



# Regulators Pioneer Fund Evaluation

Interim case studies

November 2019 – January 2020



Department for  
Business, Energy  
& Industrial Strategy

# The high-level objectives of the Regulators' Pioneer Fund

The Regulators' Pioneer Fund (RPF) is an initiative set up by the Better Regulation Executive (BRE), part of the Department for Business, Energy and Industrial Strategy (BEIS), to help create a regulatory environment that gives innovative businesses the confidence to invest, innovate and deploy emerging technologies for the benefit of consumers and the wider economy.

**Key aims of the funding** (which will invest up to £10 million over 2 years in 15 regulator-led projects across 12 sectors) are:



Enabling economic growth



Boosting value for consumers



Projecting a pro-innovation  
image internationally

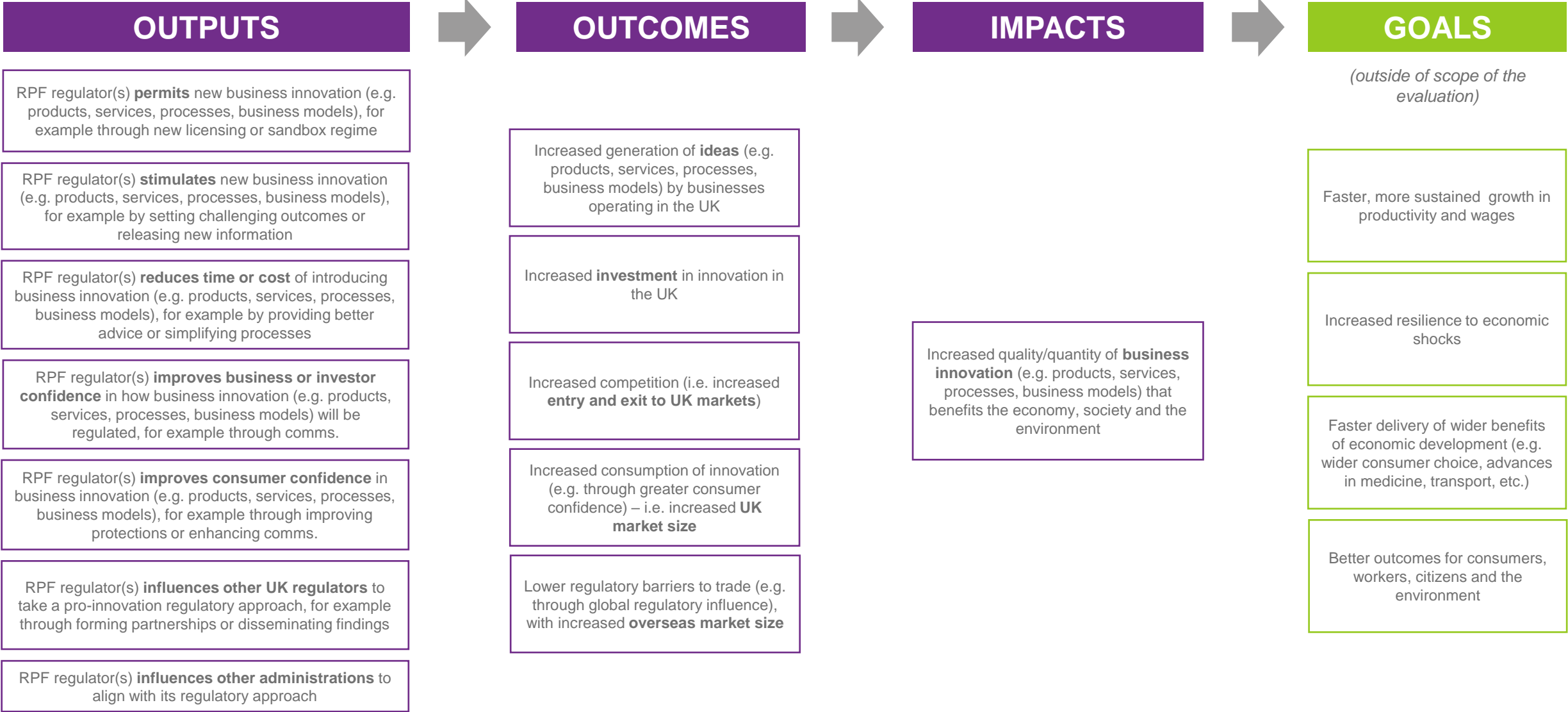


Fostering a pro-innovation  
business culture

## Aims of the RPF programme evaluation

- Assess the extent to which RPF grants have **enabled regulators** to become more innovation-enabling
- Identify the **effects on business innovation in the sectors** impacted by the projects
- Enable BEIS to **improve the RPF design and competition process** for any future funding rounds
- Contribute to BEIS work to create **best practice guidance** on innovation-friendly regulation and inform future policy decisions

The policy logic model for the RPF is set below:



## Two additional case studies were selected to show early lessons from the programme

Qualitative interviews were conducted with regulators and their external stakeholders to explore their perspectives on progress, impact and lessons learnt. These were:



Oil & Gas  
Authority

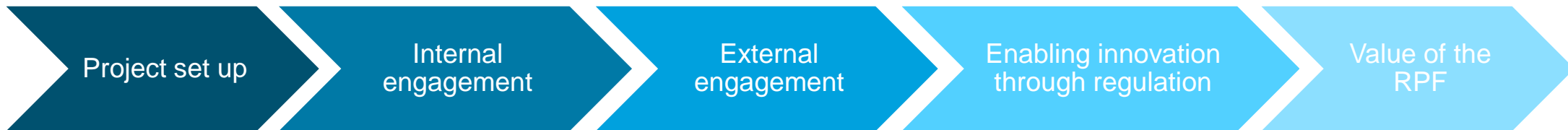
- The project team involved in the bid and delivery
- A strategic lead on the project
- Two external stakeholders involved in the project in different capacities



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- A strategic lead on the project
- Two external stakeholders involved in the project in different capacities

The case studies with Oil & Gas Authority (OGA) and Financial Conduct Authority (FCA) followed the three interim ones conducted with the Solicitors Regulation Authority (SRA), Medicines and Healthcare products Regulatory Agency (MHRA) and Civil Aviation Authority (CAA) in the same format between July and October 2019.

