



Oil & Gas  
Authority

# Response to Public Consultation on OGA Corporate Plan 2016–2021

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# 1. Introduction

In November 2015 the Oil and Gas Authority (OGA) began a public consultation on its draft Corporate Plan 2016–2021 which underpins the OGA budget and levy requirements for 2016–17. The consultation was conducted between November 6 and 18 December 2015. 35 responses offering constructive feedback were received from a broad range of organisations and individuals.

In addition, OGA directors hosted workshops in Aberdeen and London facilitating face-to-face discussions and direct feedback from industry representatives and other interested stakeholders.

The consultation sought views 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?**

The purpose of this document is to summarise the feedback gathered from the consultation and the OGA's response to the comments received. This document does not list or comment on every response received but all the submissions have been considered by the OGA and have been helpful in preparing a revised version of the OGA Corporate Plan 2016–2021.

## 2. Summary of feedback

The OGA was pleased that industry and other stakeholders welcomed the opportunity to comment on the priorities, plans and funding requirements and that they considered the draft Corporate Plan to set the right direction overall. The key feedback is summarised below.

### 2.1 Urgency and pace

**There is a need for urgency and pace given the difficult operating environment.**

The OGA agrees. The sustained low oil price is affecting the oil and gas industry across the world and we recognise that this is a very difficult time for companies adapting to the current operating conditions. We have updated the Plan to include our immediate priorities that we will focus on and to which the MER UK boards will contribute. The Plan also integrates the immediate actions identified in the Wood Review and the OGA Call to Action Report, and more prominence has been given to the OGA opportunity matrix. Clearer activity plans have also been included in each section of the Plan combining 2016 actions with longer-term priorities.

### 2.2 Priorities, accountabilities, targets and KPIs

**The Plan is very comprehensive and perhaps the OGA is taking on too much. KPIs should be quantifiable and only those over which the OGA can demonstrate influence should be included. Accountabilities should be clearer to avoid duplication and the OGA's role to regulate, influence and promote should be explained more fully.**

The OGA agrees. The Plan is now clearer on accountabilities, particularly to explain when the OGA is 'leading' and when it is 'supporting'. As a result some KPIs over which the OGA has no direct influence have been removed or replaced. A detailed explanation of the OGA's role and indication whether the OGA is regulating, influencing or promoting, has been included against each deliverable.

### 2.3 People and organisation

**The OGA organisation seems to mirror large oil companies. Perhaps it does not understand smaller operators.**

The OGA does not agree. We are pleased to have been able to add to the existing strengths of the team by recruiting highly experienced and capable people from companies of all sizes, and from a range of sectors and geographical backgrounds. The organisational structure has been set up to deliver our objectives as recommended by the Wood Review. Continuing to build a diverse team which reflects the diversity of companies operating on the UKCS is an important part of our Plan.

## 2.4 MER UK Forum and Boards

**The purpose of the MER UK Forum and Boards should be explained. Boards should be tightly focused and the Plan should reflect the top three priorities for each Board**

The OGA agrees and the MER UK Forum and Boards have significantly developed since the original draft Corporate Plan was produced. The updated Plan includes a more detailed overview and explanation. We have highlighted the involvement of the MER UK Boards on specific activities and have created greater alignment between the Plan and the priorities of the MER UK Boards.

## 2.5 Exploration

**The Plan should include concrete action to rapidly boost the number of exploration and appraisal wells drilled including a clearer licensing timetable.**

The OGA agrees. A more detailed activity plan has been provided in the updated Plan, which includes the implementation of a licensing strategy that provides fit for purpose terms and timetable.

## 2.6 Asset Stewardship

**The OGA should move towards measuring asset reliability in addition to production efficiency.**

The OGA agrees. The MER UK Asset Stewardship Board will focus on a number of performance criteria which will include asset integrity and reliability.

