



Department for  
Business, Energy  
& Industrial Strategy

# Post Implementation Review

The Pollution Prevention and Control (Fees)  
(Miscellaneous Amendments and Other  
Provisions) Regulations 2015

January 2023



© Crown copyright 2023

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at: [OPRED.Fees@beis.gov.uk](mailto:OPRED.Fees@beis.gov.uk)

---

# Contents

Executive Summary	5
Introduction	6
Policy Background	12
Policy Objectives	14
Rationale for Intervention	14
Methodology	16
Overview	16
Challenges	17
Monetised and Non-Monetised Costs and Benefits of the Regulations	18
Value of new fees	18
Non-monetised costs	20
Costs to Companies in Scope	20
Compliance	24
Conclusions and Next Steps	25



---

# Executive Summary

The Pollution Prevention and Control (Fees) (Miscellaneous Amendments and Other Provisions) Regulations 2015 were introduced to ensure that the costs of environmental regulatory services which are now provided by the Department for Business, Energy & Industrial Strategy (BEIS) to oil and gas operators were fully recovered from that industry. The objective was to relieve the burden on the taxpayer; ensuring that those companies directly benefiting from the services paid for them and improving resource allocation within BEIS.

This review demonstrates that the legislation has achieved the policy aim of reducing the burden on the taxpayer by bringing in income of £1.29 million through fees per annum on average which has allowed taxpayers' money to fund other priority programmes/projects.

---

## Introduction

The Pollution Prevention and Control (Fees)(Miscellaneous Amendments and Other Provisions) Regulations 2015 (“the 2015 Regulations”) came into force on the 22<sup>nd</sup> of July 2015. In line with HM Treasury’s *Managing Public Money Guidance*, the Regulations were intended to ensure that the costs of environmental regulatory services provided by the then Department of Energy and Climate Change (DECC), and now provided by BEIS, to the oil and gas industry and the offshore gas and carbon dioxide storage industries were fully recovered from those industries wherever possible. This would relieve the burden on the taxpayer; ensuring that those companies directly benefiting from the services paid for them and improving resource allocation.

There is no statutory requirement to review the 2015 Regulations, but the Explanatory Memorandum to those regulations provided that their effectiveness would be monitored in conjunction with industry with a review planned for 2018.

The 2015 Regulations (as amended) allow fees to be charged for certain activities under:

- The Merchant Shipping (Oil Pollution Preparedness, Response and Co-operation Convention) Regulations 1998;
- Part 4A of the Energy Act 2008 (consents to locate);
- Part 4 of the Marine and Coastal Access Act 2009 (marine licensing);
- The Energy Savings Opportunity Scheme Regulations 2014;
- The Offshore Installations (Offshore Safety Directive) (Safety Case etc.) Regulations 2015;
- The Fluorinated Greenhouse Gases Regulations 2015; and
- The Conservation of Offshore Marine Habitats and Species Regulations 2017.

The 2015 Regulations also amended the following Regulations to include a power to charge fees in relation to certain activities under:

- The Offshore Petroleum Production and Pipelines (Assessment of Environmental Effects) Regulations 1999; and
- The Offshore Petroleum Activities (Conservation of Habitats) Regulations 2001.

The fees are determined by adding together the recorded number of hours worked by environmental specialists and non-specialists on cost recoverable activities multiplied by specified hourly rates. Environmental specialists are qualified technical staff who carry out the legislative functions of the Secretary of State and non-specialists are administrative staff who support them.

The 2015 Regulations apply to all companies involved in the offshore oil and gas and the gas and carbon storage industries regardless of size. Of the companies who are active in these industries very few of them are micro businesses (i.e. companies with less than ten

---

employees) and the charges do not fall disproportionately on them. It is crucial that all businesses operating offshore, regardless of size, are subject to the same regulatory regime to ensure that they continue to provide a high level of protection for the marine environment. The offshore industry recognises the importance of maintaining a consistent approach to managing their impact on the environment offshore regardless of business size.