For each case study, early lessons have been captured from the following phases and themes:



# Interim case studies methodology

## Participants' selection and data collection

- Regulators interviewed for the case studies were selected by BEIS and Kantar based on their initial progress to reflect emerging lessons from their projects.
- For each project, the research team conducted: 1x 60 mins semi structured qualitative interview with key members of the project team (e.g. project and programme manager or bid manager, depending on team composition); 1x 60 mins semi structured qualitative interview with a strategic lead overseeing the project; 2x 30 mins interviews stakeholders (e.g. delivery partners, businesses or other organisations operating in the sectors, other regulators) identified by the regulators and selected by BEIS.
- Fieldwork was conducted between November and December 2019 (12 months into regulators' projects). These interim case studies follow two rounds of a quarterly information management questionnaire delivered by Kantar. This questionnaire was used to understand how far projects were achieving the outputs and outcomes in the RPF logic model (see slide 3). Topics explored are included below:

Project team / strategic lead* *The same topic guide was used flexibly to explore different perspectives	Stakeholders
<ul style="list-style-type: none"> <li>• Regulators' understanding of the RPF and motivations to apply for funding;</li> <li>• Vision for the project and connection with organisational mission;</li> <li>• Experiences of main stages of work (e.g. set up, internal and external engagement, delivery of project specific activities);</li> <li>• Expected and unexpected challenges encountered;</li> <li>• Lessons they learnt about enabling innovation in their sector, engaging with businesses, regulators and other stakeholders;</li> <li>• Any emerging outcomes of their project on innovation in their sector;</li> <li>• Perceptions of RPF support, any impact the Fund had on their ability to enable innovation in their sector, and ways the RPF could be improved for the future.</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholders' exposure to and perspective on regulators' work;</li> <li>• Nature of their involvement and views on their engagement with regulators;</li> <li>• Ways in which regulators can more effectively engage with stakeholders to enable innovation in their sectors;</li> <li>• Any perceived initial outcomes and benefits deriving from regulators' projects;</li> <li>• Views on future outcomes and how regulatory activity could be improved to encourage innovation.</li> </ul>

## Analysis of the information collected through the case studies interviews

- Material collected in interviews (e.g. audio files, notes) were organised through a thematic framework developed in Excel, informed by evaluation objectives.
- Individual and joint brainstorming sessions were carried out by researchers in the Kantar team to review and consolidate insight, and draw key overarching themes.





## Interim lessons from the case studies (January 2020)

- Both regulators interviewed described their experience of the RPF programme as having been very positive and valuable. They felt that the RPF had provided them with critical resources and headspace to better understand the market they operate in, explore the application of new technologies to existing challenges, and conduct innovative work.
- Furthermore, the Fund played a key role in enabling / advancing collaboration with and exposure to their sector and other regulators to tackle shared issues, which both OGA and FCA found highly beneficial.
- Overall, both regulators felt their projects had allowed them to achieve positive results, laying the ground for them to continue their innovative work in the future - with the potential of enabling economic growth and better consumer protection in their sector.
  - OGA believed a clear project plan, defined roles and strong project management have supported this. Through their work they built new linkages across industry and other regulators to lay the basis for delivering against future energy integration challenges.
  - Similarly, FCA felt that direct involvement and ongoing communication with sector stakeholders and innovators, along with the flexibility to adopt different working styles enabled them to get closer to the implementation of digital regulatory reporting.
- Regulators' activities appeared to be aligned with RPF's key aims of positioning the UK at the forefront of innovation and fostering a pro-innovation culture, as collaboration with industry stakeholders and other regulators (both in the UK and internationally) were key components of their project. Regulators were also active in promoting their work externally, showcasing their commitment to innovation and sharing lessons from their projects.
  - OGA found that an effective communication / engagement plan has been vital to the success of their project. They explained that engaging with industry (particularly innovators) has raised their profile as a "pro-innovation" body and supported them in being able to have better interactions with industry on innovation.
  - FCA engaged with the industry throughout their project and started discussions with some other UK regulators on how their knowledge could be applied to cross-sector challenges. Furthermore they regularly shared lessons from their work with the Global Financial Innovation Network, stimulating significant interest abroad and positioning the regulator as leading in this space.
- Regulators also mentioned applying learnings from their innovation efforts internally, engaging and securing buy-in from their organisation and informing a better organisational understanding of, or changes in, internal practices / work streams.



**Case study 1**

**Financial Conduct Authority (FCA)  
Digital Regulatory Reporting**





## Role as the regulator

The Financial Conduct Authority (FCA) is the conduct regulator for 58,000 financial services firms and financial markets in the UK and the prudential regulator for over 18,000 of those firms.

Their strategic objective is to ensure that markets function well, and their key objectives are to:

- Protect consumers
- Protect financial markets
- Promote competition

UK financial services employ over 2.2 million people and contribute £65.6bn in tax to the UK economy. If UK markets work well, competitively and fairly they benefit customers, staff and shareholders, and maintain confidence in the UK as a major global financial hub.



## Project vision

FCA's RPF project constitutes Phase 2 of a wider programme of work on making regulatory reporting digital for financial firms. Such change would allow a significant reduction in the time and costs associated with data collection for business as well as the regulators, and guarantee accuracy of reporting.

