



Oil & Gas
Authority

OGA Corporate Plan Draft for consultation



November 2015

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Introduction

In July 2015 the Oil and Gas Authority (OGA) produced financial information in support of the OGA's 2015-16 budget and the levy on industry which now partly funds it. At that time the OGA undertook to produce its draft Corporate Plan to underpin its budget and levy requirements for 2016-17. This consultation now seeks the views of industry and other stakeholders on our draft Corporate Plan and the 2016-17 industry levy. This plan is being published for the purpose of consultation ahead of subsequent submission to the Secretary of State for Energy and Climate Change.

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Respond by: 18 December 2015
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Territorial extent

United Kingdom

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Confidentiality and data protection:

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information legislation (primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

If you want information that you provide to be treated as confidential please say so clearly in writing when you send your response to the consultation. It would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded by us as a confidentiality request.

We will summarise all responses and place this summary on the GOV.UK website. This summary will include a list of names or organisations that responded but not people's personal names, addresses or other contact details.

Quality assurance:

This consultation has been carried out in accordance with the Government's Consultation Principles.

If you have any complaints about the consultation process (as opposed to comments about the issues which are the subject of the consultation) please address them to oga.correspondence@oga.gsi.gov.uk

Consultation overview

The OGA was established as an Executive Agency of the Department of Energy and Climate Change (DECC) on 1 April 2015, giving it operational independence from DECC. This was a key recommendation of the 2014 [Wood Review](#). The OGA's relationship with DECC and the Secretary of State for Energy and Climate Change is set out in the OGA framework document. The Chief Executive of the OGA now has direct accountability for exploration and production decisions and approvals (previously held at ministerial level).

The OGA is on track to become a government-owned company by summer 2016, subject to the passage of the 2015-16 Energy Bill, currently before Parliament. The Bill proposes transferring various petroleum related functions and powers from the Secretary of State to the OGA. It also proposes a suite of new powers for the OGA (as recommended in the Wood Review) to ensure compliance with the MER UK Strategy.

The OGA framework document describes the OGA's relationship with the Department of Energy and Climate Change (DECC - its sponsor department), the OGA's day-to-day operational independence, the remit of the OGA Board and the OGA's mandate to operate like an independent government company from 1 April 2015. DECC retains overall policy responsibility for oil and gas matters and provides assurance to the Secretary of State on the OGA's performance.

Rapid progress has been made in establishing the OGA as an independent regulator and in building its capacity and capability to maximise economic recovery of the UK's oil and gas resources (MER UK). The OGA will also endeavour to maximise value for all from the UK Continental Shelf (UKCS), benefitting operators, co-venturers and service companies wherever possible. The OGA is also responsible for licensing onshore activities and will support the development and use of Carbon Capture and Storage (CCS) facilities.

The OGA has been developing and will maintain strong relationships with industry (including operators, service companies, unions and trade associations) and government to create the right conditions for the oil and gas industry to thrive and prosper. The OGA has worked with industry to streamline existing fora into the MER UK Forum with eight well defined work boards to simplify and focus delivery. The OGA will maintain relationships with MPs and MSPs who have an interest in the oil and gas industry and will maintain relationships with the Devolved Governments.

Purpose of this consultation

In July 2015 the OGA produced financial information in support of the OGA's 2015-16 budget and the levy on industry which now partly funds it. At that time the OGA undertook to produce its draft Corporate Plan to underpin its budget and levy requirements for 2016-17.

This consultation now seeks the views of industry and other stakeholders on our draft Corporate Plan along with the 2016-17 industry levy. This plan is being published for the purposes of consultation and has not yet been submitted to or approved by the Secretary of State for Energy and Climate Change.

The plan highlights our objectives in the core operating areas of exploration, production and decommissioning, in external support functions such as economics, policy and supply chain, and in internal functions including human resources and finance.

The draft Corporate Plan includes targets and key performance indicators which are deliberately stretching and describes what might be achieved with everybody pulling together. We have high expectations of industry and are encouraged by the progress that has been made during 2015 but there remains a lot to be done. Irrespective of the oil price, the UK offshore oil and gas sector needs to change.

Over the next five years the OGA will deliver the programmes set out in this plan and will continue to seek out priority actions with the highest return and focus on the overall objective to maximise economic recovery. Setting our aspirations for five years from now allows us to plan accordingly. This first plan, which will be updated when the OGA becomes a Government Company (GovCo), should help our stakeholders understand our approach and monitor our progress.

Consultation questions

In responding to this consultation we would be interested to hear your views, where possible supported by evidence, on the following questions:

1. Are you content that this plan sets the OGA in the right direction to meet its objectives?

2. Is there anything missing from the plan?

Next steps

This consultation will close on 18 December 2015. We plan to run workshops with interested parties in Aberdeen and London. Further details and invitations will be published in due course on the OGA website. In the meantime, if you would like to register your interest, please email Fiona.gruber@oga.gsi.gov.uk.

After the consultation closes the OGA will consider the feedback received before producing a final Corporate Plan.

OGA Corporate Plan



Introduction from the Chief Executive

Our oil and gas industry supports around 375,000¹ jobs, provides secure energy for our homes and businesses, and generates billions of pounds for our economy every year, at home and through exports overseas.

The sharp decline in oil prices in recent months has magnified the issues that companies operating on the UKCS have been grappling with for a number of years, highlighting the need for operational and behavioural transformation.

Rapid progress has been made to establish the OGA as an independent regulator and build its capacity and capability to maximise economic recovery of the UK's oil and gas resources (MER UK)².

The Energy Bill is expected to continue its passage through Parliament over the coming months, creating the basis for the OGA to become a Government Company (GovCo) by summer 2016.

Our Corporate Plan describes the OGA's priorities and plans for delivering the sector strategies, in support of our ambition to be a world-leading regulator setting the framework for a sustainable and competitive UK oil and gas industry.

It highlights our objectives in the core operating areas of exploration, production and decommissioning, in external support functions such as economics, policy and supply chain, and in internal functions including human resources and finance.