The 2015 Regulations have been amended nine times. The table below provides a summary of the changes:

**Table 1: Changes to the 2015 Regulations**

REGULATION	SUMMARY OF CHANGE
The Pollution Prevention and Control (Fees) (Miscellaneous Amendments) Regulations 2016	<p>Effective from 1st June 2016</p> <p>Hourly rates increased from £72 to £82 for non-specialist staff and from £167 to £168 for specialist staff.</p> <p>Regulatory amendments allowed charging for certain advice under:</p> <ul style="list-style-type: none"><li>• the Merchant Shipping (Oil Pollution Preparedness, Response and Co-operation Convention) Regulations 1998;</li><li>• the Fluorinated Greenhouse Gases Regulations 2015 (and related European legislation):</li><li>• certain licences under regulation 49 of the Offshore Marine Conservation (Natural Habitats etc.) Regulations 2007;</li><li>• the Offshore Petroleum Production and Pipe-lines (Assessment of Environmental Effects) Regulations 1999; and</li><li>• the Offshore Petroleum Activities (Conservation of Habitats) Regulations 2001</li></ul> <p>Regulatory amendments allowed charging for monitoring compliance with:</p> <ul style="list-style-type: none"><li>• a licence under regulation 49 of the Offshore Marine Conservation (Natural Habitats etc.) Regulations 2007; and</li><li>• a consent under regulation 4(1) of the Offshore Petroleum Activities (Conservation of Habitats) Regulations 2001.</li></ul>



Table 1 continued: Changes to 2015 Regulations

REGULATION	SUMMARY OF CHANGE
<p>The Pollution Prevention and Control (Fees) (Miscellaneous Amendments) (No. 2) Regulations 2016</p>	<p>Effective from 1st December 2016</p> <p>Introduced powers to recover the costs of:</p> <ul style="list-style-type: none"> <li>• functions relating to Consents to Locate under Part 4A of the Energy Act 2008; and</li> <li>• making an Appropriate Assessment under regulation 5(1) of the Offshore Petroleum Activities (Conservation of Habitats) Regulations 2001 where that Assessment is made only to support a decision on a specific application for a Petroleum Act licence, Energy Act licence or for a consent that is pursuant to an Energy Act licence;</li> </ul> <p>and made provision for fees for:</p> <ul style="list-style-type: none"> <li>• functions relating to marine licences under Part 4 of the Marine and Coastal Access Act 2009.</li> </ul>
<p>The Pollution Prevention and Control (Fees) (Miscellaneous Amendments) Regulations 2017</p>	<p>Effective from 6th April 2017</p> <p>Introduced fee charging provisions for:</p> <ul style="list-style-type: none"> <li>• assessing how the environment might be affected by oil or chemical discharges under, and the giving of advice in relation to, the Offshore Chemicals Regulations 2002 and the Offshore Petroleum Activities (Oil Pollution Prevention and Control) Regulations 2005;</li> <li>• monitoring compliance and providing advice regarding certain Commission Implementing Regulations for the EU's Fluorinated Gas regulatory regime;</li> <li>• functions carried out under the Energy Savings Opportunity Scheme Regulations 2014; and</li> <li>• services provided by BEIS to the Oil &amp; Gas Authority regarding the Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015 (these costs are recovered from the Oil &amp; Gas Authority and are not covered by this review).</li> </ul>