*“In theory everybody wins. Firms can produce more efficiently, and at a reduced cost, information to us; we collect better and more systemically consistent information, which means we can regulate more effectively. And we collect that information quicker, which means we should spot harm or instances of misconduct quicker.”* (FCA)

The programme started with an initial independently funded phase (Phase 1) aimed at understanding how current reporting issues could be addressed. Phase 2 has been about developing FCA's understanding of DRR feasibility, formalising procedures and understanding the potential impact of implementation for financial services.



## Motivations for RPF bid

FCA explained that the Fund was seen as a way to acquire resources critical to continue with the programme after Phase 1, as FCA needed to bring in additional staff and involve vendors to test different aspects of DRR and pilot them with firms.

While the project team noted that they would have likely funded Phase 2 independently had they not received support from the RPF, they observed the BRE's funding enabled them to advance in their innovation efforts quicker, and with a wider scope.

*“We would have still probably done the pilot phase, but the scope of what we'd have been able to do would have been reduced. So we wouldn't have been able to bring in vendors to further test the market capabilities in the space. There would also have been regulatory resources that we wouldn't have been able to employ, so the timeline for being able to deliver [DRR pilot] would have been drastically reduced.”* (FCA)



## Main activities involved

Activities undergone in Pilot Phase 2 (in partnership with Bank of England) included:

- Workshops and deep dives with financial firms
- Regular steering committee meetings (seven financial firms)
- Consultation and testing with vendors
- Project presentation and showcases
- Viability assessment report



## Focus RPF programme outputs

1. New business innovation through new licencing or sandbox regimes
3. Reduced time or cost of introducing business innovation
5. Improved consumer confidence in business innovation
6. Other UK regulators influenced to take up pro-innovation regulatory approach
7. Influencing other international administrations to align with regulatory approach



## Understanding of the problem and RPF purpose

The Kantar team understood that at the start of Phase 2 FCA had a **clear understanding of the problem DRR is trying to address** – the excessive burden of current reporting processes on firms and inaccuracies in the data caused by human error and misinterpretation of regulatory rules.

FCA explained that their understanding had developed as a result of Phase 1 of their programme (not covered by the RPF). It had been shaped **by ongoing industry feedback, and consultations with financial and tech firms**. Interactions with vendors furthered their understanding of how technology could be used to solve the problem, helping to prepare them for the current pilot phase.

The project team felt that they were clear on the purpose of the RPF, and thought that the Fund was a *“good match in terms of what [the FCA] wanted to do”* – i.e. enabling the **regulator to be more innovative and effective** in their work, and **positioning the UK as a global financial centre**. *“The perception that [the project] gives of us, of the UK leading in this space, is absolutely profound, and I think absolutely speaks to one of the aims of the [RPF] Fund.”* (FCA)



## Challenges in setting up the project

FCA explained that **building the stakeholder network** for their project was challenging. Firms involved in the pilot were expected to release staff for a number of months to contribute to the work, which was a considerable expense on their part.

The team also had to **ensure data security during testing**. Piloting DRR required data exchanges between firms and regulator over a network that had not been tested, potentially exposing internal and confidential information to other firms. To mitigate against potential breaches, synthetic data was used for testing, and FCA was careful to ensure that all parties understood their obligations under competition law before taking part in the project.

**Developing a correct understanding of DRR’s impact on the market** was also an initial concern. The project team was aware that while they were engaging large banks as part of the steering committee for DRR’s pilot, as big firms were able to contribute resources, any solution would also need to be functional for smaller firms. *“Understanding the market place has been really challenging [...] but whatever solution we develop has to work for small firms as well.”* (FCA)

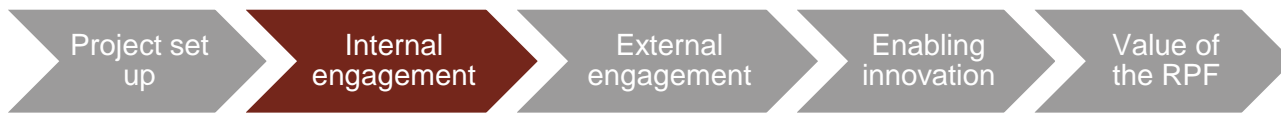


## Lessons learnt on project set up and planning

The project team noted the importance of **ensuring close alignment with the Bank of England (BoE)**, their project delivery partner. The team explained that FCA and BoE have different remits as financial regulators - BoE regulates a small number of global firms managing economic risk at macro level, as opposed to the FCA, which regulates the entire UK market, monitoring at a micro scale. For this reason their roles and processes differ, making collaborations challenging at times. FCA found that ongoing communication and adopting different project management styles was helpful to ensure alignment.

FCA also felt that **building relationships with the sector over a number of years** and **showing regulators’ commitment** to innovation through public statements made by FCA’s and BoE’s senior managers had been instrumental in getting firms on board with their project. *“As soon as the regulators get involved, it almost gives validity to the project. [It shows] that it’s something we’re seriously looking at. So that made it a lot easier to get the firms on board. Showing seriousness has been really good.”* (FCA)

In order to engage a wider range of stakeholders and better understand DRR’s potential market impact, the team also held numerous **round tables with small firms to discuss the project in detail** and identify any elements that should be addressed in order to make DRR work for small companies.



## Internally, FCA engaged

Chief executive and directors

Internal teams (e.g. policy, IT, legal )

Wider organisation

*"[Colleagues] really get the possible transformative impact of a project like this in helping them to do their jobs differently. And I think that's going to be key in terms of articulating a message about: actually this is not just about helping us to get the information to us in a more efficient and effective way; in doing so it helps us to do our jobs better because we've got quality of information, we've got quality of data."* (FCA)



## Nature of internal engagement and response from the organisation

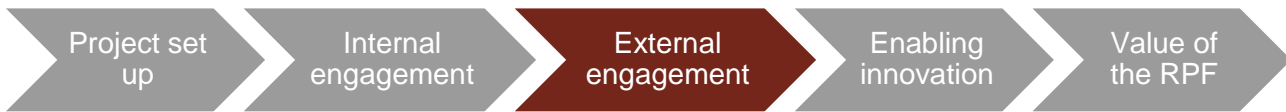
The project team explained they actively tried to engage their organisation throughout their programme in order to acquire senior buy-in and to get the organisation *"interested and excited"* in DRR and its potential.