Our Corporate Plan includes targets and key performance indicators which are deliberately stretching and describe what might be achieved with everybody pulling together. We know the context will change but we believe this plan is a start. We will update and modify it each year and will welcome feedback from our stakeholders. We will continue to seek out priority actions with the highest return with our focus on the overall objective to maximise economic recovery. Above all our aspirations for five years from now allow us to plan accordingly. Our plan should help our stakeholders understand our approach and monitor our progress.

The OGA is focused on delivering a high-quality service and value for money to industry. We seek to be a progressive and highly effective regulator doing all we can to attract investment and with that jobs.

I have high expectations of industry and I am encouraged by the progress that has been made during 2015 but there remains a lot to be done. Continued cooperation and collaboration between industry, government and the OGA is essential.

Irrespective of the oil price, the UK offshore oil and gas sector needs to change. While the headwinds are strong, the expertise, imagination and tenacity of our industry and the people it employs are more than capable of rising to this challenge.

The OGA is urgently working with industry and government to be a catalyst for this change and now is the time for everyone to demonstrate leadership.



Dr Andy Samuel
Chief Executive



¹ EY, Oil and Gas Labour Model, 2014

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/427166/Call_to_action_OGA_Commission_2015.pdf

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/458591/OGA_Call_to_Action_Six_Months_on.pdf

1. OGA core functions

1.1 Exploration & production (E&P)

Over 42.3 billion barrels of oil equivalent (boe)³ have been produced from the UKCS to date, with a currently estimated additional potential of 11 to 21 billion boe⁴. However, between 2010 and 2014 there has been a 37%⁵ fall in production with average production efficiency falling from 80% in 2004 to 60% in 2012⁶. In addition the rate of exploration has decreased from 157 exploration wells in 1990 to 14 wells in 2014⁷, with only 150 million boe⁸ being discovered in the last three years.

To address these issues we will focus our E&P activities on revitalising exploration, facilitating the development of discoveries and ensuring production costs and efficiencies are improved to maximise value. This will be premised on the provision of quality geophysical data and maps, the development of regional business models to ensure effective utilisation of infrastructure, and a collaborative tripartite approach. Our E&P forward plan is shown in figure 1.

Figure 1: Forward E&P plan

Activities	2015	2016	2017	2018	2019	2020
Licensing Frontier	Seismic Studies ★		Seismic Studies ★		Seismic Studies ★	
Licensing Mature	★ 28th Award		★		★	
Fiscal review	[Bar chart showing activity from 2015 to 2017]					
Data Management	[Bar chart showing CDA Strategy from 2016 to 2018]					
Geological Maps	[Bar chart showing activity from 2016 to 2019]					
Well, PI & YTF review	Dry Hole Analysis ★	[Bar chart showing activity from 2016 to 2019]				
Data Management	[Bar chart showing activity from 2016 to 2019]					
Production Efficiency	[Bar chart showing PETF from 2015 to 2019]				[Bar chart showing Monitor from 2019 to 2020]	
FDP Update	[Bar chart showing activity from 2016 to 2017]		[Bar chart showing Monitor from 2018 to 2020]			
COP Update	[Bar chart showing activity from 2016 to 2017]		[Bar chart showing Monitor from 2018 to 2020]			
West of Scotland	[Bar chart showing Integrated resource & infrastructure strategy from 2016 to 2019]					
Northern North Sea	[Bar chart showing SVT from 2015 to 2016]		[Bar chart showing Critical Infrastructure Strategy from 2017 to 2019]			
Central North Sea	[Bar chart showing Exploration & Cluster Strategy from 2016 to 2019]					
Southern North Sea	[Bar chart showing TGT from 2015 to 2016]		[Bar chart showing Infrastructure Rationalisation & XPL from 2017 to 2020]			

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/441593/Summary_of_UK_Estimated_Remaining_Recoverable_Hydrocarbon_Resources__2_July_2015_.pdf

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/441593/Summary_of_UK_Estimated_Remaining_Recoverable_Hydrocarbon_Resources__2_July_2015_.pdf

⁵ <https://www.gov.uk/guidance/oil-and-gas-uk-field-data>, Production projections, March 2015

⁶ Data provided by operators to the OGA under the annual stewardship return process

⁷ <https://www.gov.uk/guidance/oil-and-gas-wells>, Drilling activity by year; figures only include offshore wells

⁸ Wood Mackenzie UK upstream, 2012, 2013, 2014

Exploration

KPI/Milestone	Target	Timing
Exploration		
Yet-to-find (YTF) & prospect inventory (PI)	Develop revised YTF & PI working with industry	Q4 2018
Exploration & appraisal (E&A) wells	Increase number of E&A wells by 10% year-on-year	ongoing

Exploration is critical to the replenishment of reserves and steps we will take to revitalise exploration include:

- Together with industry develop an exploration strategy in Q1 2016;
- Provide government-sponsored geophysical data acquired in Rockall & Mid North Sea High Area (MNSH) during 2015 to operators by end Q1 2016;
- Develop a licensing strategy for frontier and mature acreage integrating regional information & strategic thinking to maximise reserves recovery and implement in 2016;
- Share lessons learnt from dry-hole analysis with industry and undertake a rigorous pre & post-drill evaluation with operators starting in 2016;
- Start high-grading operator prospect inventories in 2016 to stimulate drilling campaigns;
- Take accountability for the management of geophysical & well data from contractors & operators to ensure quality data are made available to industry by end 2017;
- Provide industry with high quality digital geological maps such as play fairway maps and ensure integration with neighbouring countries like Norway by end 2018;
- Provide industry with significantly improved regional prospectivity and Yet-To-Find (YTF) analyses by end 2018;
- Work with HMT and industry to enhance exploration investment; drive the work of the Exploration Board in support of the Oil & Gas MER UK Forum.

