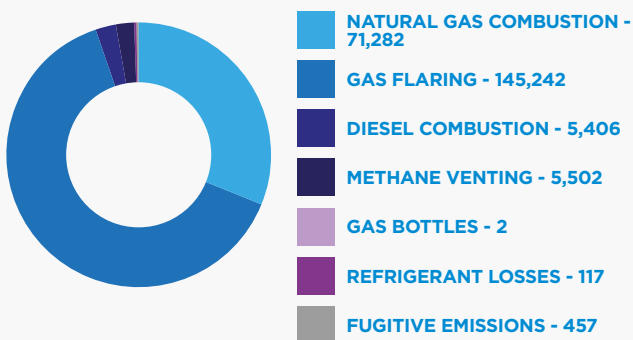
HEATHER (T)

FIG.7b



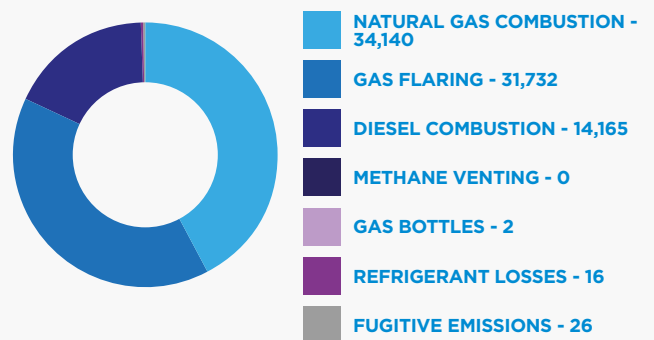
THISTLE (T)

FIG.7c



NORTHERN PRODUCER (T)

FIG.7d



ENQUEST PRODUCER (T)

FIG.7e

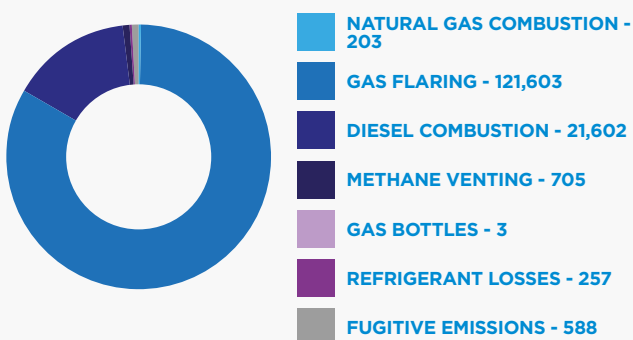


Figure 7 above shows the verified greenhouse gas emissions by asset in 2016.

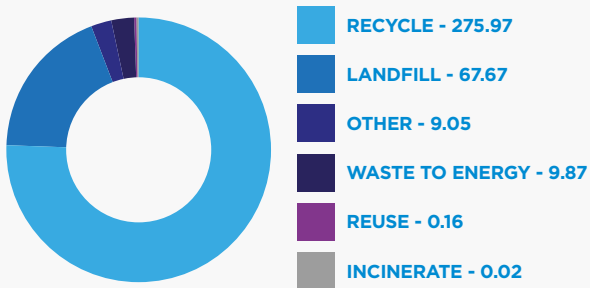
WASTE MANAGEMENT

**OUR OPERATIONS CONSUME
NATURAL RESOURCES AND OTHER
MATERIAL WHICH GENERATES A
RANGE OF WASTES. WE MANAGE
OUR WASTE ACCORDING TO THE
WASTE MANAGEMENT HIERARCHY
– REMOVE, REDUCE, REUSE AND
RECYCLE. WE SEEK TO MINIMISE
THE QUANTITY OF WASTE DISPOSED
TO LANDFILL ENVIRONMENTAL
STATEMENT 2016**

OPERATIONAL WASTE BY ASSET

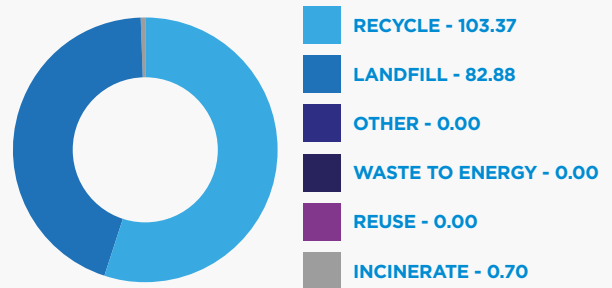
KITTIWAKE - WASTE (T)

FIG.8a



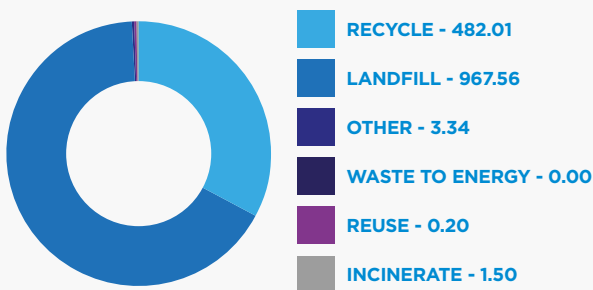
HEATHER - WASTE (T)