The team drafted **weekly update briefing notes for the chief executive and directors** who *"get very clearly the need to stay ahead of the curve and stay innovating and stay being on the cutting edge"* (FCA). They also explained that their director regularly presents the project in speeches at conferences and that they had **regular interactions with relevant teams** within FCA (e.g. IT and policy) to discuss the project. Additional to this, the team has been discussing and sharing updates on the project at **'open days' for both FCA employees and interested firms**.

FCA found that historically *"the ability to articulate a compelling internal narrative has been quite challenging"* (FCA). The project team explained they socialised the project amongst senior management to gain feedback and understand their perspectives and any changes to scope. They highlighted the importance of **keeping the organisation aware of activities and 'small wins' to secure buy-in and share lessons**. The team also mentioned that their positive relationship with the industry and pressure from firms to progress with digital reporting helped to gain internal buy-in.

While the team shared plans to work more with their organisation as the programme continues into implementation, they identified some **emerging changes resulting from their work**. For instance, they mentioned that they developed an animation to explain DRR – *"Interestingly, that's not how the FCA would normally act. We often provide papers to the industry and felt the animation provided an opportunity to do things a little differently. So it wasn't necessarily consistent with our comms house style and approach, brand guidelines, but actually it has helped considerably with the comms challenge."* (FCA)

Also, the project team explained that a new system for data collection that is currently being developed by the FCA has been built with the requirement in place to support DRR, once that's ready to be implemented. *"What we've essentially done is we've been future- proofing our data collection capabilities, so that when we're ready to go live with this. It should be fairly straight forward for us, rather than for us to build a whole new system."* (FCA).



**Externally, FCA engaged**

Bank of England (delivery partner)

Seven financial firms part of steering group (e.g. Credit Suisse, Santander, Lloyds Banking Group)

Smaller banks / firms

Vendors and RegTech companies

UK regulators (e.g. SRA, Ofgem, MHRA)

Global Financial Innovation Network

International financial regulators (e.g. US, Singapore, Japan, Korea)



**External stakeholder engagement**

The Kantar team understood the **engagement of financial and regulation technology (RegTech) sectors**, as well as that of **other regulators**, both in the UK and internationally, to be a key component of FCA's work.

The project team explained that they extensively **collaborated with financial firms as part of the steering group** to understand their needs and the potential market impact of their solution. FCA also **engaged with smaller firms**, conscious that DRR will need to be functional for the whole market to be effective. *"The stakeholders from the FCA and the Bank of England have been absolutely fantastic. They have not kept half an eye on the ball or anything. It's been complete and total engagement. It has been really fascinating and inspiring to see this commitment in a cross industry project from the regulators."* (Credit Suisse). In addition to this, the project team also reported working with **RegTech companies and vendors** to test solutions.

FCA said they have been active promoting their work at a number of **conferences, nationally and internationally**, attracting significant interest from peer regulators globally. They showcased lessons from their work at the Global Financial Innovation Network, as well as collaborating with UK regulators to understand how digital reporting could be applied to cross-sector challenges (e.g. energy and pharmaceuticals ones).

FCA also **continued their partnership with BoE** which started with DRR's proof-of-concept phase. While BoE were satisfied with the results of Phase 2, they felt more could have been achieved with clearer direction and stronger project governance.



**Lessons learnt on stakeholder engagement**

FCA recognised the importance of **collaboration and regular communication** with stakeholders. They felt that working with stakeholders with different views and a common vision had been extremely beneficial to their project. *"To be as impactful as our ambition, we do need to work with and through others, rather than thinking we can do it all ourselves. [...] It's great to have such a large diversity of opinions, so you don't end up with a solution that works for one person and doesn't work for the rest of the financial services sector."* (FCA)

The project team learned to **adopt agile ways of working and be open to different perspectives** to guarantee alignment with stakeholders and *"cohering a kind of clear narrative, if when you've got essentially eight authors across something, it is always going to be challenging"* (FCA).

The team also highlighted the importance of showcasing their work and early achievements at events and open days to foster enthusiasm about DRR. They noted that transparency on project activities has also been helpful to manage risk of FCA being seen as 'favouring' the limited number of firms on the project steering committee.

*"I really, really believe in it, not only the business case and digitising the reporting side is important, but I also think keeping the UK as the innovation capital of the world, from showing others how the industry can work together with regulators, with other institutions [is important]."* (Credit Suisse)

The project team also **learnt to manage expectations of the industry, who would like DRR to be in use as soon as possible**. FCA explained that they have been mindful of the fact that they have to take into account impact on the whole market and cannot rush into implementation.





### Initial positive outcomes and achievements

Through their project, FCA was **able to understand that implementing DRR is possible** and **the effect it would have on the efficiency and accuracy of reporting** for financial institutions. The team felt that its application will improve their *“abilities as a regulator to understand the [financial services] market place as a whole.”* (FCA) (connected to RPF programme focus outputs 1 and 3).