Asset stewardship

KPI/Milestone	Target	Timing
Asset stewardship		
Production efficiency (PE)	Increase PE from 65% to 80%	Q4 2018
OPEX	Reduce OPEX by 30%	Q4 2018
Enhanced oil recovery (EOR)	Deliver additional 250 mmboc polymer & low sal	Q4 2025

Maximising economic recovery from producing fields is a key requirement of asset stewardship and the key steps we will take include:

- Together with industry develop an asset stewardship strategy during 2015;
- Deliver operator survey & data management improvements and engage with industry in Q1 2016 to enable the OGA to track and review both leading and lagging performance indicators and ensure best practices are implemented;
- Ensure contracting strategies developed by operators are robust and fair with OGA involvement in pre-qualification and tendering processes for major projects (>£500m);
- Update Field Development Plan (FDP) and Cessation of Production (COP) documentation in H1 2016;
- From 2016, review annually approved FDPs with operators to ensure commitments are being followed and value maximised;
- Implement an Enhanced Oil Recovery (EOR) strategy in Q4 2015 to deliver up to 300mmboc of additional reserves by 2020 through the application of polymer & low salinity water-flood;
- Work collaboratively with operators to understand key cost drivers in order to develop industry-wide solutions to reduce OPEX by 30% by end 2018;
- Work with operators to ensure that late life asset management, which consists of both upstream and midstream facilities, gives full consideration to the future use of the infrastructure prior to COP;
- Drive the work of the Asset Stewardship Board in support of the Oil & Gas MER UK Forum.

Regional development & infrastructure

KPI/Milestone	Target	Timing
Regional development & infrastructure		
Sanctioned reserves	Increase sanctioned projects by 10% per annum	Q4 2018
Infrastructure	Delivery of four innovative regional solutions pa	Q4 2018
Key hubs	Extension of key hubs ⁹ : SVT, FPS, CATS, ST Fergus	Q4 2020

Maximising recovery from clusters of fields as well as individual fields coupled with optimal usage of infrastructure will maximise economic recovery and value and we will undertake the following steps:

- Prioritise and work on a regional basis with operators to maximise reserves recovery (figure 2); currently over 300 undeveloped discoveries contain up to 3.0 billion boe;
- In collaboration with industry, develop business models to develop regional and hub strategies¹⁰ to ensure effective utilization of infrastructure and maximise value by integrating exploration, development, production and pre-decommissioning planning;
- Intervene and undertake a facilitation role to resolve commercial misalignment;
- Provide technical assurance to HMG for Carbon Capture and Storage (CCS) and approve permits;
- Drive the work of the Regional Development & Infrastructure Board in support of the Oil & Gas MER UK Forum.

Figure 2: First tranche focus areas

WOS	NNS	CNS	SNS
Fractured basement	Quad 9	Quad 9 Quad 30 Sour Crescent HPHT	Carboniferous
Gas export	Cormorant Alpha Ninian Brent Alpha SVT	Shearwater	Infrastructure rationalisation

Exploration & undeveloped
 Critical infrastructure & asset stewardship

⁹ Key hubs: Sullom Voe Terminal (SVT), Forties Pipeline system FPS), Central Area Transmission System (CATS)

¹⁰ NNS and SNS hub strategies will be developed in Q4 2015, others in 2016

Carbon capture and storage (CCS)

KPI/Milestone	Target	Timing
Carbon capture and storage		
Reservoir permits	Complete two reservoir permits	2020

CCS will reduce emissions and help to ensure that the UK has a secure supply of energy. The key work we will undertake to regulate CCS includes:

- Provide technical, commercial and financial assurance to HMG for CCS, including checks on the operator's financial soundness to fulfil the work programme and for the provision of financial security;
- Approve CCS storage permit applications and issue permits;
- Work closely with operators to ensure high quality CCS project applications are delivered;
- Collaborate with the EU Commission in the application and storage permit review process;
- Communicate clearly and issue guidance where appropriate on the CCS permit and regulatory process to assist operators; consider CCS in our strategies and work with industry and stakeholders to identify synergies and promote opportunities where development of CCS can contribute to MER UK.

Onshore exploration and development

KPI/Milestone	Target	Timing
Onshore exploration development		
Onshore licence rounds	Facilitate the drilling and fracking of first shale well	H1 2016

Onshore exploration and development may contribute to the UK's secure supply of energy and the steps we will undertake to foster onshore activities include:

- Work with other regulators to ensure regulatory controls and guidance are in place to assess unconventional resource potential, particularly for the extended testing and development phases;
- Ensure that capacity is in place to effectively regulate the resource development and seismic supervision during operations;
- Work with the British Geological Society (BGS) and publish assessments of shale resource potential; Wessex Basin data will be published in 2016;
- Continuously collect and publish shale-related geotechnical data;
- Issue guidance such as a Hydraulic Fracture Plan and Infrastructure Act protections for hydraulic fracturing in H1 2016;
- Participate in national and local/regional shale public engagement activity, working with DECC and other independent regulators.

1.2 Decommissioning

Decommissioning is a natural stage in the lifecycle of assets and is a relatively new discipline in the UKCS. Emerging solutions remain expensive (Figure 3) and we, industry and government recognise the need to significantly reduce costs and manage activity more effectively. Early stage planning is essential to develop a more competitive and sustainable decommissioning model which stimulates market solutions and innovation, while unlocking M&A activity and avoiding premature decommissioning and stranded assets.

We will produce a decommissioning strategy which will encompass the full lifecycle, from asset design to end-of-life, to support a sustainable decommissioning industry with significant export potential. This will be premised on collaboratively developing with industry new, fit for purpose technical, commercial and operational solutions and policy positions to drive down costs while ensuring HSE compliance.