FIG.8b



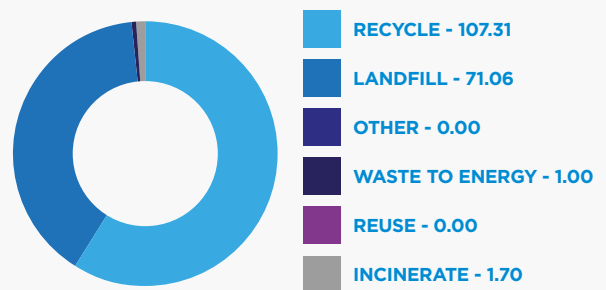
THISTLE - WASTE (T)

FIG.8c



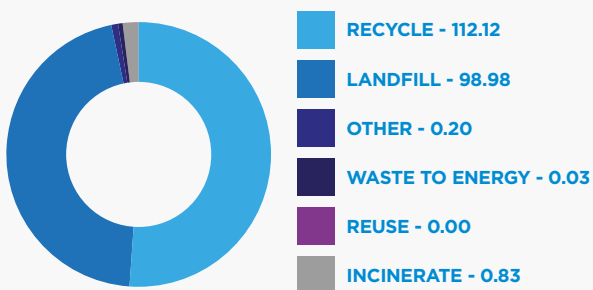
NORTHERN PRODUCER - WASTE (T)

FIG.8d



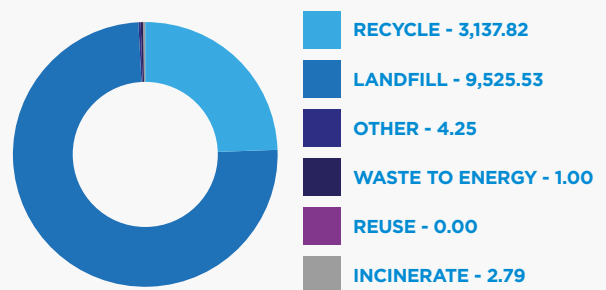
ENQUEST PRODUCER - WASTE (T)

FIG.8e



TRANSOCEAN LEADER - WASTE (T)

FIG.8f



STENA SPEY - WASTE (T)

FIG.8g

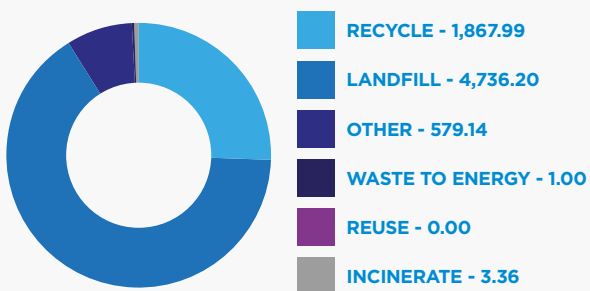


Figure 8 charts above shows the destination of waste that is generated on EnQuest assets, including the drilling rigs in 2016.

LOOKING FORWARD

AS A MATURE PROVINCE, THE UKCS PRESENTS ITSELF AS A CHALLENGING PLACE TO WORK. LOOKING FORWARD TO 2017, ENQUEST IS COMMITTED TO FURTHER IMPROVING ITS ENVIRONMENTAL PERFORMANCE

EnQuest Producer

MSA



enQuest

2017 CONTINUAL IMPROVEMENT PLAN

ENQUEST REMAINS COMMITTED TO IMPROVING ITS ENVIRONMENTAL PERFORMANCE.

Evidence of our continued commitment to improvement was demonstrated through the following outcomes against our 2016 HSE&A Continual Improvement Plan:

- Continued focus on coaching our workforce to identify, understand and control hazards in the workplace;
- Further developing the capabilities of elected Safety Representatives and Environment Representatives through structured engagement sessions;
- The launch of Life Saving Rules to underline the importance of maintaining standards and encouraging procedural compliance;
- Successful completion of a statutory evaluation of our Emergency Pollution Control systems and capabilities by The Secretary of State’s Representative for Marine and Salvage Intervention (‘SOSREP’);
- Independent verification of our Environmental Management System (‘EMS’), a statutory requirement of the Convention for the Protection of the Marine Environment of the North-East Atlantic (‘OSPAR’);
- The launch of *SAFE Behaviours*, the next evolutionary step in our HSE improvement journey.

The HSE&A Continual Improvement Plan (CIP) describes EnQuest’s improvement initiatives; what the company will do to achieve them and how it will measure success. Specific objectives, targets and actions are developed and cascaded to all levels

within the organisation. The Senior Environmental Advisor provides input to the development of the CIP by using the current performance data, EMS implementation and significant environmental aspects and impacts to guide focus areas.

The key Environmental Control objective for 2017 is:

Continue Safety Reps and Environment Reps training

- Accommodate for discussions at Safety Meeting on what the reps needs are and feedback input from Safety and E-Reps to the onshore HSE department.
- E-Reps actively participate in the E-Rep forums (Minimum 1 per year)
- E-Reps to be actively engaged in active monitoring implementation
- E-Reps to have one E-Rep meeting per trip and 1 quarterly cross asset discussion (self-organised)

The E-Rep role is for any crew member who has an interest in supporting the environmental performance of the installation, through identifying environmental risks and reducing the potential for environmental impacts. The role provides a platform to develop skills and knowledge, to proactively influence their colleagues to raise awareness and, to reduce potential impacts. The E-Reps receive e-learning on modules such as introduction to environmental management, oil discharge to sea, chemicals management, oil pollution emergency and atmospheric emissions.

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