Both FCA and stakeholders interviewed felt that their work **started a conversation** about automating regulatory reporting, enabled collaboration across the industry, and allowed the FCA to make some innovations to their data strategy and processes as an organisation. It created *“the view that regulator is open, is keen and is leading the way”* (Credit Suisse). *“It was a great way of getting stakeholders involved, getting interest, and highlighting some of the problems we have”.* (BoE)

The project also **generated significant interest internationally**, with articles published about it in Asia and the US. The FCA explained **they have been promoting learnings with the Global Financial Innovation Network**, and that particularly Asian regulators (e.g. Hong Kong Monetary Authority, Monetary Authority of Singapore, Japan and Korea) are keen to test them (connected with RPF focus output 7). FCA believed in the potential for their technology to be applied to international markets, and as some of the banks in their steering committee (e.g. HSBC) operate across multiple countries, and findings from the project could easily be shared. *“We want to digitalise globally. It doesn't make any sense if it's just in the UK.”* (FCA)

However, the project also **enabled collaboration with UK regulators** (e.g. SRA, Ofgem, MHRA), in whose sectors digital reporting can be applied. *“This project isn't just something that can be applied to financial services; any sector where there is the need to comply with a series of rules or submit data to somebody else can use a similar process.”* (FCA) (connected with focus output 6)

*“There is a general interest in how we have managed to foster and enable that innovation culture, that innovation way of doing things. And I think DRR is one example of that, because it's clearly very ambitious in what it's striving to achieve, and the way it's been resourced is quite unusual”* (FCA)

*“The FCA and the Bank of England leading this project has had so many positive effects. It's galvanised the rest of the world to start looking at having that conversation. It allowed the firms to work together, to give a good example of collaborative work”* (Credit Suisse)

*“(DRR) will enable us to spot harm quicker, and therefore seek to reduce the extent to which that harm may in fact be happening, and that is a direct benefit to the consumers.”* (FCA)

*“I think that has helped a lot with getting the message out to regulators outside of the UK.”* (FCA)

### Beneficiaries of the project (and eventual implementation of DRR)



FCA themselves, improving the regulator's ability to understand the market place as a whole



Financial institutions (worldwide), if DRR is implemented, as efficiency and cost effectiveness of both reporting and innovation could increase



Vendors (i.e. innovators / companies providing the reporting software) who have ties with the regulator, and have more opportunities for business development



Consumers could benefit through improved and quicker reporting FCA will be able to spot harm quicker and seek to reduce it

Project set up

Internal engagement

External engagement

Enabling innovation

Value of the RPF



## Lessons learnt from effort to enable innovation in the financial sector

FCA felt that **building positive working relationships** with firms across the industry was critical for their work and observed the **need for the regulator to be fully involved in innovative work**; *"I think what we've learned is that it's really important for the regulator not just to be cohering and convening groups to solve problems, [that] we actually have to actively participate."* (FCA)

FCA also found that **having their work with firms co-located has been very beneficial** as it helped all parties feel as a cohesive team, committed to their shared goal. FCA explained that this way of working also created a lot of interest externally. *"There is a common problem. Bringing together people physically to crack that common problem creates a sense of team, creates a common sense of purpose. And I think working in that neutral space [...] enables the team probably to come together more neutrally and organically and go after the challenges that they've got."* (FCA)

DRR was initially developed from a 'Tech Sprint' held by the FCA (i.e. an event intended to bring together mixed disciplinary teams to solve a problem statement), and the project team felt that their work has been useful in thinking about **how regulators can initiate and contribute to sector innovation in the future**. *"I think that is a very instructive lesson for us broadly as a regulator, to think about what do we need to do to give our innovation vehicle more traction out with a singular event [i.e. the Tech Sprint event where the idea of DRR originated]. So with Tech Sprints for example, how do we ensure that outcomes really resonate and get a secure footing?"* (FCA) The project has allowed FCA to think of how innovation can start and be sustained starting from an individual interaction with the sector and innovators.

The team feels DRR is still a long way from implementation because of the significant impact that changing the reporting regime would have on the sector. They explained that throughout the project they have learnt that there are times when it's important to have the courage to **stop to take stock and reflect on their work**, as it has never been done before.

A stakeholder interviewed at BoE felt that while the pilot delivered some value (i.e. bringing together regulators, building relationships, and sending a positive message to the industry about their involvement in innovation), they felt more could have been delivered with the resources available. They felt this was because the project lacked the strong governance necessary to ensure discipline in the work and quality outcomes. They felt that the diversity of views and freedom, that made earlier phases of DRR a success needed to be tempered by stronger direction and control to move the project from innovation to delivery. The stakeholder noted that the BoE's discussion paper on "Transforming Data Collection from the UK Financial Sector" drew heavily on the work of DRR, but principally on ideas that had been developed by the start of Phase 2.



## Plans to disseminate learnings

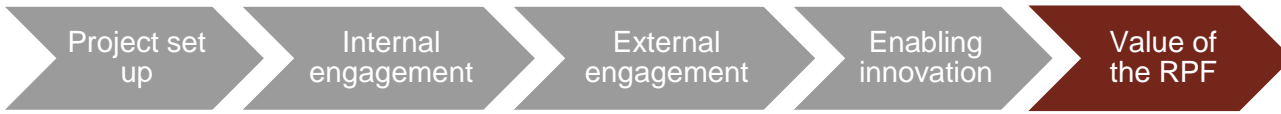
- At the time of the interview the team were coming to the end of Phase 2, and had been working towards publishing their viability assessment for DRR. This has now been published and can be found here:

<https://www.fca.org.uk/innovation/regtech/digital-regulatory-reporting>

- Furthermore, FCA has been sharing lessons from the project with regulators internationally and in the UK.