Decommissioning

KPI/Milestone	Target	Timing
Decommissioning		
Overall decommissioning costs	Cumulative 30-35% down from base estimate with approximately equal impact of the following factors: scope reduction, industrialisation of the approach, technology improvements	End of basin life (2050) Phased: 2016 (10%), 2018 (20%), 2020 (30%), 2024 (40%)
Ensure effective preparation on key policy positions	1) Avoid increase of regulations or subsea & pipeline scope (£5+bn downside) 2) Secure potential UKCS dispensations as required (£4+bn impact) 3) Prepare for 2018 Conference	1) 2016 (onwards) 2) 2016 (onwards) 3) 2018

The key steps we will take to foster a sustainable decommissioning model include:

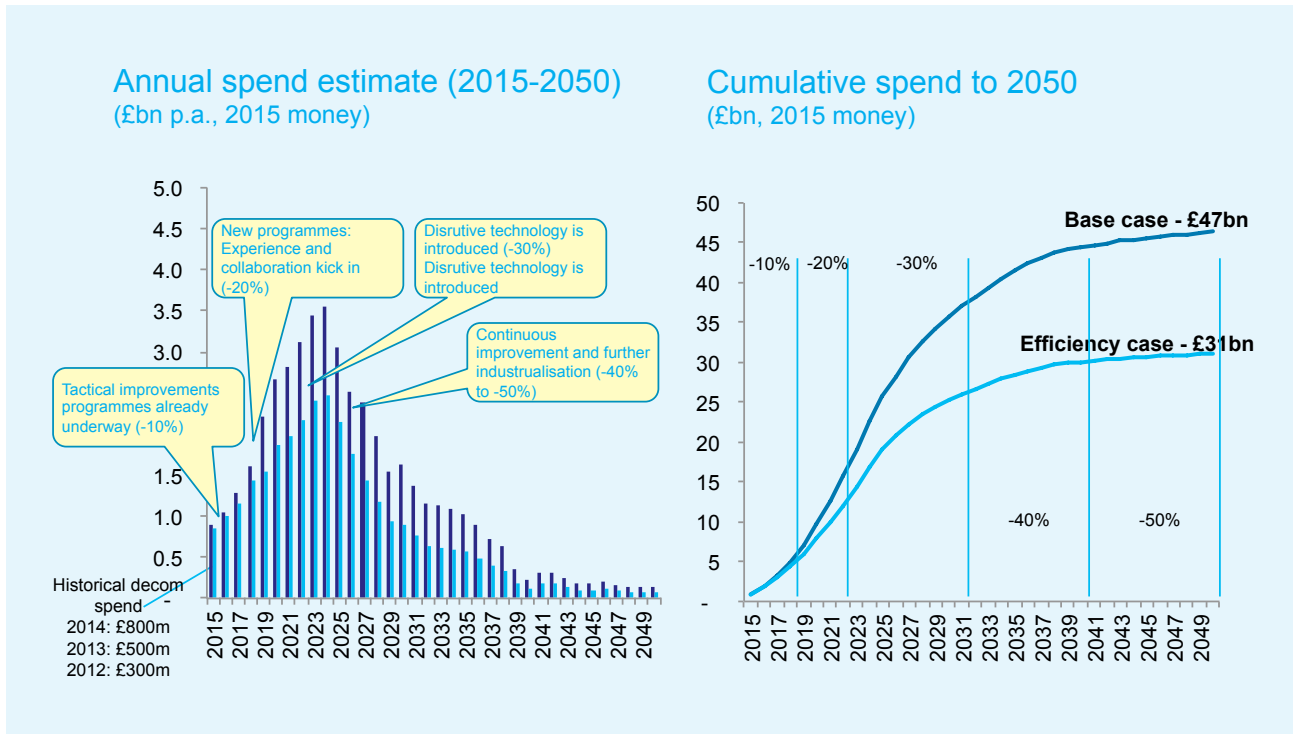
- Develop a portfolio of solutions and campaigns that pool scope and create scale in, for example, the plugging and abandonment of wells, and platform and diver-less subsea removal;
- Integrate efforts to reduce operating equipment and service costs, downtime and overruns, and to limit non-productive activities;
- Through a new, single decommissioning board strengthen decommissioning stewardship and processes across the asset lifecycle, reduce complexity and eliminate duplication;
- Enable quality data and benchmarking against a consistent set of criteria and facilitate sharing of best practises;
- Develop a decommissioning strategy, plan and a 10 year roadmap in Q1 2016, which will focus on reducing costs, increasing efficiency, facilitating cooperation and driving technology development;
- Include decommissioning plans into FDPs, asset stewardship, late life and COP reviews;
- Consider reuse ahead of decommissioning, including potential reuse for Carbon Capture and Storage installations.

Based on 2015 Oil and Gas UK Activity Survey data, HMRC estimates that the decommissioning costs for the period 2015 to 2041 are £41 billion¹¹. For internal purposes the OGA has recently conducted a detailed field by field analysis which estimates costs for 2015 to 2050 at £47 billion.

¹¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/449380/HMRC_Annual_Report_and_Accounts_2014-15_Section_3_-_Financial_statements.pdf, p.24-25

A successful decommissioning strategy could deliver estimated overall savings of £16 billion¹².

Figure 3: Project decommissioning costs



Sources: OGED/OGA estimated cost model 2015 and field cessation of production (COP) dates submitted by operators to OGA in 1Q/2015 (Excludes unsanctioned projects). Timeline assumptions: decommissioning commences a year after field CoP and costs incurred over three years.

¹² Subject to change

2. External support functions

2.1 Technology

KPI/Milestone	Target	Timing
Technology		
Identify new & mature technologies	For E&P and decommissioning to deliver 40% cost reduction & improved efficiency	Q2 2016 (onwards)
Accelerate Technology Leadership Board (TLB) themes	1) Accelerate current themes from assess to demonstration 2) Assess need for decommissioning & disruptive technology themes	1) ongoing 2) Q2 2016 (onwards)

The key steps we will take to catalyse the creation and adoption of new technologies include:

- Work closely with organisations to develop a shared understanding of the opportunities and risks of new technologies;
- Work with operators and service companies to understand, develop and support their technology plans, and strengthen stewardship;
- Develop a technology strategy, plan and a five to ten year road map in Q1 2016 to support a 30-40% efficiency improvement;
- Promote industry standardisation to improve operating performance and reduce costs;
- Work closely with industry and government to encourage collaboration, transparency of opportunities, innovation, consistent evaluation and early stage technology planning ;
- Encourage progress through the Technology Leadership Board including securing of critical funding for key themes to develop new technologies and deploy best practise more widely;
- Strengthen technology stewardship and business technology development models;
- Support new approaches to identify, develop and deploy technologies, and establish a system for benchmarking of new and mature solutions, and for managing technical information;
- Support E&P activities in the development of CCS and EOR.