Table 1 continued: Changes to 2015 Regulations

REGULATION	SUMMARY OF CHANGE
<p>The Oil and Gas Authority (Levy) and Pollution Prevention and Control (Fees) (Amendment) Regulations 2018</p>	<p>Effective from 1st April 2018</p> <p>Made amendments to cross-references in the 2015 Regulations:</p> <ul style="list-style-type: none"> <li>• Regulation 5 (fees relating to certain licences under regulation 49 of the Offshore Marine Conservation (Natural Habitats etc.) Regulations 2007) amended to reflect that those regulations had been revoked and replaced by the Conservation of Offshore Marine Habitats and Species Regulations 2017</li> <li>• Regulation 7 (calculation of fees) amended to reflect the insertion of new regulation 5A (fees relating to consents to locate) and regulation 5B (fees relating to offshore undertakings: Energy Savings Opportunity Scheme Regulations 2014).</li> </ul>
<p>The Oil and Gas Authority (Levy) and Pollution Prevention and Control (Fees) (Amendment) Regulations 2019</p>	<p>Effective from 1st April 2019</p> <p>Hourly rates increased from £82 to £98 for non-specialist staff and from £168 to £183 for specialist staff.</p>
<p>The Oil and Gas Authority (Levy and Fees) and Pollution Prevention and Control (Fees) (Miscellaneous Amendments) Regulations 2020</p>	<p>Effective from 1st April 2020</p> <p>Hourly rates increased from £98 to £101 for non-specialist staff and from £183 to £190 for specialist staff.</p>
<p>The Offshore Oil and Gas Exploration, Production, Unloading and Storage (Environmental Impact Assessment) Regulations 2020</p>	<p>Effective from 31 December 2020</p> <p>Removed the fee charging provisions in relation to The Offshore Petroleum Production and Pipe-lines (Assessment of Environmental Effects) Regulations 1999, to reflect the revocation and replacement of those regulations by The Offshore Oil and Gas Exploration, Production, Unloading and Storage (Environmental Impact Assessment) Regulations 2020. The latter regulations contain separate fee charging powers.</p>

Table 1 continued: Changes to 2015 Regulations

REGULATION	SUMMARY OF CHANGE
The Pollution Prevention and Control (Fees) (Miscellaneous Amendments) Regulations 2021	Effective from 23rd June 2021  Hourly rates increased from £101 to £108 for non-specialist staff and from £190 to £197 for specialist staff.
The Pollution Prevention and Control (Fees) (Miscellaneous Amendments) Regulations 2022	Effective from 17 <sup>th</sup> June 2022  Hourly rates decreased from £108 to £104 for non-specialist staff and increased from £197 to £201 for specialist staff.

It was estimated that the 2015 Regulations would reduce the burden on the taxpayer by around £1.4 million per annum. In accordance with Managing Public Money Guidance the cost would be transferred to those benefiting from the service and would be in line with the polluter pays principle.

As will be demonstrated below, the policy has achieved its aims recovering just over £1.29 million annually since the Regulations were introduced in July 2015.

---

## Policy Background

In 2014/15, the then DECC undertook a review of their existing fee schemes for the environmental regulation of the oil and gas industry. The purpose of the review was to assess whether the existing schemes were compliant with HMT guidelines on Managing Public Money and to identify whether additional fee schemes were required because of the transposition of the EU Offshore Safety Directive (Directive 2013/30/EU) and the amendments to the Fluorinated Greenhouse Gases Regulations.

Through a number of fee charging schemes, DECC recovered the direct costs incurred in the processing and administration of permits and the associated monitoring and compliance activities to operators in relation to the environmental regulation of the UK Continental Shelf (UKCS).

The fees payable by oil and gas operators reflected the actual departmental resource costs of processing, evaluating, issuing, and administering the permits within DECC.

The review resulted in two key findings:

- There were services provided by DECC – under five sets of environmental Regulations (a-e in Table 1 below) – for which fees of around £1.4 million per annum were being charged for which DECC did not have the requisite power under legislation. These fees had therefore been raised ultra vires, meaning that they have previously been charged without the necessary legal authority.
- Services to be provided to industry in relation to two other Regulations – The Fluorinated Greenhouse Gases Regulations (amended) 2015 and The Offshore Installations (Offshore Safety Directive) (Safety Case etc.) Regulations 2015 (f-g in Table 1 below) – required fee provisions in order that costs could be recovered in the future.