*"We would like as many regulators around the world as possible to address this work and share their findings. So we are trying to be as open and as transparent with what we're doing as we can be. We want multiple people to progress it."* (FCA)

- While unclear about the details of future plans, FCA felt confident that work on this would continue past the RPF.
- *"Our funding runs out at the end of March 2020. We will be live testing at the end of 2020. So our aspiration is that we absolutely go through to live test, beyond the live time of the RPF funding."* (FCA)



The RPF supported the FCA effort to enable innovation in their sector, providing value in a range of ways:



Enabling collaboration with the sector, allowing stakeholders and vendors to work together on DRR testing



Contributing towards supporting promotion of UK's thought leadership in the financial sector abroad



Providing external validation for FCA's previous work, instrumental to secure buy in and gain traction internally



Accelerating FCA's innovation journey, providing resources and headspace for innovative thinking


*"It's a global first initiative, that nobody has worked on, and the funding has been really helpful in allowing us to lead the way globally in this space."* (FCA)

*"[RPF was beneficial in] getting that external validation that we are doing something that is perceived beyond our own [FCA's] four walls, beyond the Bank's [Bank of England] walls, as in the wider regulatory community as something that is interesting and innovative."* (FCA)

### Thoughts on how the RPF could be improved and better support regulators if the programme was repeated

Overall, the FCA described their experience of the RPF as *"overwhelmingly positive"* and noted that *"[The RPF] has been instrumental in enabling us to really to do that thinking of how we realise [the live testing]"*. When asked if they could identify any areas of improvement for the fund, responses referred to reporting and auditing procedures.

- FCA thought more **flexibility in reporting requirements** could be beneficial. The team observed that while reporting on a monthly basis is *"OK in some respects"*, Innovate UK told them they were not providing enough updates in the past few months. They explained this was due to the team being busy on other work in that time. In addition to this, the team recalled a number of times when Innovate UK's monitoring officer requested information with short notice (e.g. at 3pm to be delivered at 5pm). FCA explained more realistic deadlines would be more helpful for regulators.
- The team also explained they were unable to access Innovate UK's financial reporting system, because due to their internal network security mechanisms they cannot submit data onto an external platform. For this reason the team had to manually submit forms and felt a system adapting to different organisations' IT requirements could be helpful.
- Finally, the FCA thought the requirement by Innovate UK for an additional external audit was *"completely unnecessary"* as their activities are already audited annually. For this reason they thought it would be beneficial to have some **flexibility on auditing if this is already part of regulators' practices**. *"For some organisations that don't have audits, absolutely; but we do."* They explained that the requirement was removed in the end, but highlighted that it was not easy and that having to pay unnecessarily for an audit that was not needed could have negatively impacted on their project.

The background of the slide is a photograph of an offshore oil and gas platform at sunset. The platform is silhouetted against a warm, orange and yellow sky. A large, bright sun is visible in the upper left quadrant. The platform has a central derrick, several cranes, and various pipes and structures. The water in the foreground is dark with some ripples.

**Case study 2**  
**Oil & Gas Authority (OGA)**  
**Realising cross-sector integration transition**





# Project at a glance – Realising cross-sector integration transition



## Role as the regulator

The Oil and Gas Authority (OGA) regulates, influences and promotes the UK oil and gas sector in order to deliver on the UK's statutory requirement to maximise economic recovery from the UK Continental Shelf (UKCS).

They control the issuance of licences to organisations that wish to explore for and extract hydrocarbons, and approve operational and development plans.

They are also required to support sector efforts to achieve UK environmental targets, particularly through the transition to a zero carbon energy system.



## Project vision

The Energy Integration project brings together four regulators – OGA, Ofgem, The Crown Estate and the Department for Business, Energy and Industrial Strategy (BEIS) – to **explore future opportunities to integrate low or zero carbon energy technologies into existing offshore oil and gas infrastructure.**

The project explores **the technical and economic feasibility** of five offshore technology scenarios that include integrating electricity, wind power, carbon capture and storage (CCS) and hydrogen. The project explores the regulatory gaps, overlaps and barriers to determine how best to support adoption of energy integration projects in future and identifies several practical 'quick wins.'



## Motivations for RPF bid

The project addresses the problem that, until recently, energy production activities operated in geographic and regulatory isolation from each other. However, with the UK becoming a world leader in offshore wind and the pressing need to decarbonise the UK energy system, there is a growing need for the industries and their respective regulators to move from their silos to a more collaborative way of working, particularly concerning projects that involve cross-sector innovation and integration.

The RPF presented an opportunity to explore this problem through a funded collaboration with other regulators that would not have been possible using core funding and resource.



## Main activities involved

- Desk-based research
- Technical and economic consultancy
- Collaborative input and assessment of concepts
- Regular steering meetings
- Industry engagement activities:
  - Workshops
  - Presentations
  - Industry feedback on ideas
  - Review of existing industry projects



## Focus RPF programme outputs

1. New business innovation through new licencing or sandbox regimes
2. Innovation by changing outcomes/releasing new information
3. Reduced time or cost of introducing business innovation
4. Improved business/investor confidence in business innovation regulation
6. Other UK regulators influenced to take up pro-innovation regulatory approach



## Understanding of the problem and RPF purpose

The OGA understood their problem to be a **growing need for collaboration between previously siloed industries** and regulators to respond to new opportunities to maximise the economic and low- carbon potential for offshore energy in the UKCS.

The OGA were also keen to stress that **they viewed the problem as an opportunity for their sector** – that removing barriers to energy integration projects would yield benefits for businesses, regulators and the general public as part of the future energy transition.

The OGA understood the RPF as follows:

*“To anticipate future business need and to provide a government response, both in terms of providing a robust and efficient regulatory approach, but also in terms of understanding [...] what type of policy support [industry needs] to facilitate change and transitions.”* (OGA)

*“It also gave funding for regulators to think out of the box and do work that requires time and effort and resources and everything else that otherwise would not be possible to deliver.”* (OGA)



## Challenges in setting up the project

The key challenge for the OGA in setting up the project was a **reduced time to start the project** compared to the other RPF projects, as they were not initially awarded the funding. The OGA were selected for funding after another funded project was cancelled. They were notified that their project was to be funded in December 2018 and required to start working immediately.

The OGA reported having to work at an accelerated pace to start up the project, particularly as they were required to spend a significant proportion of the project budget before the end of the financial year (beginning of April 2019). They were able to negotiate with the funder to reallocate the funding from a half-half split to a one-third, two-thirds split. This was still a challenge for them to spend, particularly given the requirement to award external contracts for work through government tender rules that take time.