2.2 Supply chain

KPI/Milestone	Target	Timing
Supply chain		
Reduce costs across lifecycle	Identify key solutions to deliver a 30% to 40% cost reduction, including better standardisation & project execution	ongoing
Promote & influence UK supply chain	Sustain overall turnover value at £35+ bn pa, growing export opportunities	ongoing

UKCS operations are served by a world-class UK supply chain, with 375,000¹³ jobs and £35 billion¹⁴ turnover, making a significant contribution to the UK's balance of trade through exports. The key steps we will take to support the UK supply chain include:

- Work with industry, government and trade bodies to promote a strong supply chain industry, which can compete globally while anchoring activities and developing expertise in the UK;
- Support businesses and work with operators to deliver a sustainable 30-40% efficiency improvement; drive effective transformation of industry solutions and processes;
- Work with industry to develop new commercial, alliance and campaign models to improve project tendering, contracting, planning and execution, and encourage standardisation;
- Develop a supply chain strategy, plan and five year roadmap in Q1 2016 to drive continuous improvement through a sector based approach and to create visibility on opportunities;
- Drive the work of the Supply Chain and Exports Board in support of the Oil & Gas MER UK Forum.

Within five years we would like to see the UK develop new centres of excellence for instance for upgrading and commissioning Floating Production Storage and Offloading (FPSO) vessels and for decommissioning, which could give the UK a competitive advantage.

¹³ EY, Oil and Gas Labour Model, 2014

¹⁴ <http://oilandgasuk.co.uk/uk-offshore-oil-and-gas-supply-chain-is-35-billion-industry-oil-gas-uk-and-ey-reveal/>

2.3 Data management

KPI/Milestone	Target	Timing
Data management		
Enhance information management	Across the OGA, industry & government, improve cost effectiveness and value vs today	ongoing
Modernise OGA information technology	Build new capability & solutions, improving performance efficiency and effectiveness vs today	ongoing

Effective data management is vital to improving operating performance, sharing insights and informing decisions. The key steps we will take to support good information management and sharing of data include:

- Develop a strategy and plan in Q4 2015 that will drive the transformation of data management to improve efficiency and reduce costs through enhanced stewardship, benchmarking and planning;
- Work closely with UK Business Information Forums to establish a new Data Board which will lead on pioneering developments and guidelines, and drive change;
- Develop new, cost effective information management and technology (IM/IT) solutions, working practices and processes by building policies and regulations as required;
- Create a central core database with more flexible inquiry and report facilities, and better data capture models to improve data quality and access for government, industry and the OGA;
- Provide an enhanced OGA portal to improve production performance and decommissioning data management, access to information and the accuracy of final well data;
- Create a National Data Repository;
- Support the development of data regulations as outlined in the Energy Bill;
- Drive the work of the Data Board in support of the Oil & Gas MER UK Forum.

2.4 Licensing and legal

Administration of the licensing regime

KPI/Milestone	Target	Timing
Licensing regime		
Licensing and consenting work	90% of licenses and consents issued within the existing timelines	ongoing

A predictable and clearly defined licensing regime is important to minimise the administrative burden on industry and to ensure decisions are made in a fair and transparent way. The key steps we will take to provide an efficient and transparent licensing regime include:

- Provide easily understandable policies and guidelines;
- Process applications in the shortest possible time and within a fixed timetable;
- Limit the information requested from industry to that which is needed for considered decisions and provide sufficient description of the activity or transaction proposed.

Commercial behaviours

KPI/Milestone	Target	Timing
Commercial behaviours		
Improve industry commercial behaviours	1) Expectations on commercial behaviours agreed with industry and published 2) Standard contracts agreed with industry for top three priorities 3) Year on year decline in use of dispute resolution through to 2020	1) H1 2016 2) 2016 3) Annual (2016-20)

The Wood Review recommends improving commercial behaviours and increasing collaboration on commercial issues to maximise economic recovery. The key steps we will take to assist industry in delivering sustainable changes in commercial behaviours include:

- Continue to develop standard contracts and agreements;
- Improve the understanding of actual vs. imagined constraints of competition law;
- Amend the industry Commercial Code of Conduct into one that is routinely observed.

Within five years we would like the UKCS to be recognised as the global gold standard for commercial behaviours.

Non-binding dispute resolution

KPI/Milestone	Target	Timing
Dispute resolution		
Establish new dispute resolution regime (DR)	1) Preliminary decision on informal dispute resolution issued within the timescale set out in the guidance (90%) 2) Guidance for DR issued within six months of enactment of Energy Bill	

We will establish a process to consider industry disputes and ensure their timely and efficient resolution. The key steps we will take include:

- Establish a structure which is in alignment to industry good practice, our strategy and MER UK principles;
- Provide industry with a trusted, accessible and rapid means of resolving disputes within and between licence groups thereby avoiding expense and delay to activity;
- Promote within the industry a culture where destructive or unnecessary disputes are identified early and resolved (with the aid of OGA facilitation if needed) but without recourse to the formal powers of the OGA or the courts.

Sanctions

KPI/Milestone	Target	Timing
Sanctions		
Sanctions	Guidance for sanctions issued within six months of enactment	H1 2016

The work we will undertake to establish a transparent process will include:

- Develop a process for considering whether or not companies have failed to meet their obligations under the Acts or licences;
- Develop guidelines to describe the process including the matters to which the OGA will have regard when determining the amount of any financial penalty;
- Include a clear mechanism in the process for the separation of the investigative and decision making functions.