**Table 2: Regulations for which legislation was required to create a fee scheme**

a	The Offshore Petroleum Production and Pipe-lines (Assessment of Environmental Effects) Regulations 1999
b	The Offshore Petroleum Activities (Conservation of Habitats) Regulations 2001
c	The Offshore Marine Conservation (Natural Habitats, &c) Regulations 2007
d	The Merchant Shipping (Oil Pollution Preparedness, Response and Co-operation Convention) Regulations 1998
e	The Marine and Coastal Access Act 2009
f	The Fluorinated Greenhouse Gases Regulations 2015
g	The Offshore Installation (Safety Case) Regulations 2015

Section 77 of the Energy Act 2016 made provision to validate certain fees previously charged ultra vires.

There were sufficient fee raising powers in primary legislation to make the regulations and address the gap in legislative powers.

DECC therefore sought to introduce secondary legislation to allow the Department to have the appropriate legislative powers in place to recover from industry via fees, the costs associated with providing these additional activities, rather than passing the costs onto the taxpayer. The proposed approach was consistent with the guidelines on Managing Public Money.

---

## Policy Objectives

### Rationale for Intervention

Secondary legislation was required for DECC to establish fee raising powers for activities undertaken on behalf of oil and gas operators on the UK Continental Shelf (UKCS). The legislative powers enabled the Department to recover its resource costs from companies who would benefit from the services provided. There were specific primary legislation powers to provide for fees in relation to the Secretary of State's relevant energy functions under the Regulations in Table 2.

The proposed approach was therefore in line with long-established practice and Government policy – as set out in “Managing Public Money” – that Government recovers the costs of the services it provides, where this is possible. It states that: “This [cost recovery] can be a rational way to allocate resources because it signals to consumers that public services have real economic costs. Charging can thus help prevent waste through badly targeted consumption. It can also make comparisons with private sector services easier, promote competition, develop markets, and generally promote financially sound behaviour in the public sector.”

The guidance makes clear that charges for services provided by public sector organisations normally pass on the full costs of provision. Charging for services therefore relieves the general taxpayer of costs properly borne by users who benefit directly from a service. This allows for a more equitable distribution of public resources and enables lower public expenditure and borrowing.

To ensure that companies directly benefitting from the regulatory services met the cost associated with their provision, the 2015 Regulations were made on 25th June 2015 and came into force on 22nd July 2015.

The Explanatory Memorandum to the 2015 Regulations stated that the effectiveness of the Regulations would be monitored in conjunction with industry with a review planned for 2018.

The review was delayed for the following reasons:

- Since 2015, The Pollution Prevention and Control (Fees) (Miscellaneous Amendments and Other Provisions) Regulations 2015 have been amended eight times. These amendments introduced additional charging powers and amended the hourly rates to ensure that the Department continued to fully recover its costs;
- BEIS introduced a bespoke time recording system in December 2018 which has allowed us to provide extra detail in the breakdowns issued to industry for review prior to invoicing. This includes additional referencing and information about the field/installation/facility etc that the charges relate to. We had previously altered the format of the breakdowns in response to industry comments, issuing them in excel rather than pdf format and including a summary listing to allow industry to reformat the information for internal charging purposes; and

- 
- BEIS moved to a new finance provider in 2018. As a result of this change, we are now able to issue invoices by email directly to the relevant finance contacts rather than issuing invoices through the post. This was something that industry had been keen to see introduced as many organisations no longer accept paper invoices.

---

# Methodology

## Overview

To recover costs from the oil and gas industry, a time recording system has been put in place. The system is used to bring together the information about the time spent by staff on relevant activities and to provide breakdowns for industry approval prior to the issue of an invoice. Details of the amount recovered through fees since the regulations were introduced in 2015 have been drawn from that system.

In addition, to inform this post-implementation review and to ensure that industry views were considered in line with the commitment in the Explanatory Memorandum, BEIS, which replaced DECC in July 2016, conducted a survey of the oil and gas industry. This was the best way of gathering information about the costs and impact on industry and was conducted using Citizen Space.

