



Department for  
Energy Security  
& Net Zero

# Energy Bill Policy Statement

Offshore oil and gas and carbon dioxide storage - decommissioning cost recovery measure

March 2023



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# Summary

The Energy Security Bill was introduced into Parliament on 6 July 2022. This Bill will deliver a cleaner, more affordable and more secure energy system for the long term. It builds on the ambitious commitments in the British Energy Security Strategy to invest in homegrown energy and maintain the diversity and resilience of the UK's energy supply.

The Energy Security Bill makes provisions to amend existing powers and introduce a charging scheme in respect of decommissioning functions under Part 4 Petroleum Act 1998 ("the PA"), to charge for regulating decommissioning of offshore oil and gas. Part 4 of the PA was applied, with modifications, to offshore CO<sub>2</sub> storage by section 30 Energy Act 2008. Therefore, the power to create a charging scheme will apply to both offshore oil and gas and offshore CO<sub>2</sub> storage.

This statement describes the objectives and intended policy of the power. This primary legislation provides that a charging scheme can be established in respect of Secretary of State functions under Part 4 Petroleum Act 1998. The new powers will allow the charging scheme to be established via regulation by the Secretary of State.

The existing delegated power to charge fees at two fixed points, will be replaced with a different delegated power to create a charging scheme. The current system is inflexible in limiting cost recovery to only two fixed trigger points, based on submission of a decommissioning programme (DP) or request to revise an approved DP.

Prior to implementation of the charging scheme the details will be subject to consult with representative organisations. Associated guidance will also be drafted prior to implementation which will be shared with relevant stakeholders for comment.

## Background

BEIS provides regulatory functions for offshore oil and gas decommissioning. It is currently unable to recover the full costs of undertaking these functions from industry, and these are instead met through central budgets, leaving the taxpayer meeting any shortfall. Due to the increasing scale, complexity and lengthy timescale of offshore decommissioning activities the current charging framework is no longer fit for purpose for oil and gas, and we also need to ensure it will recover costs fully when future offshore carbon storage schemes come to be decommissioned. This measure will make amendments to future proof the cost recovery mechanism in line with the polluter pays principle of environmental law.

Maximising our cost recovery will enable us to ensure a sufficiently resourced regulator, ensuring we do not cause the industry to delay decommissioning projects which would adversely impact on the industry's contributions to reducing emissions and achieving their net zero targets. Any delay could also potentially increase costs to industry and the taxpayer.

A consultation<sup>1</sup> ran from 24 May 2021 to 16 August 2021 to formally seek views from stakeholders such as offshore oil and gas operators; other companies with an interest in decommissioning offshore oil and gas installations and pipelines; and other interested parties. That consultation focussed on the proposal to update the charging regime for activity related to the regulatory functions for the decommissioning of offshore oil and gas installations.

As part of the consultation, 3 policy options were discussed at length. The consultation only returned a total of 4 responses and respondents were in favour of the amendments proposed. On this basis we do not believe that the proposals would be viewed as controversial by the industry.

## Policy Design

Changes to the charging regime will require primary legislation to be amended. How the new charging regime works and rates charged will be set out in the scheme itself, which will be made and amended by negative resolution regulations.

The updated method of charging would be based on the application of an hourly rate system, and the number of personnel undertaking the work. The charge will be calculated by multiplying the number of hours worked against the hourly rates. These hourly rates will be calculated by reference to the costs of carrying out the functions. This is in line with the already established charging system in place for environmental operations within the Department and is well understood and accepted by industry. The Department has developed a recording system to generate the relevant information. This recording system is already used by other teams within the Department.

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<sup>1</sup> [consultation document](#)

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The applicable charge will be reviewed at a frequency determined by the Department, and at least annually, to facilitate the full recovery of relevant costs. The Department proposes to have informal engagement with industry before any uprating. The hourly rate is constrained by Managing Public Money principles which prevent the Department from making a profit for its activity.

Charges will be calculated on an 'actuals' basis. That is, the recovery of the full costs of the time spent by staff carrying out the relevant function on any occasion. As a result, the current indicative fee regime would no longer be used.

The statutory functions for which a charge would be imposed, and the activity undertaken by OPRED to fulfil these are outlined in the consultation document referred to in paragraph 8.

The way in which the Department has approached the calculation of the relevant costs follows HM Treasury's Managing Public Money guidance and will include the full cost of all the resources used in carrying out and supporting the cost-recoverable activity.

Although the intention is to repeal the existing fee powers in Part 4 Petroleum Act 1998, this will be subject to transitional and savings provisions. There will be a number of ongoing decommissioning projects at the time the new charging scheme comes into effect. It is envisaged that the regulations made under existing fee powers will continue to apply for the purposes of expenditure incurred by the Secretary of State under Part 4 of the Petroleum Act, where that expenditure is incurred prior to the date those regulations are revoked. Therefore, it is expected that work prior to the date the charging scheme comes into effect will be charged under the old fee powers and work done on and after that date will be charged under the new charging scheme.

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