Third party access to infrastructure

KPI/Milestone	Target	Timing
Access to infrastructure		
Third party access to infrastructure	Preliminary decision on terms for infrastructure access or application of sanctions within four months of formal application (90%)	ongoing

The key steps we will take to monitor third party access to infrastructure include:

- Build on the existing legislation and guidance and ensure sufficient capacity within the OGA is in place to closely monitor the progress of access negotiations;
- Be more active in the use of our powers to step in to make determinations where MERUK is threatened;
- Describe more fully in guidance our approach to emerging late-life issues such as cost sharing and gas blending.

Access to capital

KPI/Milestone	Target	Timing
Access to capital		
Identify and facilitate new sources of capital for investment in the UKCS	1) Top 15 capital providers identified, 10 engaged 2) Construct viable investment opportunities 3) Success at identifying and mitigating top two barriers	1) Q1 2016 2) H1 2017 3) Q1 2017

Within three years, we would like the UKCS to have seen a marked increase in the proportion of assets held by new sources of long-term capital funding, including in particular infrastructure assets, late-life production assets and companies specialising in decommissioning.

The key work we will undertake to facilitate alternative sources of capital for investment on the UKCS includes:

- Identify the potential types of activity requiring investment such as infrastructure;
- Connect operators (with the assistance of other parts of government where appropriate) with investors;
- Work within industry and Government to reduce any barriers and secure new capital.

Legal advice

KPI/Milestone	Target	Timing
Legal advice		
Build legal capability	Legal team assembled	H1 2016

To fulfil our obligations under the licensing and legal regime we will build legal capability within the organisation. The key steps we will undertake to ensure we have the necessary expertise include:

- Recruit an experienced legal team capable of providing accurate, timely and robust advice and legal counsel on all relevant areas of law and regulation, with particular focus on administrative law and regulation and commercial matters;
- Serve both the licensing and legal team and the OGA more widely in relation to all interactions with Government or industry where legal advice is required;
- Be responsible for procuring and managing additional external legal resources.

2.5 Policy & strategy

KPI/Milestone	Target	Timing
Policy & strategy		
Build policy capacity	Policy team assembled	H1 2016
Strategic licensing policy	Complete and useable policy to feed into licensing administration	2016
Develop OGA policies as required	For minor scope/sensitivity within 2 weeks For medium: within 6 weeks	ongoing

We will continue to lead on a range of offshore and onshore operational practices. Our work will include:

- Play a key part in establishing shale in Britain and work closely with the Office of Unconventional Gas and Oil in DECC to establish the boundaries between Government and the Regulator and provide regulatory advice;
- Proactively develop common, clear, publicly available, policies on our position and processes;
- Engage with and work on international issues as they affect the UK oil & gas industry; proactively horizon scan to identify current issues and formulate policies and intervene as appropriate;
- Provide a long term strategic licensing policy to explore the framework for future licensing rounds on and off shore, and ensure the policy is reviewed periodically;
- Provide advice to DECC on high level oil and gas policy.

2.6 Economics & fiscal

KPI/Milestone	Target	Timing
Economics & fiscal		
Build economic capacity	Economics team assembled	H1 2016
Fiscal	Progress as set out in Driving Investment Plan and key work streams	ongoing

To underpin our support for HM Treasury and our operational, technical and commercial functions we will:

- Build significant additional capability in economics. We expect much of this new capability to be in place by the end of 2015 and to complete the team in 2016;
- Significantly increase our use of economics in individual regulatory decisions, work with the field teams to provide the economic analysis required for Regional Development Plans and develop a comprehensive picture of the sustainability of the basin;
- Continue to provide economic and commercial expertise and evidence-based advice in support of fiscal policy that contributes to MER UK in line with the Driving Investment publication;
- Work with HM Treasury to focus on the following priorities: exploration, infrastructure access and barriers to new entrants for late life assets;
- Seek industry input to make sure that we have full access to information and are directing our efforts toward the most important issues.

2.7 Effective industry and government engagement

Industry change

KPI/Milestone	Target	Timing
Effecting industry change		
External relationship management	Effective relationships with key industry players established and maintained	ongoing
OD & change capability (internal)	Identify facilitation, conflict resolution & large-system engagement training and tools for use by selected staff within the OGA	Q4 2015
OD & change capability (external)	1) Agreed budget/process & philosophy for use of external OD support 2) Identify PSL of 3-5 providers based on areas of expertise, complete tender process	1) Q4 2015 2) Q4 2015
External communication & engagement	Work with Comms/EA to ensure that positive industry messages and examples from interactions across the OGA are captured and utilised in external communications	ongoing

To influence and promote our industry we will:

- Work closely to build and maintain relationships with key stakeholders including OGUK, trade unions, government and industry;
- Build on the work of the Energy Jobs Task force, which brings together all the different parts of the industry;
- Conduct effective “horizon scanning” to understand upcoming issues, events and activities that would benefit from increased collaboration;
- Connect key players, make interventions to encourage collaboration using our own skills and utilising a network of change professionals;
- Support the development of facilitation and engagement skills for a few senior individuals, thus building capability both internally - and through frameworks externally;
- Encourage positive commercial behaviours and develop new ways of working to help the UK North Sea become a leading place to do business;
- Enable our staff to be exceptional ambassadors for the principles of MER UK;
- Source, record and share positive case studies on areas such as cost-efficiency and collaboration.

Working with industry and DECC

KPI/Milestone	Target	Timing
Comms & external affairs		
Aligned Oil and Gas Day	Q4 2015 meetings and ongoing industry/OGA boards	ongoing

Key steps we will take to ensure we are aligned with industry and DECC include:

- Be an accessible and accountable regulator working closely hand in hand with industry;
- Continue to refine forums like the Oil and Gas MER UK Forum (previously PILOT and Oil & Gas Industrial Council) to ensure they are focused and add maximum value for industry and ministers;
- Continue to support DECC & Ministers with technical and policy advice.