The survey was sent out directly to over 170 contacts covering over 110 companies along with the industry representative bodies. The contacts were all those identified as having been involved with the environmental fees process over the last two years and represented all the companies to whom an invoice had been issued. This included multi-nationals, drilling companies, smaller oil and gas companies and licensees. This ensured that all those who had received breakdowns/invoices were given an opportunity to comment. Twenty-two responses to the survey and one written comment were received.

Companies were asked to comment on whether the assumptions underpinning the initial impact assessment were correct and whether they had any suggestions for improvements to the process.

Twenty-three responses were received from a wide cross-section of stakeholders in scope of the regulations and provide a sufficient base on which to review the impact of the regulation. Responses were received from:

- Oil and gas majors
- Drilling companies
- Smaller oil and gas companies
- The industry representative body

However as OPRED issues invoices to over 120 companies each quarter, this represents the views of less than 20% of the industry. While we may still choose to carry out a survey in future, consideration will be given to hosting small workshops to gather feedback on the fees process.



---

## Challenges

At the time that the Impact Assessment was carried out, it was assumed that charges would be made to around forty operators, twice a year. Following the introduction of the Offshore Safety Directive along with amendments to the 2015 Regulations, the persons to whom charges could apply increased significantly. BEIS now issues between 120 and 140 invoices each quarter. In addition, it has not been possible to distinguish between the time taken by industry to review costs resulting from the new legislation and those relating to existing legislation.

---

## Monetised and Non-Monetised Costs and Benefits of the Regulations

### Value of new fees

It was estimated that the new fees would result in charges of around £1.4 million per annum. Estimates were based on out-turn costs incurred in 2014/15 for the services which had previously been charged ultra-vires and on departmental forecasts of the costs likely to be incurred for services provided in relation to The Fluorinated Greenhouse Gases Regulations 2015, for which fee provisions were being established.

While the 2015 Regulations also made provision to recover the costs for services provided under the Offshore Installations (Offshore Safety Directive) (Safety Case etc.) Regulations 2015 via fees, the costs have not been included in this review. This is because the costs which were to be recovered from industry were quantified within the final stage Offshore Safety Directive Impact Assessment and will be considered in the relevant PIR. Including them again here would result in double counting.

In estimating the potential future costs that would be incurred by DECC and subsequently recovered from industry via fees there was an element of uncertainty. This was due to the variable pattern of demand for the services for which charges were to be introduced. The intensity of all these activities can go up or down from year to year, but based on historical experience, costs were not expected to vary significantly from the estimated total of around £1.4 million per annum. The Table below shows the estimated costs against the actual costs recovered in relation to each set of regulatory activities.

Table 3: Annual fees payable by business, central estimate (2015 prices) and actual cost recovered

Regulatory Activities	Total Cost to be recovered via fees (Central Estimate) £000	Actual Cost Recovery							
		Jul 15 to Mar 16 £000	Apr 16 to Mar 17 £000	Apr 17 to Mar 18 £000	Apr 18 to Mar 19 £000	Apr 19 to Mar 20 £000	Apr 20 to Mar 21 £000	Apr 21 to Mar 22 £000	Total Jul 15 to Mar 22 £000
The Offshore Petroleum Production and Pipe-lines (Assessment of Environmental Effects) Regulations 1999 <sup>1</sup>	£245	£274	£393	£478	£702	£628	£462	£27	£2,964
The Offshore Petroleum Activities (Conservation of Habitats) Regulations 2001	£288	£80	£109	£100	£181	£166	£135	£172	£943
The Offshore Marine Conservation (Natural Habitats, &c) Regulations 2007 / The Conservation of Offshore Marine Habitats and Species Regulations 2017	£190	£2	£4	£2	£5	£3	£64	£18	£98
The Merchant Shipping (Oil Pollution Preparedness, Response and Co-operation Convention) Regulations 1998	£568	£275	£770	£403	£310	£398	£306	£303	£2,765
The Marine and Coastal Access Act 2009	£83	£36	£81	£90	£125	£183	£181	£225	£921
The Fluorinated Greenhouse Gases Regulations 2015	£24	£1	£10	£2	£2	£29	£5	£5	£54
The Offshore Installation (Safety Case) Regulations 2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total Fees</b>	<b>£1,397</b>	<b>£668</b>	<b>£1,367</b>	<b>£1,075</b>	<b>£1,325</b>	<b>£1,407</b>	<b>£1,153</b>	<b>£750</b>	<b>£7,745</b>