## 2.7 Regional development and infrastructure

**The Plan should be more ambitious on the development of regional plans with completion by the end of 2016 and on increasing the number of wells. The strategic importance of the Southern North Sea (SNS) should also be recognised.**

The OGA agrees. The updated Plan recognises the need for regional development plans to be in place by the end of 2016 and for the OGA to work closely with industry on the creation of the plans. A more ambitious target of 50 wells per annum by 2021<sup>1</sup> has been set and by the end of 2016 we have committed to undertake work to evaluate the strategic potential of the SNS.

## 2.8 Decommissioning

**The Plan should clarify how the decommissioning base cost estimate was calculated and the baseline against which any measures are taken. It should describe how the OGA intends to reduce decommissioning costs working closely with industry and with DECC.**

The OGA agrees. The Plan has been updated to include details of the base cost estimate and the specific actions that the OGA, industry and government must take to reduce the overall cost of decommissioning. We have also emphasised that the OGA will work with industry, HM Treasury and DECC.

## 2.9 Carbon Capture and Storage (CCS)

**The Plan should clarify the OGA's remit on CCS and gas storage and should reference the UK Government's decision to withdraw public funding for the commercialisation competition.**

The OGA agrees. The OGA's accountability in the area of CCS is a regulatory one, covering the issue of permits. The plan recognises the OGA's wider role in providing technical, commercial and financial assurance on CCS projects to the UK Government, and we will work with industry and relevant stakeholders to identify synergies and promote opportunities.

## 2.10 Onshore oil and gas

**The Plan should reflect conventional onshore oil and gas as well as shale and explain how the OGA, if contracted by the Scottish Government, would regulate onshore activity in Scotland alongside MER UK for the offshore industry.**

The OGA is working with the Scottish Government on the issue of onshore regulation in Scotland. The plan has been updated to reflect the OGA's role in the development of conventional onshore oil and gas.

## 2.11 Data and data management

**The Plan should describe how existing systems and resources will be leveraged, how the OGA will implement new legislative powers and how the OGA will work with Common Data Access (CDA). A reliable licence register should be a priority.**

The updated Plan provides additional detail on all of these points and recognises the importance of leveraging existing systems and resources, and the significant experience and knowledge of CDA. The OGA continues to improve current web based licence systems. For the time being we don't anticipate the development of a formal licence register.

<sup>1</sup> Target to be reviewed by the Exploration Board

## 2.12 Funding and levy

**The Plan should be more transparent on costs to reassure industry that it is getting value for money, demonstrate that the OGA is sensitive to current pressures and recognise that the onshore and CCS work should not be funded by the levy.**

The OGA fully understands the current pressures on companies operating and investing on the UKCS and remains focused on delivering value for money. However, the current difficult operating environment combined with previously low levels of investment in the regulator require investment to create a fully capable, well-resourced regulator at this time.

Our intention is to reduce the cost of the OGA over time and industry can help achieve this by meeting the expectations outlined in Call to Action and reiterated in the Corporate Plan.

The OGA is focused on keeping administration costs to a minimum and will actively seek to streamline processes and ensure a cost-efficient outsourcing of back-office activities.

The vast majority of the OGA's costs relate to direct activities, i.e. exploration & production, licensing & legal, technology, supply chain, decommissioning and policy, performance & economics.

**Specifically, more detail on programme expenditure should be provided and an overall comparison to the original impact assessment estimate should be made. The plan should also address concerns raised by Promote licence holders.**

A more detailed explanation of programme expenditure has been included in the updated Plan.

The original Impact Assessment (IA), accompanying the first phase of the Wood Review implementation programme, was prepared in September 2014 before the OGA was established. It provided indicative estimates of the potential costs and benefits associated with implementing the recommendations in the Wood Review and highlighted the inherent uncertainty of the analysis at that early stage of the business planning process. For example, it did not include programme expenditure (third party specialist expertise and services). In addition, in accordance with Treasury appraisal guidance, the original September 2014 IA used a discount rate of 3.5%.