3. Internal support functions

3.1 Building the OGA

KPI/Milestone	Target	Timing
Building the OGA		
Staff transfer scheme	Produce a staff transfer scheme order ready for Secretary of State approval	H1 2016
Governance policies	Develop Remuneration Committee (Remco), performance mgmt & ethnics/behaviour & code of conduct policies	Q1 2016
Pensions	Prepare for the OGA to be added as a Schedule 1 Employer for access to Civil Service pension schemes	H1 2016
Systems	Separate from DECC payroll & HR/IT systems, identify the OGA system needs moving forward	Q1 2016
Core HR tools and process	Develop the key HR tools needed for the OGA. Tools include: recruitment, reward, performance, training, talent mgmt, onboarding, leader development, workforce planning	Q1 2016

Our initial focus of activity is the transition from the DECC/civil service environment into a Government Company (GovCo). Work we will complete to ensure an effective transition includes:

- Ensure effective consultations and ongoing employee and Trade Union involvement;
- Establish appropriate pension provisions for new and existing staff;
- Set up an OGA Payroll/HR IT system following separation from DECC;
- Support the creation of the Remuneration Committee and develop the policies and frameworks the committee requires to discharge its responsibilities;
- Design and roll-out, with engagement of staff and trade unions, diverse and inclusive policies and processes covering areas including: recruitment, reward, performance management, training, talent/succession management, on-boarding and leadership development.

3.2 Business as usual HR

KPI/Milestone	Target	Timing
Business as usual		
Workforce planning	Management of headcount to ensure adherence to the ceiling of 179	ongoing
Talent & succession management	Ensure effective planning to enable movement of staff and succession of key roles in future; establish a graduate and post-graduate development schemes	ongoing
Recruitment process	Develop a simple but robust process for the handling of recruitment as GovCo	Q1 2016
Effective use of reward	Aligned to Remuneration Committee (Remco), utilise effective market data to deliver an appropriate reward framework	ongoing
Strong & practical performance management	With input from the University of South Carolina student project, including engagement with staff and trade unions, develop and roll-out for 2016/7 a fit-for-purpose performance management process	Q1 2016
Training	1) Develop a policy for how training & development will be used in the OGA, and launch to staff 2) Ensure all staff have training plans in place 3) Develop a programme for building & supporting leadership and people management	Q1 2016
Employee engagement	Increase overall employee engagement scores on annual employee survey – target range of 1-5% improvement per year	ongoing
Trade Union engagement	Ensure readiness under GovCo to launch new OGA relationship with trade unions including: 1) Development of a new facility agreement 2) Agree Pay Bargaining Unit separation process 3) Agree trade union constitution	1) Q4 2015 2) Q1 2016 3) Q1 2016

The key steps we will take to form our new culture and make best use of our talent include:

- Continue to apply a robust recruitment process, develop a strong employer brand and maintain a focus on demonstrating value for money through careful management of recruitment suppliers and use of accurate data reporting and tracking;
- Create attractive and affordable reward frameworks that deliver the capability and capacity that the OGA needs, and enable the recruitment and retention of a diverse workforce;
- Put in place a strong and practical performance management process to support delivery of our commitments;
- Encourage dialogue between staff and the Board/leadership team and provide additional capability and time to support supervisor/leader development;
- Improve our employee engagement by 1–5% in overall engagement each year and target similar improvements in the scores for “leadership & managing change”, “inclusion and fair treatment” and “organisational objectives and purpose”;
- Continue with annual all-staff events.

3.3 Performance & planning

KPI/Milestone	Target	Timing
Performance & planning		
Build policy capacity	Policy team assembled	H1 2016
Strategic licensing policy	Complete and useable policy to feed into licensing administration	2016
Develop OGA policies as required	For minor scope/sensitivity within 2 weeks For medium: within 6 weeks	ongoing

We will create and maintain a simple but robust internal performance management system and the key steps we will undertake to achieve this include:

- Establish a process-light planning culture within the organisation and seek to establish a business as usual baseline and measures of new impact;
- Add value to the operator data collected, and translate it into information, knowledge and intelligence on a timely basis;
- Work across OGA teams and other regulators to minimise and rationalise reporting burdens;
- Track industry performance, monitor cost-efficiency and programmes in line with MER UK;
- Hold individuals and groups to account for delivery of agreed projects and initiatives, and drive high-quality work.

3.4 Finance, corporate services and governance

Business support

KPI/Milestone	Target	Timing
Business support		
Accommodation	Provide secure, long-term, value for money and appropriate accommodation for the OGA in 1) Aberdeen (HQ) 2) Secondary premises in London	1) Q4 2015 2) H1 2016
Managed services	1) Specify requirement 2) Conduct a competitive tender process to ensure the OGA has appropriate, flexible and value for money finance, HR and IT services to support its needs as GovCo 3) Integrate and implement services	1) Q4 2015 2) Q4 2015 3) Q2 2016

Becoming an independent Government Company in 2016 is an important part of our establishment as an independent regulator. Work we will undertake to ensure we are able to operate efficiently and deliver value for money at arm's length from Government includes:

- Secure accommodation, appropriate to the independent nature of the OGA, both in Aberdeen (Headquarters) and London and ensure the effective maintenance and utilisation of these properties;
- Assess our managed services requirements, namely for finance and HR systems to ensure the systems fully meet our requirements;
- Run a competitive tender process to procure our managed services providers and ensure the new finance system will be in place for the 2016/17 financial year;
- Focus on procuring systems that are flexible, proportionate to the size and complexity of our organisation and that provide value for money.