<sup>1</sup> The Offshore Oil and Gas Exploration, Production, Unloading and Storage (Environmental Impact Assessment) Regulations 2020 which came into effect from 31<sup>st</sup> December 2020 removed the fee charging provisions in relation to The Offshore Petroleum Production and Pipe-lines (Assessment of Environmental Effects) Regulations 1999, to reflect the revocation and replacement of those regulations by The Offshore Oil and Gas Exploration, Production, Unloading and Storage (Environmental Impact Assessment) Regulations 2020. The latter regulations contain separate fee charging powers. Transitional provisions are in place and apply to relevant applications that had not been determined at the transitional date.

---

For the purposes of the analysis in the impact assessment an indicative range of +/- 10% was applied to the central estimate to illustrate the potential level of volatility in fees charged to industry with a low estimate of £1,275k per annum, a central estimate of £1,397k and a high estimate of £1,537k.

Excluding the period from July 2015 to Mar 2016 (which did not cover a full year) and from April 2020 to March 2022 (to take account of the introduction of The Offshore Oil and Gas Exploration, Production, Unloading and Storage (Environmental Impact Assessment) Regulations 2020 from December 2020 – see Note 1 above), the average income from the 2015 fees provisions has been just over £1.293 million per annum. The total amount which has been recovered from industry between July 2015 and March 2020 in relation to the 2015 Regulations is £7.745 million. Had these costs not been recovered, they would have been met by the taxpayer. The amendments to the 2015 Regulations were minor but have allowed an additional amount between £500,000 and £800,000 to be recovered, which again prevented the burden falling to the taxpayer.

## Non-monetised costs

The cost to government of administering the fees scheme and issuing invoices to industry was included in the estimated cost to be recovered from industry annually. The additional administrative cost to government / society from these activities relative to the baseline was minimal and therefore was not identified separately in line with the principle of proportionality.

Initially the fee regime was administered utilising existing staffing resources. However, in 2017, an additional fees manager was brought in to improve resilience and help to ensure that invoices could be issued timeously. The cost of the additional resource is included in the costs recovered from industry and set against the overall income from fees, remains minimal.

A bespoke time recording system was introduced to assist in accurate recording of time. The cost of the system is being met by fees through the inclusion of depreciation in the hourly rates.

## Costs to Companies in Scope

The costs imposed by the Regulations were considered in the Impact Assessment to take the form of familiarisation with the new system and the ongoing costs of reviewing breakdowns and paying invoices.

### **Costs of Reviewing Breakdowns and Invoices**

BEIS' Offshore Petroleum Regulator for Environment and Decommissioning (OPRED) send a breakdown to companies detailing the costs for the activities carried out in each quarter. Following approval of the breakdown by the company, OPRED then issue an invoice. It had been estimated that it would take industry half a day in total to process invoices including any review. On the basis that OPRED estimated that it would take industry half a day in total to review breakdowns / invoices, recipients were asked how long it took to review a breakdown.

---

Responses to this question varied significantly. Of those who responded ten agreed that half a day was a reasonable estimate, two considered that it took less than an hour, two companies did not respond and seven indicated that it took significantly more time. This ranged from an estimate of one day from four respondents to two to three weeks from another. One respondent indicated that the time varied depending on individual Operator size and circumstance. The main reasons for the disparity appear to be the individual operator size, numbers of assets operated and the company's internal finance procedures.

Industry was also asked how long on average it took to review an invoice. Again, responses varied. Seven respondents advised that it took an hour or less with some responding that it took a matter of minutes, six advised that it took between one hour and half a day, one respondent indicated that it took a day, one respondent indicated that it took two days and one respondent indicated that it took a week. Six respondents did not answer this question. In some cases, the respondent completing the survey was not the person who would deal with the invoice and no estimate was given of the time that their finance team might take to review and pay the invoice.