The OGA said they were able to overcome these challenges to their satisfaction and were pleased with the flexibility offered by the Better Regulation Executive (BRE): *“With a little bit of creativity and flexibility on BRE's part and our part, I think we managed.”* (OGA)



## Lessons learnt on project set up and planning

The OGA felt that a large part of their perceived success in overcoming their project set-up challenges was due to a **very good relationship with Innovate UK and the BRE**. They felt that any question they had during this time was promptly addressed.

Another contributing factor was having a **clear project plan and project team structure in place** since the beginning, with clear roles and individual responsibilities for workstreams.

The OGA felt that the nature of their project (i.e. exploring low-carbon innovation and collaboration opportunities across the energy sectors) meant that there was a **clear value to internal stakeholders, regulator partners and industry** – *“it was not a hard sell.”* (OGA) – which meant that key individuals were easy to engage and happy to help set up the project.

The project team also feel that the **phasing of the project** (starting with a technical feasibility study before moving onto economic and regulatory assessment) supported effective and rapid project set up.

The OGA felt happy with the time they had to prepare the bid and overall found project set up easy, despite the time pressure. They wouldn't want to have done anything differently and wouldn't have wanted Innovate UK or BRE to have done anything differently.

Project set up

Internal engagement

External engagement

Enabling innovation

Value of the RPF

Internally, OGA engaged

Management board

Wider teams



### Nature of internal engagement and response from the organisation

The OGA explained they found internal engagement an easy task on this project, with **wide support and interest in the outputs and outcomes being generated**. They noted that the project has touched on an important topic at a critical stage for the industry as both the OGA and the oil and gas sector are trying to understand their role in the energy transition from fossil fuels to zero carbon. This is a major strategic question and this has meant that there is broad internal support for and interest in the project, particularly on the project's 'quick wins'.

Senior OGA staff sit on the project steering board as a formal engagement activity, with information flows to other parts of the organisation spreading out from this. Relevant colleagues from across the OGA have been invited to project events such as industry and regulatory workshops to support the project and keep the wider OGA involved. Seminars and presentations have been delivered by the project team to other colleagues across the OGA.

The OGA believed that the project may have supported greater engagement with industry, both in building new links and in providing better information for the wider OGA to have better conversations with industry around innovation.

The OGA felt that initially the aims and objectives of the RPF were difficult to communicate internally. This could have been improved with some clearer communication/messaging from the funders.

## Externally, OGA engaged

Project partners: The Crown Estate, BEIS, Ofgem

12 other regulators (at UK and Scotland levels)


Local authorities (where projects are being planned)

10-15 oil and gas companies

3-4 renewable energy companies

Supply chain and infrastructure companies

Academia

 External stakeholder engagement

External engagement was **a major part of this project** – from the project team **involving a cross-sector group of regulators** to a wide programme of **industry and regulatory engagement activities** to gain input and feedback on the project's proposed energy integration concepts.

At a project team level, the OGA feel that **engagement between the project partners has been very effective**, with frank, open interactions centred around monthly meetings. This feeling was echoed by both BEIS and the Crown Estate who both feel that the project has exceeded their expectations in terms of the experience of project delivery and the emerging outcomes. The Crown Estate are keen to explore future working opportunities with the OGA.

Beyond the project team, the project has been involved in **workshops and seminars with external stakeholders** to gain their input on the technical and regulatory details of the energy integration scenarios proposed by the project. The OGA have also carried out a mapping exercise to identify existing energy integration projects (or projects that have the potential to involve energy integration) that has supported their engagement in identifying new stakeholders.



## Lessons learnt on stakeholder engagement

The only challenge noted by the OGA was around **difficulty in making links with multiple individuals in larger organisations** (e.g. BEIS) where they have a need to engage beyond their existing contacts. There was a particular challenge gathering cross-sector stakeholder contact details at the beginning of the project. However they feel that they successfully overcame this challenge without delay to the project.

The OGA found that **involving industry at the beginning of the project** in a proactive way supported a 'snowball' effect, attracting more industry attention to the project ahead of its later stages, which has been beneficial to their feedback and dissemination activities.

An **effective project communication plan** was seen as a positive lesson, with clear, up-to-date messaging provided to wider OGA staff to use in their wider interactions with industry. This has meant that project information is spread more widely and has attracted more interest in the project and enhanced impact.

BEIS noted that while they were happy with their own involvement on the project, that they may prefer more interaction with the OGA: *"Maybe a little bit more opportunity to talk through, a bit more dialogue, rather than a sort of show-and-tell might be helpful."* (BEIS)





## Initial positive outcomes and achievements

The main outcome of the project so far is an **enhanced understanding of the opportunities for energy integration across offshore energy sectors**, including potential impacts, barriers and practical steps to facilitate progress in this area. This has been evidenced by the creation of new knowledge, sharing of practical guidance and building cross-sector relationships that will be necessary for the future of energy integration (connected with focus outputs 2 and 6).

The project has led to a **richer organisational understanding** of the scale and scope of technical, economic and regulatory issues and opportunities facing energy integration projects among the project team members and their wider organisations. This has supported them to be able to have better interactions with industry stakeholders.

A particularly important output of the project has been their '**quick wins**' document that identifies twelve practical changes that can be made over the short term (e.g. regulatory amendments, small-scale projects, etc.) to begin the process of facilitating energy integration plans in the UK energy sector connected with focus outputs 1, 2, 3 and 4). *"It is a great piece of work and it is the right direction to look at: [To look] at quick wins, look at realistic measures that can be taken fairly quickly to allow industry to lead."* (The Crown Estate). This document also identifies a number of opportunities for future collaboration between project partners and industry stakeholders.