Governance

KPI/Milestone	Target	Timing
Governance		
GovCo	Define and implement corporate and legal requirements for GovCo	H1 2016
Board and oversight	1) Establish a fully formed OGA board 2) Establish and implement internal & external audit frameworks 3) Design and embed fraud prevention, anti-money laundering and whistleblowing policies	1) Q4 2015 2) Q4 2015 3) Q4 2015/ Q1 2016

We will clearly identify the corporate and legal requirements that we need to fulfil as a GovCo, building upon what we have already put in place as an executive agency. The key steps we will take to support an effective transition to GovCo include:

- Ensure all relevant frameworks are in place to support the transition from Executive Agency to GovCo;
- Ensure we are held to account and subjected to suitable oversight by a well-functioning, fully-formed Board;
- Design and implement a robust internal control and governance framework;
- Develop accurate, timely and transparent external financial reporting in conjunction with external audit partners;
- Provide effective and timely assurance to DECC Ministers on OGA's effectiveness and efficiency;
- Establish a regulatory decision making framework with clear accountability.

Financial management & control

KPI/Milestone	Target	Timing
Financial management & control		
Control frameworks	1) Design and implement robust financial planning, control and monitoring systems 2) Identify and address segregation of duties issues	1) Q4 2015 2) Q4 2015
Levy billing	Design and implement robust levy billing process; ensure industry, the sponsor team and shared service providers are appropriately involved; regular reviews	ongoing
Banking and cash management	1) Design appropriate banking and cash management arrangements 2) Implement appropriate banking and cash management arrangements; ensure availability of sufficient liquidity to address Q2/16 requirements	1) Q4 2015 2) Q2 2016

Effective financial management and control is vital to ensuring that we are able to operate effectively with sufficient funds to support our critical MER UK activities referred to in this plan. The key steps we will take to support this objective include:

- Develop a robust financial control framework with easily accessible, value-adding reporting and insight supported by a proactive team which will focus on accurate forecasting, business case reviews, project management and value for money studies;
- Establish a transparent levy billing process;
- Create an effective banking and cash management function.

Risk management

We have identified our main risks and will monitor and regularly review these risks to ensure they are mitigated appropriately. We have established a process to escalate risks to DECC if they fall outside the control, influence or financial delegated authority of the Chief Executive.

In our *Call to Action and Call to Action: six months on* reports we highlighted the major risks of premature decommissioning of assets and declining long-term investment in the UKCS following the sharp decline in global oil prices. The economic environment for companies has become more difficult and the need to reduce operating costs and improve efficiency to remain competitive has become even more pressing. These difficult conditions have already led to significant job losses and we are committed to work with industry and government to tackle the risks and join efforts to address the most urgent priorities and retain capability in the UK oil and gas sector.

Income, expenditure & funding projection

As articulated in table 5, the majority (c75%) of our operating expenditure relates to staff costs. There was significant staff growth in 15/16, which will continue in 16/17 as we grow our headcount towards the target operating model (from 112 FTEs currently to 179 by early in the next financial year). Over this period 'back-office' costs remain broadly flat, with the increase taking place in industry facing and supporting activities which rise to 83% of total expenditure.

The increase in programme costs is twofold with significant additional activities in support of Exploration & Production being primarily geological surveys, environmental assessments & reservoir engineering, as well as new work to support the transformation of access to, and significant improvements in, the quality of MER UK related data.

In order to establish an independent base for our operations capital has been allocated in 15/16 for the fit-out of our Aberdeen HQ and new London office. The Aberdeen work is already well underway with completion due in November 2015. The London fit-out will complete in early 2016. Beginning in late 15/16 and continuing into 16/17 we will overhaul and develop our industry facing IT infrastructure. Other IT expenditure over the period of this plan relates to desk-top equipment. Capital expenditure is initially funded by DECC and then recovered from the levy via related depreciation charge.

Table 4: Summary of income, expenditure and funding¹⁵

	2015/16	2016/17	2017/18	2018/19	2019/20
Admin (operating) costs	£14,035	£18,700	£18,739	£19,187	£19,474
Programme Costs	£2,934	£5,500	£5,132	£5,255	£5,381
Capital Costs	£2,004	£946	£500	£299	£170
Depreciation	£92	£428	£649	£704	£559
Total Expenditure	£19,065	£25,574	£25,021	£25,445	£25,584

Funded by

Fees & Charges	£965	£965	£965	£965	£965
DECC & HMT	£8,020	£3,946	£3,500	£3,299	£3,170
Levy	£10,080	£20,663	£20,556	£21,181	£21,449

Table 5: Analysis of expenditure by category

	2015/16	2016/17	2017/18	2018/19	2019/20
Pay	£9,696	£13,546	13,740	£14,141	£14,353
Other staff costs	£904	£856	£640	£640	£640
IT Revenue Costs	£1,019	£1,213	£1,243	£1,272	£1,303
IT Depreciation	£50	£246	£458	£501	£344
Accommodation Revenue Costs	£998	£1,472	£1,426	£1,465	£1,480
Accommodation Depreciation	£42	£183	£191	£203	£215
Programme Costs	£2,934	£5,500	£5,132	£5,255	£5,381
Communications, Publications, Expert Advice	£365	£890	£911	£932	£954
Governance Costs	£425	£472	£523	£474	£475
Managed Service Costs	£100	£250	£256	£262	£268
Transition & Setup Costs	£527	£-	£-	£-	£-
Total Admin, Programme & Depreciation Costs	£17,061	£24,628	£24,521	£25,146	£25,414

Capital Costs

IT	£204	£896	£380	£179	£50
Accommodation	£1,800	£50	£120	£120	£120
Total Capital	£2,004	£946	£500	£299	£170

Total Funding Requirement	£19,065	£25,574	£25,021	£25,455	£25,584
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As set out in the Government Response, the annual levy for 2015/16 was apportioned between pre-production (11%) and in-production (89%) license holders based on an assessment of the costs that the OGA incurs in relation to each group¹⁶. Regulations setting out the details of the levy and the exact levy rate on each category of license holder will be laid in Parliament annually in advance of invoices being issued.

¹⁵ Figures in this table reflect current projections and may be subject to change

¹⁶ Also see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459336/OGA_levy_Government_Response_to_consultation.pdf