In the Impact Assessment, OPRED estimated that it would cost industry on average £70.10 to review both the breakdown and the invoice. Industry was asked how much it costs to review a breakdown.

Again, responses varied, with two respondents stating that it would cost less than £70.10, ten who did not provide a cost, but indicated that it would be more; seven indicating that the cost was likely to be between £120 and £500 and three indicating that the cost was more than £500, with the highest estimate more than £2,000. Where there was doubt as to how the figures were split, the highest value provided was utilised in the calculations. The median figure based on those who provided a figure was £280.

Industry was then asked how much it would cost to review an invoice. Five people responded that this would cost less than £75.00, with a range from £25 to £75. One respondent estimated £200 and another £600 with the highest estimate being over £1,000. Three respondents had included the cost in their figures for reviewing the breakdown and ten respondents did not provide a specific cost but indicated that the cost would be significant. The median figure based on those who provided a figure was £65.00.

In summary, the estimate of £70.10 to review the breakdown and invoice was a substantial under-estimate. However, given the small number of companies who responded it is difficult to be sure that the figures calculated above are representative. The median figures suggest that it costs around £345 to review a breakdown and an invoice. As this is required four times a year, the cost to each operator would be around £1,380.00 annually. However, for smaller operators with few assets, the cost will be significantly less, while for larger operators with multiple assets, the cost could be significantly more.

## **Frequency of Issue**

Although OPRED originally intended to issue breakdowns / invoices twice a year, they are currently being issued quarterly. The change was introduced because of industry feedback that

---

it would be easier to check the breakdowns closer to the period in which the work had been conducted. In addition, quarterly invoicing fitted with both Government and Industry fiscal years. Industry was asked if quarterly invoicing remained appropriate. Seventeen responded that it was, three disagreed and two did not respond. For those who answered no we asked how often they would like to be invoiced. One responded once a year and another twice. Both were small companies for whom the administrative burden would be reduced. Most respondents therefore indicated that quarterly invoicing works well, and they would not want a change. A small number indicated that monthly invoicing would simplify the process and aid in budgetary forecasting, while others are seeking much more limited invoicing i.e. once or twice a year. On balance we conclude that quarterly invoicing remains appropriate.

### **Cross subsidisation**

OPRED are currently charging based on hourly rates and time spent on environmental activities. Industry was asked whether they agreed that this avoids any cross subsidisation and that they were only paying for the time spent on their own applications. Eighteen respondents considered that it did. One answered that it did not and three did not answer the question. Of those who answered no or did not answer two provided further information. One considered that charging on an hourly basis should ensure that you are only being charged for the time OPRED personnel have spent on your asset, but do not know if that is what is happening but assume that it is. The other considered the use of the term subsidisation inappropriate. Overall, respondents are content that they are only paying for the time spent on their own applications.

### **Impact of charging on quality of service**

Industry was also asked whether they agreed that charging on an hourly rate basis had not affected the level or quality of regulatory activities undertaken by OPRED. Seventeen respondents considered that it had not. Three respondents considered that it had and two did not respond to this question. Of those who responded 'no', one commented that they did not have sufficient visibility of how the hours are spent and another commented that the level of regulatory activities is unchanged in terms of engagement and communications pre- and post-charging, but it was suggested that charging for phone calls and emails could discourage stakeholder engagement, which in turn could affect the level or quality of regulatory activities undertaken by OPRED. In summary, there is no indication that charging on an hourly basis has affected the level or quality of regulatory activities.