In preparation for the OGA to become an Executive Agency of DECC, a business planning process was undertaken in Q1 2015. It identified the OGA's high-level work programme for 2015/16, structure, organisational requirements and associated costs. As a result, an IA to accompany a consultation on the OGA's levy, published in March 2015, highlighted an increase of 66% on the original IA.

In June 2015, the OGA leadership team was appointed and the high-level work programme was developed into detailed activity plans. This identified additional activities including exploration studies, regional hub evaluations and enhanced data management which resulted in additional programme expenditure which was reflected in the November 2015 consultation on the OGA's corporate plan and industry levy for 2016/17.

DECC will publish a holistic IA during the final phase of implementation to ensure that the full costs and benefits to industry and society as a whole are quantified on a consistent basis.

### 2.13 Standard agreements and commercial behaviour

**OGA's plans to create standard agreements seem ambitious given how long they take to put in place. OGA should encourage industry to abide by the existing Code of Practice providing clear guidance and instructions on interpretation.**

The OGA agrees. The updated Plan recognises the need to encourage the use of standard agreements and for the existing Code of Practice to be consistently implemented and observed across the UKCS.

### 2.14 EU legislation and regulations

**The Plan should recognise the significant EU legislation and regulation affecting the UKCS and describe how the OGA will protect the UKCS from EU legislation and regulations. The Plan should also explain how regulatory activity will work and how guidance will be implemented. Clarity is required on access to meetings requirements given potential compliance burden and how the appeals process will work.**

The OGA agrees. The Plan has been updated to explain that the OGA will monitor relevant EU and international policy developments and work with government and industry to ensure oil & gas impacts are understood and considered.

The Plan also provides further detail on how regulatory processes and guidance will be issued following Energy Bill Royal Assent. The OGA will work closely with industry when creating and introducing new processes and guidance

### 2.15 Technology

**The Plan should give more priority to encouraging the adoption and implementation of existing technology that has not yet been widely adopted and how the OGA will facilitate technology collaboration.**

The OGA agrees. Encouraging the adoption and implementation of existing technology is included as a specific activity with a target of identifying more than four investments enabled by existing technology by 2021. The OGA will promote technology collaboration through the Technology Leadership Board, its support for the proposed Oil and Gas Technology Centre and by making sure that technology considerations are integrated across all areas of the OGA's work from exploration to decommissioning.



## 2.16 Supply chain

**Is promoting the supply chain the OGA's role? It should limit itself to influencing the relevant parts of government to provide a competitive environment for supply chain investors.**

Given its vital importance to achieving MER UK, the OGA has an important role to promote the development of a strong and competitive supply chain to support the overall prosperity of the industry and increase value creation in the UK and through exports. The Plan explains that we will support UK Trade and Investment, Scottish Enterprise, Oil & Gas UK and others on these objectives. The MER UK Supply Chain Board will play a central role in coordinating collective efforts.

## 2.17 Stakeholder engagement

**The Plan should acknowledge the OGA's role to work closely with Ofgem and other offshore regulators, and to coordinate oil and gas matters across government departments. It should provide more clarity on the OGA's investor relations activities and recognise initiatives across the UK, not just in the North East of Scotland.**

The OGA agrees. The updated Plan reflects our intention to work closely and collaboratively with a wide range of stakeholders including other regulators and government departments, and how the MER UK Forum and Boards will help support this activity. It explains how we will support government departments to promote investment in the UKCS and demonstrates that we are supporting relevant initiatives across the country.

## 3. Next steps

The revised Plan has been approved by the Secretary of State for Energy and Climate Change and has been published on our website.

To support effective implementation and deliver tangible outcomes, we will work through the MER UK Forum and Boards to harness the tripartite relationship between industry, government and the OGA. We will review our priorities and objectives regularly and will consult with industry on the Plan and levy annually.