The OGA also feel that their work on **this project has fed into their work on CCS and other areas**. They have been surprised how much the project is already supporting their interactions in other areas that are looking at innovation in the energy transition future. The OGA also feel that the project has promoted a new level of thinking around the OGA's role in meeting the UK's net zero target. It has helped them understand the future direction of the oil and gas sector offshore and supported them to become leaders in climate change in the sector.

*"The depth of understanding gained is in a different universe from where it was."*  
(OGA)

*"I've been very impressed with the outcomes and so I've invited the OGA in to talk about it in the department."*  
(BEIS)

*"By talking about these innovative concepts, you get people interested, you get people talking to you as the regulator and you get people understanding what you as the regulator might be able to do for them beyond just the traditional role of the regulator in terms of giving licences."*  
(OGA)



## Beneficiaries of the project



The OGA is benefitting through improved understanding of energy integration issues, supporting their wider activities.



Project partners are benefiting from a greater understanding that is supporting their work on innovation and industry engagement.



The general public could benefit through potentially cheaper, cleaner energy supplies delivered through energy integration.



Industry may benefit from better interactions with regulators and a smoother path to energy integration projects. This includes a clearer future role for the oil and gas sector.



## Lessons learnt from effort to enable innovation in the energy sector

The project has highlighted that all of the energy integration innovations could be delivered today but that the process could be more efficient. There would be pressure on industry to develop concepts that have clear business and environmental value but that may not be able, with current regulation structures, to be delivered efficiently. This has highlighted the **importance of working with multiple regulators to address potential barriers in advance.**

The OGA have also found that carrying out a project in the innovation space has supported them to **increase awareness of innovation in their sector and bridge the gap with innovators:** *“because of our quite extensive communications, we are pushing the message out that we are a regulator that are interested and supportive of these kinds of projects, which means we hear about more of these types of projects.”* (OGA)

The OGA have also learned that **understanding gaps in regulation, engaging with industry and investigating industry projects, helps them to better adapt to support future innovation** and have positive, constructive interactions with their stakeholders: *“By listening to the industry and these potential projects, finding out what the problems are and the potential problems [i.e. existing problems and potential future problems], then we can be a better informed interlocutor with other projects.”* (OGA)

All project partners have recognised the **need for increased regulatory collaboration to support innovation in their sector:** *“If we don't talk to each other we might create accidental barriers.”* (OGA) *“Infrastructure doesn't exist in silos, it's all connected; but the people who regulate it, they're not always as connected as they should be.”* (BEIS)

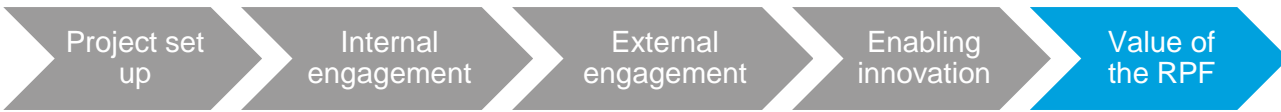
BEIS also note that learning from different sectors can be vital in driving innovation (e.g. heart surgeons learning from racing pit-stop teams) and that **the energy sector will similarly benefit from engaging with a wider range of stakeholders.**



## Plans to disseminate learnings

- The OGA explained they have already conducted a number of dissemination activities including:
  - Three industry workshops
  - Presentations at a number of different industry conferences and events
  - Convening a cross-industry conference bringing together over 100 companies with offshore energy interests.
- They intended to carry out a number of dissemination (and implementation) activities at the end of the project and beyond including publications and industry engagement. They note that they will ideally need to find additional funding for this.
- The Crown Estate are organising a meeting for the OGA to present the results of the project to other Crown Estate colleagues. They are also exploring other ways to disseminate learning internally and externally.

Following a final review of case studies in August 2020, OGA shared an update on engagement and dissemination activities, explaining that a workshop gathering about 40 between oil and gas operators and windfarm developers, and organised by the OGA and Crown Estate Scotland, with upfront coordination with Marine Scotland took place on 20/08/2020. The session was deemed successful by both the OGA and the Crown Estate, and OGA felt that *“the discussion, prompted by EIP findings, has advanced the dialogue between the two industries to create joint plans to supply renewable power to offshore oil and gas installations and so reduce emissions.”* (OGA)



The RPF supported the OGA effort to enable innovation in their sector providing value in a range of ways:



Supporting development of new knowledge around cross-sector innovation in energy integration.



Supporting new links between regulators to address cross-sector challenges and remove barriers.



Enhancing links between industry and regulators by providing a platform to discuss innovation.



Identifying a number of practical quick wins that can begin the process of supporting innovation.

*“To be totally honest, these four groups have seldom sat in the same room, and now we've been sitting in the same room once a month [...] It's more than all the previous meetings of these groups together for the past twenty years.” (OGA)*

### Thoughts on how the RPF could be improved and better support regulators if the programme was repeated

Overall, the OGA and its partners have been very pleased with the funding provided and how it has been administered. They have found the administrative and reporting requirements to be useful (*“we need to have financial discipline”* (OGA)) and have found that the quarterly meetings with Innovate UK have helped keep them on track. They felt that the relationship was *“light touch but effective”* (OGA).

One area that they felt could have been improved is the **flexibility between accounting periods**, as this may have forced projects in circumstances such as theirs to make unwanted or unrealistic changes. They also found that the split of funding between 2018-19 and 2019-20 didn't match the respective time allocations noting that *“if you have a certain period and if you say 'spend this in year one and this in year two', this should also [match] the actual physical time that you have.”* (OGA)

Another area identified for potential improvement was to **provide RPF applicants with clearer communication materials** to allow them to brief internal stakeholders on the fund's scope. This would make it easier to pitch potential projects to senior staff to authorise bids.

Another area that they said that could have been improved was that BRE had suggested that they could **support OGA by handling liaison with the BEIS press office**. This didn't happen, which required the OGA to go directly to the press office. For OGA this felt like an acceptable result as they already had good working links with the BEIS press office, but they noted that other projects may not have links like this.