### **Potential Improvements**

Finally, respondents were asked if they had any suggestions for improving the fee charging process. Eight respondents did not provide a response to this question or had no suggestions. The suggestions are summarised below:

- More detail, including staff names, and better referencing on breakdowns with some indicating that HSE/SEPA could be considered as good examples;
- Breakdowns/invoices could be issued as a single process;
- More regular invoicing to allow industry to reallocate costs appropriately;

- 
- Contact information should be pre-populated on breakdowns so that a company must only confirm that it is correct or provide details of any changes rather than completing it every time;
  - Larger companies often have more than one entity and OPRED should ensure costs are billed to correct one;
  - Breakdowns should be issued for each of company's assets rather than being amalgamated together;
  - Embed the charges into the OGA levy and abolish the scheme;
  - Hourly rates are high given the downturn in the oil and gas industry – OPRED should look again at the charging mechanism; e.g. larger operators pay more than smaller operators. Concerns raised that people and companies may start trying to avoid interfacing with critical regulators to save cost only for that to lead to major environmental (and Health and Safety) disasters;
  - More transparency over charges in the guidance;
  - OPRED should consider only charging for productive time (for example, not for travel).
  - Concerns raised over inconsistency in charging between officers due to different officers' personal preference for level of detail.
  - Larger operators have suggested grouping small charges together or creating a fixed fee for a set activity. Small payments can sometimes cost more to allocate correctly than they bill. However, small operators are concerned this could cost them more in the long term.

OPRED will be considering these suggestions further with a view to refining the current fee charging regime.

---

## Compliance

To date, all invoices have been paid in full. OPRED has not had to write off any debts nor are there any outstanding debts more than six months old. There are occasions when it can take larger companies a significant amount of time to go through the approval and payment process and OPRED intend to consider whether some of the suggestions made above might help to improve internal clearance processes.



---

## Conclusions and Next Steps

Overall, it is considered that the policy has achieved its aim of recovering the cost of the environmental activities detailed above from those benefitting from the service. The amount recovered (£7.745 million) is within the 10% margin on either side of the estimated annual cost to industry (£1,397) calculated when the regulations were brought into effect in 2015<sup>2</sup>. This represents a significant saving to the taxpayer and has ensured that those benefitting from the service are meeting the costs. There are no outstanding invoices older than 6 months old and OPRED has not had to write off any debts since the process started.

The cost to industry is higher than anticipated but varies depending on the size of the operator and the number of assets they have. Although responses were received from oil and gas majors, drilling companies, smaller oil and gas companies and the industry representative body, the response rate was just over 18% with small numbers in each category. Therefore, although the survey is considered viable, it is difficult to determine whether the responses were sufficiently representative to draw firm conclusions about the overall cost. Future reviews will consider different options for engaging with industry including small focus groups.

Although the regulatory provisions are the same for all companies, regardless of size, it is clear from industry responses that the cost and time taken to review breakdowns and invoices is less for those companies with fewer or no assets, which tend to be smaller companies.

Consideration will be given to the suggestions made by respondents with a view to improving the breakdowns/invoicing process – in particular, we will consider how we might provide more detail in the breakdowns, whether more regular invoicing is practicable and review invoicing processes followed by other regulators to determine whether any good practices might be adopted by OPRED.

The overall conclusion, therefore, is that the Regulations have achieved their aim.

---

<sup>2</sup> The calculation takes account of the introduction of The Offshore Oil and Gas Exploration, Production, Unloading and Storage (Environmental Impact Assessment) Regulations 2020 which came into effect from 31st December 2020 removed the fee charging provisions in relation to The Offshore Petroleum Production and Pipelines (Assessment of Environmental Effects) Regulations 1999, to reflect the revocation and replacement of those regulations by The Offshore Oil and Gas Exploration, Production, Unloading and Storage (Environmental Impact Assessment) Regulations 2020. The latter regulations contain separate fee charging powers. Transitional provisions are in place and apply to relevant applications that had not been determined at the transitional date. See page 20 for further details.

---

This publication is available from: [opred.fees@beis.gov.uk](mailto:opred.fees@beis.gov.uk)

If you need a version of this document in a more accessible format, please email [enquiries@beis.gov.uk](mailto:enquiries@beis.gov.uk). Please tell us what format you need. It will help us if you say what assistive technology you use.